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**FINANCIAL SERVICES MARKETING IN THE ERA OF  
ONLINE SOCIAL NETWORK SITES: THE CASE OF  
INSURANCE MARKETING**

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***Abstract***

*Online social network sites (OSNSs) pose a new trend in social communication that gains an enormous popularity in short time. Consequently, the chance for marketing of products and companies is opening. As well, the question about the possibility of using this channel also for the financial sector, including insurance companies, arises. This idea is followed up by the main goal of the paper: to explore Online Social Network Sites' (OSNS) role in retail commercial insurance marketing and uncover consumers' perceptions about the acceptability of insurance company communication and distribution into the environment of OSNSs. The paper contains theoretical analysis of the usability of OSNS as a communication and distribution channel for insurance companies. Besides the theoretical analysis, also the survey of consumers' perception was conducted. Our results indicate that OSNSs represent a possible channel for insurance company marketing mainly in the area of the communication. However, the distribution of commercial insurance by OSNSs is also not an omissible area. These findings are widely applicable also for other financial services' marketing.*

***Key words: financial services' marketing, insurance marketing, Online Social Network Sites, communication channel, distribution channel***

## 1. INTRODUCTION

Online Social Network Sites (OSNSs)<sup>1</sup> represents new trend combining many Web 2.0 components. (Funk, 2009) People can interact with each other, compare their ideas, share their photos or videos and many more other activities. All these activities can also include products or services information. (Jansen et al, 2009) Many researches (De Valck, Van Bruggen and Wierenga, 2009; Ohbyung and Yixing, 2010; Trusov, Bucklin and Pauwels, 2008; Van Den Bulte and Wuyts, 2007) focus on exploring the OSNSs potential usage for marketing of different type of products. However, these products and services only rare include financial services (Steyn, Wallströ and Pitt, 2010) or insurance until now. For that reason, we decided to examine their possibilities of use in financial services' marketing with emphasis of retail commercial insurance marketing.

The aim of our research is to explore OSNSs role in retail commercial insurance marketing and uncover consumers' perceptions about the acceptability of insurance company communication and distribution into the environment of OSNSs. The paper is structured in four sections. First section summarizes theoretical background of our research and explains the development of our research questions and hypothesis. Next section defines methodology of our research. The last two sections contain our findings and discussion of these findings.

## 2. THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

In the scholarly literature, research in theory of commercial retail insurance marketing is a rare topic today. However, commercial retail insurance marketing differs from physical products marketing as well as other financial services' marketing. (Nogueira and Oliveira, 2003) Insurance is a specific product because it is a service strongly based on trust. For insurance company goodwill and brand are one of the most valuable properties. Clients are more careful with their finances so they need a warranty that their money and life or property is in safe. In addition, insurance is often a long-term business and clients need to be sure, that if an insurance event occurs, the insurance company will be prepared to provide the promised coverage.

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<sup>1</sup> We prefer the name OSNSs for clear definition of our research goal. In scholarly literature, the name is not unified. Some authors use name Social Networks (Coyle and Vaughn, 2008; Doyle, 2007), another Internet Social Network Communities (Fogel and Nehmad, 2009), Online Social Networks (Mislove et al, 2007) or Social Network Sites (Backstrom et al, 2006; Boyd and Ellison, 2007). We will use the term Online Social Network Sites (Ellison, Steinfield and Lampe, 2007) to demark clearly social networks provide online and by special World Wide Web sites from traditional sociologic social networks. As OSNSs are based on them but they have some specific features due to their specific way of connecting.

More established area in insurance marketing research is marketing of insurance products by the Internet. Emphasis is put on the topics of the regulation of online selling; methods of marketing insurance products over the Web; and barriers to Internet marketing. (Eastman, Eastman and Eastman, 2002) However, these studies focus mainly on insurance marketing by websites of insurance companies. They neglect the social medias and their role in the commercial insurance marketing.

In the past decades, general marketing overcame significant changes (Rust and Espinoza, 2006). It became more precise, personal, and social, mainly due to technological development, including social medias expansion. (Shih, 2009) Social medias including OSNSs represent a channel for application of these new trends also into insurance marketing. OSNSs are defined as “web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system” (Boyd and Ellison, 2007). Therefore, they represent a number of opportunities for interacting with customers and also between customers. (Zarella, 2009) Customers can generate their own content<sup>2</sup> including brand-related content in the form of online brand testimonials, product reviews<sup>3</sup> and user-generated commercials. (Salwen and Sacks, 2008) Consequently, classic marketing purchase tunnel (Evans, 2008) is enriched with three new phases - using of products, forming own opinion about products and influence consideration of others buyers – in mass form.<sup>4</sup> They extended several-fold the group of people who can individually influence.<sup>5</sup> Moreover, OSNSs is not negligible segment represents the fact that one of the biggest of OSNSs has more than five hundred millions users. (Facebook, 2011)

In our research, we posed two research questions, which we would like to respond by analyzing information from available scientific literature and by the prepared survey that is described below. Our research questions are based on traditional marketing theory (Kotler and Keller, 2006), which defines three marketing channels to reach a target market. For insurance companies, the first two are particularly important: the communication channel and the distribution channel. The communication channel is an important way how an insurer can deliver and receive messages from potential or actual clients, and the distribution

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<sup>2</sup> Summary of positive effects of consumer-generated content find in Steyn, Wallströ and Pitt (2010)

<sup>3</sup> Impact of online product reviews on product sales could be find in Chevalier and Goolsbee (2003); Chevalier and Mayzlin (2006); Godes and Mayzlin (2004); Hu, Liu and Zhang (2008)

<sup>4</sup> Expansion of OSNSs has rapidly increased the impact of the reference group, i.e. any person or group of people who significantly influences an individual's behavior. (De Valck, Van Bruggen and Wierenga, 2009).

<sup>5</sup> Influence of network is known as value of network. For assessment of network value, there are three specific laws. In connection with OSNSs, it is particularly important the third law known as Reed's Law. Reed says that the group of people turns into communities with many connections. Therefore, each member is also a “sender” and a “listener” of information. It means that traditional network of one “sender” and many “listener” is overcome. For more information about first two laws, see e.g. Evans (2008).

channel is a way for selling products. And OSNSs represent a big forum for flourishing conversations as well as for experiences with the product. This effect is reinforced by the fact that users mainly do not discuss with strangers but more with acquaintances. Therefore, our first research question focuses on OSNSs as a communication channel for insurance companies. OSNSs create a place for online word-of-mouth marketing, the modernized version of traditional word-of-mouth marketing (Arndt, 1967; Dichter, 1966; Richnis and Root-Schaffer, 1988). Its basis could be understood as a “statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet”. (Jansen et al, 2009)

*RQ1: Are OSNSs usable communication channels for insurance companies?*

Regarding to the communication about insurance products by OSNSs, we pose also one hypothesis. This hypothesis focuses on influence of gender on willingness to communicate about insurance products by OSNSs. We suppose that gender has no effect on respondents' willingness to communicate about insurance products by OSNSs. Our assumption is derived from new researches, which refute conventional myth that women are more talkative than men are. According to these researches, women and men speak equally. (Mehl et al, 2007). Therefore, we suppose that they also communicate about insurance products by OSNSs equally.

H1: Gender does not affect respondents' willingness to communicate about insurance products by OSNSs.

The second research question focuses on distribution of insurance products by OSNSs. This idea is complicated in connection to individual character of insurance need. (Mehr, 1969) The distribution channels for insurance products could be simply divided into two specific groups, based on the way of connection. One is more personal based on human contact with include affiliate branches of insurance companies, brokers and agents, banks, shops and so on. Another is based on technical appliances such as telephone, SMS and the World Wide Web. (Mayer, 2008) In terms of retailer, distribution channels could be divided between three groups: direct writing, intermediaries, bancassurance. CEA (2010) OSNSs may potential to contribute to special distance selling methods in the group of direct writing.<sup>6</sup>

In the area of insurance products distribution the research mainly focuses on e-insurance, its advantages and disadvantages (Anargiridou, Anargiridis and Papadopoulos, 2008) and the process of e-insurance (Dasgupta and Sengupta, 2002). However, all these studies analyze only traditional categories of insurance companies offering e-services: Web sites, Product portals, Point-of-sale portals,

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<sup>6</sup> Direct writing means distribution of insurance by insurance companies, without intermediaries. Direct writing could be performed by own sales of insurance companies employees and distance selling by call centers, the internet, mailing, etc. (CEA, 2010)

Intermediate brokers, Reverse auction, Aggregators. (Dasgupta and Sengupta, 2002) They again neglect the OSNSs issue. We would like to examine whether OSNSs could be ranked among these categories. Consequently, we are interested in analyzing pros and cons of OSNSs as a way of commercial retail insurance distribution and individuals' perception of using this channel for insurance policy use.

*RQ2: Are OSNSs usable distribution channels for insurance companies?*

Regarding the second research questions, we present two hypotheses. The hypotheses follow previous researches of e-shopping. First hypothesis is based on the research in the area of gender differences in e-shopping. According to conclusions of Van Slyke, Comunale and Belanger (2002) and also Wu (2003), men view Web-based shopping more favorably than women do. Researches also suggest that greater risk taking attitudes exist among men than women (Fogel and Nehmad, 2009). Therefore men have to be more risk-lovers and more disposed to use e-shopping. Also women seem to use OSNSs mainly for social connections and they are more protective of their personal information and more likely to have private profiles. (Caverlee and Webb, 2008; Jansen et. al, 2009; Lewis, Kaufmann and Christakis, 2008)

Therefore, we suppose that men are more willing to use OSNSs as a distribution channel for insurance products.

H3: Men are more willing to buy insurance by OSNSs.

Third hypothesis is derived from findings of Wu (2003). According to Wu (2003) consumers with the lower education are more susceptible to using e-commerce. We would like to explore if these findings are valid also for insurance and also for OSNSs.

H3: Respondents with lower education are more willing to buy insurance by OSNSs.

### **3. METHODOLOGY OF RESEARCH**

Besides theoretical analysis of possible usage of OSNSs for insurance products communication and distribution, we prepared a survey. We decided to use Facebook for our research because of its popularity and wide use all over the world.<sup>7</sup> (Eldon, 2010)

Our research involved one hundred random sampling units, who were members of Facebook and were aged between 19 and 31.<sup>8</sup>

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<sup>7</sup> According to official statistics Facebook (2011), it had more than 500 million active users in 2011 and 50 per cent of active users log on to Facebook in any given day.

<sup>8</sup> We focused on this age interval because according to statistics about Facebook users from many countries the two biggest groups of Facebook users are in this age interval. In the main, this ratio is

Questionnaire consisted of demographic questions (Age, Gender, Education, Registration and Activity) and perception questions focused on users' behavior. The questions followed up our research questions. First group of questions was related to our RQ1, so possibilities of Facebook usage as a communication channel for insurance companies could be explored. These questions focused on the following: whether users put into their statuses the information about positive or negative experience with an insurance company (variable EXPERIENCE), whether users use Facebook friends to obtain advice or discussions about insurance companies or insurance products (variable INS\_ADVICE). The other two questions were aimed at responding to our RQ2: possibilities of using Facebook as a distribution channel for insurance companies. In these two questions, we asked about user communication demand for insurance companies' employees or insurance brokers through Facebook and under what conditions (variable COMMUNICATION). The second question regarding the distribution channel was very hypothetical. We asked if users would be more apt to use Facebook for buying insurance policies, e.g. by special Facebook application created by insurance company with all security settings and with possibility to chat with insurance company's employee (variable INSURE). Each respondent could choose only one answer for each question. In each perception question, there were two main answers: Yes or No. However, there were also additional answers that specified the conditions for the "Yes" or "No" answer. In connection to our research questions, we analyzed the data on the global level. It means that we focused on observed behavior of respondents regardless of their demographic characteristics. Besides global testing, we conducted the partial testing aimed at researched mutual relations between respondents' answers and their characteristics. This testing was related to our hypotheses. In addition, we explored which characteristics of respondents' significantly influence their behavior. Relationship between variables was analyzed by Pearson's chi square test because our data are mainly categorical so they do not have a normal distribution. (Field, 2005) The strength of relation was measured by Cramer's V.

#### 4. FINDINGS AND DISCUSSION

Next section of the paper presents a theoretical and empirical analysis of the given research questions and hypothesis. Empirical analysis is based on the data that we obtained from the realized survey. The demographic characteristics of respondents are shown in Table 1.

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more than 50 per cent of Facebook users.

Table 1.

## Demographics of respondents

Variable	Categories	Percent
Age	(19-23)	16 (16,0)
	(24-27)	76 (76,0)
	(28-31)	8 (8,0)
Gender	Man	46 (46,0)
	Woman	54 (54,0)
Education	High school education	30 (30,0)
	University education	70 (70,0)
Registration	Less than one year	20 (20,0)
	More than one year	80 (80,0)
Activity*	Often	89 (89,0)
	Average	11 (11,0)

\* Activity was divided into two categories often (means once a day and often) and average (once a week and more)

Source: Authors' calculations.

#### 4.1. OSNSs as a communication channel for insurance companies

Theoretically, OSNSs have potential to influence communication with clients of insurance companies in three ways. Firstly, OSNSs represent a huge space for wide communication. Therefore, they provide significant opportunities for the realization of an online word-of-mouth marketing<sup>9</sup> for insurance companies.

Online word-of-mouth marketing involves a lot of techniques but for the insurance industry in connection to OSNSs, the main techniques are Viral marketing, Community marketing, Evangelist marketing and referral programs: (Farkas, Laurin and Tomek, 2008)

- Viral marketing utilizes the creation of funny and/or informative messages expanded in the viral way.
- Evangelist marketing means using voluntary “speakers” and advocates of the brand. In this case, it is very hard for insurance companies to manage or affect these effects.

<sup>9</sup> Word-of-mouth marketing could involve consumers sharing attitudes, opinions, or reactions about businesses, products, or services with other people. These interactions are very important because research indicates that consumers attach importance to the opinion of others while making purchase decisions. (De Valck, Van Bruggen and Wierenga, 2009; Engel, Blackwell and Kegerreis, 1969)

- Community marketing refers to techniques that create communities that are in favor of the product. Customers will probably have interest due to the brand.
- Referral programs rely on satisfied customers who can provide references about products and services to their friends.

Insurance companies have two ways they can use these techniques. Primarily, OSNSs represent a network area with many members, where anyone can write anything that can be read or commented by an innumerable number of other individuals. Most OSNSs have opportunities to share ideas by status messages or microblogs. People can write anything and all those with access can read and comment that. It is scientifically proven that 19 per cent of statuses mention a brand. Nearly 20 per cent of them contained some expression of brand sentiments. In addition, more than 50 per cent of these were positive and only 33 per cent were critical of the company or product. (Jansen et al, 2009) Therefore, this message is an optimal tool especially for Viral marketing and Evangelist marketing techniques. For insurance companies it is more suitable to create their own profiles or pages where they can easily communicate with users of the site. These applications are a unique tool for Viral marketing and Community marketing techniques and also Referral programs. For insurance companies online word-of-mouth marketing and its techniques with OSNSs bring new ways through which they can promote their services to potential clients and stay in contact with current clients. This is a big advantage of OSNSs compared to the insurance companies' web sites whose fundamental problem is the low rate of repeated visits by existing customers. (Banan, 2009) Increasing repeated visits, as well as new traffic, to the insurer's website is essential. (Banan, 2009) OSNSs have potential to increase the insurance company web sites. Therefore, it means that they improve methods of intensive and extensive acquisition. In Trusov, Bucklin and Pauwels (2008), authors studied the effects of online word-of-mouth marketing using data from OSNSs and found out that it has a very strong impact on new customer acquisition.

Next problem of insurance marketing is specific approach to insurance marketing campaigns because of irregular nature of the purchased insurance. As a result, buyers pay little attention to advertising products they are not looking to buy. For that reason, the task of insurance advertising is to generate a sufficient level of awareness and over time to be "top of mind" when buyers decide to be insured. (Eherlich and Fanelli, 2004) Hence, OSNSs represent strong tools for insurance companies to stay in the minds of potential clients.

For improving this effect, there is a second contribution of OSNSs for insurance company acquisition called hyper-targeting. It poses an easy way insurers can improve communication with clients by using users' profile information. (Shih, 2009) Whereas the users' profiles contain a lot of personal information. Marketers can use this information and easy target their advertisements and messages to groups of people who are potential buyers of the advertised product or service. (Doyle, 2007) OSNSs can be also used in a

Relationship Marketing (Duncan and Moriarty, 1998; Morgan and Hunt, 1994) as for Customer relationship management. If the insurance company connects its systems with information about clients from OSNSs, it obtains a unique source of information about its clients, which would be impossible to get from them. After that, the insurer can create insurance products more personal and suitable for its clients. They can also address its advertising to the appropriate segment without annoying other users, as advertising in traditional media means that insurer sends its message to many people. Nevertheless, OSNSs allow target advertising only to a specific segment for which this product is suitable. For instance, if the insurer wants to promote insurance for children, it could be possible to display these advertisements only to users who have children or who are married and are aged between 18 and 40. This way, advertisers can easily cut out audience segments that are unlikely to buy or have lower probability of buying, and they can only focus on probable buyers. (Shih, 2009) With hyper-targeting by OSNSs, it is also deeply weeded hyper-segmenting. By hyper-segmenting, insurance company's marketers can easily measure campaign performance. Moreover, if the advertisement campaign fails, it does not fail for everyone but only for the specific segment, and marketers can simply define another segment. (Shih, 2009)

Table 2.

## Frequency of responses

Variable	Category	Reason	%
EXPERIENCE	Yes	To warn other people.	13,00
		To advice other people, if I have a positive experience	3,00
		I do not want to help other people, only share the situation that influences my mood.	19,00
	No	I only advice other people, if they ask by status.	22,00
		-	32,00
		I do not update my status.	11,00
INS_ADVICE	No	I do not ask for advice by status.	61,00
		-	21,00
	Yes	-	18,00

Variable **EXPERIENCE** represents respondents willingness to share his/her experience by status, variable, variable **INS\_ADVICE** represents respondents willingness to advice by Facebook status about insurance.

*Source: Authors' calculations.*

Results of our survey indicate that even if OSNSs do not represent the primary insurance communication channel, they are not definitely nonutilisable. In the global view, we found that 35 per cent of the units used Facebook to share their experiences with products, and also with insurance products. However, more than half of them post in only if this experience influences their mood. Therefore, their main intent was not to help or advise, but only to share about their day<sup>10</sup>. Nevertheless, this can also influence potential clients. The next area was about asking for advice from friends by Facebook. We found that only 30 per cent of our observed units ask friends for advice if they want to buy products that are more expensive if they did not have enough experiences and knowledge. Only 18 per cent will use only this possibility in connection with an insurance company or insurance products. Results that are more detailed are presented in the Table 2.

Partial analysis of the statistical set is focused on our first hypothesis. Our results confirm our first hypothesis. According to our results, we did not find any statistical significant relation ( $p > 0.05$ ) between gender and questions focused on communication about insurance by OSNS. Therefore, gender does not influence the one's willingness to communicate by OSNS about insurance.

#### **4.2. OSNSs as a distribution channel for insurance companies**

The financial services sector, including insurance, is a prime example of an industry in which multichannel service delivery is the norm rather than the exception (Sunikka and Bragge, 2009). However, the idea about OSNSs as a distribution channel for insurance companies is more tricky and disputable. As we mentioned before, insurance is based on trust, and today OSNSs have only a poor level of security<sup>11</sup>. The problem is also with personal information<sup>12</sup> about users because many users have limited or false personal data. We are a little bit skeptical about using today's OSNSs as a distribution channel in the insurance industry. Nevertheless, we are optimistic for future use. We expect the strong expansion of OSNSs, which will be more connected with other parts of World Wide Web components. (Li, 2008)

Today, chances for insurance companies to utilize OSNSs are based on the possibility of creating applications or direct links to their home web sites, where they can then simply purchase insurance policy. The one of the most important points is that this can improve the trust clients have regarding the level of security of their personal information.

For clients, the big advantage would be the possibility of communication with professional employees during the purchasing of an insurance policy. At

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<sup>10</sup> These results are out of accord with older researches that suggest that consumers' communication marketing messages to other consumers were previously assumed to engage in this behavior based on altruism, reciprocity, or to attain higher status (Dichter, 1966; Engel, Kegerreis and Blackwell, 1969).

<sup>11</sup> Legal consequences are summarized in research Pengelley (2009).

<sup>12</sup> Summary about personal information in OSNSs provide for example researches Fogel and Nehmad (2009).

present, it is possible to utilize the insurance companies' web sites for insurance but mainly for easier types of insurance policy. Online insurance company's employees can improve this service and open this chance also for less experienced clients who need help with technical terms or only advice from knowledgeable employees. This way can also help insurance companies offer online policies that are more difficult.

Results of our survey implied that in connection to our second research questions 37 per cent of our observed units would welcome the chance to communicate by OSNSs with professional insurance company employee. Most of them would use these possibilities only if the higher security of their personal data was guaranteed and they did not want to have the insurance company's employee see their status information, photos and so on. To our hypothetical question, 41 per cent of requested individuals said yes but most of them preferred well-known companies. Detailed frequencies of responds are listed in the Table 3.

Table 3.

## Frequency of responses

Variable	Category	Reason	%
COMMUNICATION	Yes	I need help.	9,00
		My personal data are secured.	15,00
		I don't have to "become friend" with an employee of insurance company.	13,00
	No	I prefer face-to-face contact.	52,00
		I do not give credence to Facebook.	11,00
INSURE	Yes	-	2,00
		With insurance companies with which I have an experience and I know where their „stone office“ is.	30,00
		With insurance companies, which my friends advice me by OSNSs.	1,00
		If there are some discounts for the insurance.	8,00
	No	-	25,00
		I do not save my personal information in my Facebook account.	34,00

Variable **COMMUNICATION** represents respondents willingness to communicate with insurance company employee by Facebook, variable **INSURE** represents respondents willingness to insure by Facebook.

*Source: Authors' calculations.*

Regarding our second and third hypothesis we found that neither gender ( $p > 0.05$ ) nor education ( $p > 0.05$ ) have influence on respondents' attitudes to the insurance buying.

Based on the results of our hypothesis testing, we decided to examine which of the demographic factors influence the respondents' behavior in connection to communication or buying insurance by OSNSs. We found out that any of our demographic factors do not influence respondents' willingness to communicate or buy insurance by OSNSs. Our results are similar to that of Eastman, Eastman and Eastman (2002). They examine influence of demographic characteristics on agents' use of the Web and their attitudes toward the Web method of marketing insurance products. Their results suggest that an agent's behavior does not vary by demographic characteristics. We found that only one variable, represented by willingness to share experience by status, represents the important factor in decision making about communication ( $p < ,01$ ) or buying ( $p < ,01$ ) an insurance by Facebook. If respondent is open for sharing its experiences by status this respondent is also open for communication with an employee of insurance company or buying an insurance product by Facebook. This respondent also wants to communicate to its friends and take an advice in connection with insurance ( $p < ,01$ ). Results are summarized in Table 4.

Table 4.

## Statistical significant relationships

Variables	Pearson Chi-Square (df) (p - value)	Cramer's V (p - value)
EXPERIENCE * STATUS_ADVICE	20.383*** (2) (.000)	.451*** (.000)
EXPERIENCE * INS_ADVICE	15.753** (4) (.003)	.281** (.003)
EXPERIENCE * COMMUNICATION	9.965** (2) (.006)	.316** (.006)
EXPERIENCE * INSURE	12.075** (2) (.002)	.347** (.002)
STATUS_ADVICE * INS_ADVICE	63.492*** (2) (.000)	.797*** (.000)
STATUS_ADVICE * INSURE	6.396* (1) (.015)	.253* (.015)
INS_ADVICE * INSURE	16.680*** (2) (.000)	.408*** (.000)

Variable **EXPERIENCE** represents respondents willingness to share his/her experience by status, variable **STATUS\_ADVICE** represents respondents willingness to advice by Facebook status, variable **INS\_ADVICE** represents respondents willingness to advice by Facebook status about insurance, variable **COMMUNICATION** represents respondents willingness to communicate with insurance company employee by Facebook, variable **INSURE** represents respondents willingness to insure by Facebook.

\* The statistic is significant at the 0.05 level.

\*\* The statistic is significant at the 0.01 level.

\*\*\* The statistic is significant at the 0.001 level

## 5. CONCLUSIONS

For insurance companies' marketers, and also for financial services' marketers, our findings may be an important fact about main characteristics and their influence on people behavior.

OSNs are one of the fastest growing areas of the World Wide Web. (Trusov, Bucklin and Pauwels, 2008) Moreover, without dispute, there emerges a marvelous chance for insurance companies. Marketing through OSNs is new stream but many insurance companies are discovering their potential today.

In comparison to marketing and distribution of physical goods by OSNs insurance, there are a few disadvantages. First is that insurance is not a product with customer vaunt. For this reason, online word-of-mouth marketing by

OSNSs is a little bit limited. Second, individuals cannot be simply advised by friends or family. They expect knowledgeable experts to give advice to deal with insurance. On the other hand, the big advantage of OSNSs marketing is small costs and enormous amount of users that unimaginably overcome the number of spectators, readers or listeners of traditional media.

Table 5.

## SWOT analysis

<b>Strengthens</b>	<b>Weakness</b>
<ul style="list-style-type: none"> <li>- enormous base of user of OSNSs</li> <li>- low costs of marketing and distribution</li> <li>- users spend lot of time on OSNSs</li> <li>- online 24/7 availability</li> </ul>	<ul style="list-style-type: none"> <li>- insurance is not vaunt product</li> <li>- users login to OSNSs for communication with friends not to buy</li> <li>- friends can't advise easily</li> <li>- many people do not trust OSNSs</li> <li>- problems with validity of personal data</li> </ul>
<b>Opportunities</b>	<b>Threat</b>
<ul style="list-style-type: none"> <li>- higher level of intensive and extensive acquisition</li> <li>- opportunity for insurance company to stay in mind</li> <li>- easy way for hyper-targeting</li> <li>- easy way to create optimal segmentation</li> </ul>	<ul style="list-style-type: none"> <li>- poor level of security</li> <li>- damage of goodwill</li> <li>- lost of clients</li> <li>- cyber risks</li> </ul>

*Source: Authors' analysis*

Because of our research, we can prove that OSNSs could be profitable area for insurance companies. Nevertheless, insurance companies have to be very careful. Their goodwill and brand are one of the most valuable properties. In connection with advertising, there are no so huge problems as with distribution. According to our results individuals are more minded to use OSNSs for distribution channel of insurance than advertising channel. This could result from the concept of OSNSs as a place for communication with friends and family, not a place for "annoying" advertisements. Individuals will also use advices from professional insurance employee. Therefore, problematical area is only security and validity of clients' personal data. These results are similar the Cheung, Lee

and Thadani (2009) research who found that consumers' lack of trust constitutes a major psychological barrier to the adoption of electronic commerce.<sup>13</sup> Simply the nature of the insurance product itself works against a rapid change in consumer purchasing habits. (Clemons and Hitt, 2000; Nogueira and Oliveira, 2002) But Buchner (2006) found that concerns about sharing personal information online are ranked behind "need to speak to an agent". Customers also do not want to make a complicated decision on their own. (Mayer, 2008; Williams, 1999)

In addition, insurers' perception of the Internet (also of OSNSs) as an advertising tool rather than as a primary distribution channel is a problem. (Reich-Hale, 1999; Eastman, Eastman and Eastman, 2002). Empirical evidences also imply continued dominance of offline distribution channels on the demand side of insurance contract. (Yahoo, 2005) Consumers use the Internet to educate themselves about insurance products, compare offerings, and even manage existing accounts. (Mayer, 2008)

Of course, we are still in the early days of social network marketing. There are tremendous opportunities and possibilities but also serious challenges and limitations. (Shih, 2009) As a conclusion and to summarize our pros and cons, we prepared a SWOT analysis of using OSNSs as a marketing channel for commercial insurance companies. The results are shown in the above mentioned Table 5. These findings are also applicable for other financial services.

## LIMITATIONS OF THE RESEARCH

Limitations of our research include small unit base and fact that survey was realized only in Slovakia so participants are mainly Slovak and Czech Facebook members. Nevertheless, we suppose that our research evokes further researches dealing with OSNSs and their role in the financial services (especially insurance) marketing.

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<sup>13</sup> See prior studies demonstrating the importance of trust in online purchasing Cheung and Lee (2006); Gefen, Karahanna and Straub (2003); Pavlou (2003); Pires, Stanton and Eckford (2004)

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## **MARKETING FINANCIJSKIH USLUGA U VREMENU DRUŠTVENIH MREŽA: SLUČAJ MARKETINGA OSIGURANJA**

***Sažetak***

*Društvene mreže (OSNS) predstavljaju novi trend u društvenoj komunikaciji, i u kratkom vremenu su stekle golemu popularnost. Stoga se otvara mogućnost za marketing proizvoda i tvrtki. Također se pojavljuje i pitanje mogućnosti korištenja ovog kanala u financijskom sektoru, uključujući osiguravateljne kuće. Ovu ideju slijedi glavni cilj rada: istražiti ulogu društvenih mreža u marketingu komercijalnog osiguranja na malo i otkriti percepciju potrošača glede prihvatljivosti komunikacije i prisutnosti osiguravateljne kuće na društvenim mrežama. U ovom radu se teorijski analizira upotrebljivost društvenih mreža kao komunikacijskog i distribucijskog kanala za osiguravateljne kuće. Osim teorijske analize, provedeno je i istraživanje o percepciji potrošača. Naši rezultati pokazuju da su društvene mreže mogući kanal za marketing osiguravateljnih tvrtki uglavnom u području komunikacije. Ipak, mogućnost distribucije komercijalnog osiguranja društvenim mrežama nije zanemariva. Ovi rezultati su primjenljivi i na marketing drugih financijskih usluga.*

***Ključne riječi: marketing financijskih usluga, marketing osiguranja, društvene mreže, komunikacijski kanal, distribucijski kanal***

***JEL klasifikacija: M31, G22***