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Research Paper Management

Importance of Customer Cost Element of 4C Based Marketing Mix

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KEYWORDS :

Marketing is all about satisfying Customer's needs profitably in a socially responsible manner. Marketing has evolved through traversing three major eras of: Production Orientation, Selling Orientation and Marketing Orientation. Marketing concept is a management philosophy where the Customer is the pivotal point.

The concept of Customer Cost was developed by Lauterborn (1990) while developing the customer oriented Marketing Mix- the 4C concept. 4C model replaces the earlier 4Ps of Marketing Mix, here the focus is on customer and the current paper is all about the second C of this model i.e. Customer Cost or Price in earlier 4P model. The Customer Cost concept is based on the fact that customers are more concerned with the total cost of acquiring a solution of their problem (Product or Service) rather than the price being charged for the Solution (Product or Service) offered by the Company (Moller, 2006), Customer Cost is a assumed to be a better approach as customers are interested in it. Customer Cost concept not only includes the price of the product but also includes other associated costs in addition to the Price of the product or service (Goi, 2009). Customer Cost means the total expenditure a customer is going to spent for purchasing a Customer Solution[1]. Thus Price represents only a part of total cost or Customer's Cost (Kotler, Armstrong, & haque, 2012).

In the context of Life Insurance, the price of a ULIP is determined by the offer price or NAV (Net Asset Value), in case of Traditional product price is determined by actuary. Price or Customer Cost is the yardstick and acts as most influential factor in a buying decision. Specially in the context of Life Insurance Price or Premium or Customer Cost plays a vital role both from the point of view of business firm as well as customer. (Yogakshema, Jan, 09) Rangachary, ex- Chairman of IRDA, in his article states that –the principle of differential pricing is necessary to sell products in rural areas.

Objective:

To ascertain the gap between the degree of 'Customer Cost Dimension Expected' and the degree of 'Customer Cost Dimension Experienced' of 4C based Marketing Mix with respect to Life Insurance.

Hypothesis

There is no significant difference between the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced' of 4C based Marketing Mix with respect to Life Insurance in Silchar.

Description of items for measuring Gap Analysis on Customer Cost Dimension:

A list of 27 items was identified to measure the degree of Customer Cost Dimension Expected and the degree of Customer Cost Dimension Experienced of 4C based Marketing Mix.

Respondents were requested to respond to item number 1 to 27 under Questionnaire III in a 5 point scale in respect to their expectations as well as their experiences, to what extent they are agree or disagree with respect to items selected for the study under five categories i.e., Strongly Agree (SA), Agree (A), Neither Agree Nor Disagree (NAND), Disagree (DA), Strongly Disagree (SDA), using tick marks only. Then these categories were assigned scores as Strongly Agree (SA) equals to 2, Agree (A) equals to 1, Neither Agree Nor Disagree (NAND) equals to 0, Disagree (DA) equals to -1, Strongly Disagree (SDA) equals to -2, the data so generated were subjected statistical treatment using SPSS. The scores of individual items by a single respondent were totaled. This total represented the 'Degree of Customer Cost Dimension Expected' of that single respondent. Similarly, the total of the 'Degree of Customer Cost Dimension Experience' was derived.

Reliability statistics of Expectation and Experience on Customer Cost Dimension

Reliability denotes the consistency and stability of an instrument. Cronbach's Alpha test was used to measure the reliability of the scales used for measuring the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced'. The test (Cronbach's Alpha) was calculated using SPSS 20.0 and the results are shown below in Table No. 1. The Cronbach's Alpha coefficient values were found to be above 0.70. Therefore, the scales used in this study to measure the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced' were considered as reliably and internally consistent (Nunnaly, 1978; Zikmund, 2008).

Table 1: Reliability statistics of Customer Cost Dimension Expected and Experienced

District Headquarter		Silchar	Decision
A		b	
Cronbach's Alpha	Degree of Customer Cost Dimension Expected	.978	Acceptable
	Degree of Customer Cost Dimension Experienced	.992	Acceptable

Source: Compiled from survey data (Using SPSS 20.0) N= 27.

Normality Test of data of Expectation and Experience on Customer Cost Dimension

One Sample KS test was used to test the Normality of Distribution of the data relating to the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced' in respect to each of the areas as well as the overall data. The results of one sample KS Test are shown in Table 2. The test revealed that the data distribution does not follow the Normality of sample Distribution. This is because the Asymp. Sig. (2-tailed) values of both the Customer Cost Expected and Customer Cost Experienced were found to be less than 0.05 (at 5% level of significance). From the above analysis it is observed that only non-parametric tests are suitable for studying test of significance of the main hypothesis.

Table 2: One sample KS Test of Customer Cost Dimension Expected and Experienced

		Total of Customer Cost Expected	Total of Customer Cost Experienced
N		384	384
Normal Parameters[a,b]	Mean	6.2057	4.3724
	Std. Deviation	27.67523	33.23309

Most Extreme Differences	Absolute	0.125	0.174
	Positive	0.086	0.153
	Negative	-0.125	-0.174
Kolmogorov-Smirnov Z		2.456	3.408
Asymp. Sig. (2-tailed)		0	0
Monte Carlo Sig. (2-tailed)		.000[c]	.000[c]
0		0	
0		0	

Source: Compiled from survey data (Using SPSS 20.0) N= 27.

Computation of Test Statistics & Decision of Customer Cost Dimension

Since the data in consideration do not follow normality of distribution, Wilcoxon Sign-rank Test was applied to test the hypothesis considered – "There is no significant difference between the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced' of 4C based Marketing Mix with respect to Life Insurance in Silchar".

Wilcoxon Signed-rank test revealed that the null hypothesis i.e., "There is no significant difference between the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced' of Marketing Mix with respect to Life Insurance in Silchar" is rejected (with Sig. Value of .001- calculating using SPSS 20.0), Stating differently there is a significant difference in the population between the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced'.

Conclusion

Given the Objectives, Hypothesis, and Methodology considered in this paper, it may concluded that there is significant difference between the 'Degree of Customer Cost Expected' and the 'Degree of Customer Cost Experienced' of 4C based Marketing Mix with respect to Life Insurance in Silchar.

Wilcoxon Signed-rank test revealed that the null hypothesis i.e., "There is no significant difference between the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced' of Marketing Mix with respect to Life Insurance in Silchar" is rejected. Stating differently there is a significant difference in the population between the 'Degree of Customer Cost Dimension Expected' and the 'Degree of Customer Cost Dimension Experienced'.

The findings if the current chapter suggests that for Customer focused product development, the Customer Cost (Price) is an important factor and must be factored into. The Actuary must develop the pricing based on the Gaps (Positive/ Neutral/ Negative) of investors, and the price must be simple, easy and affordable for the individual investors.

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