The investigation of Lavidge and Steiner model’s capability in measuring the advertising effectiveness of fire insurance (Case study: Insurance company in Mashhad)

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Abstract

Lavidge and Steiner model is one of the most fundamental models in the appraisal and analysis of insurance advertising. The present study intends to investigate the advertising effectiveness of fire insurance in an insurance company through Lavidge and Steiner model. The research is consisting of two types of independent variable of effective advertising and dependent variables which are as follows: awareness, knowledge, liking, preference, conviction and attracting the clients. On the basis of main subject of research and different stages of the model, a major hypothesis and six minor hypotheses have been brought up. The first five minor hypotheses have been dedicated to the investigation of the communication impacts of advertising and the sixth hypothesis has devoted to the consumer response. Statistical universe of the research are the insured people of fire insurance services in an insurance company, and 132 people have been chosen through applying a stratified random sampling. Simple linear regression, Friedman analysis and SPSS software have been applied to test the research hypotheses. The findings indicate that advertisements of Persian Insurance Company have been successful from the both perspectives of communication impact and consumer response of advertising. Finally, the advertising effectiveness of fire insurance has been appraised through Lavidge and Steiner model.

Keywords: advertising, awareness, preference, conviction

Introduction

Competitive, dynamic and complex environment of insurance in Iran has augmented customer orientation strategies in insurance companies; therefore, the concepts of communications, competition and customer orientation have been overlapped with each other. Advertising, as a marketing element, is essential in protecting and maintaining the companies and introducing their products and services. Among these factors, services are more important than products. Due to these characteristics, advertising activities are fundamental in making the customers aware of services. In a research which has been conducted by Groves, et al. (1995), services and products advertising have been compared with each other in 1700 newspaper advertisements 9800 television advertisements. The findings of this research have indicated that services advertising have more real hints in proportion to products advertising. (Haekyong et al., 2005)

The advertising effectiveness of Persian Insurance Company with regard to customers’ behaviour that have been exposed to advertising has been investigated and assessed on the basis of Lavidge and Steiner model in the present study. For this purpose, first, advertising has been defined, principal decision makings have been adverted and advertising effectiveness circumstances have been appraised. Finally, the advertising effectiveness of fire insurance has been appraised through Lavidge and Steiner model.

Keywords: advertising, awareness, preference, conviction
Principal decision makings in advertising

To prepare an advertising program for a company or organization, five principal decisions, which are known as 5M in advertising, should be made. (Mohammadian, 2006) These decisions are as follows:

- **Making decision on the message**
- **Making decision on the required budget**
- **Determination of objectives**
- **The assessment of advertising effectiveness**
- **Making decision on the media**

Figure 1. Five principal decisions in advertising which are known as 5M (Kotler, 1998)

**a) Determination of objectives**

The first step in producing an advertising program is to determine what the objectives are. An advertising purpose is an especial communicative duty which is supposed to be made between particular clients and during a certain time. (Kotler, 2000)

**b) Making decision on the budget**

In the contemporary competitive environments, not only do the companies advertise to make sure of their success, but also they must be assured of the high interest that is earned through the budget which they expend on advertising. (Kenneth, 2006)

Five general methods of determining the advertising budget are as follows:

1- On the basis of financial ability
2- On the basis of selling percentage
3- On the basis of equaling the competitors
4- On the basis of ranking
5- On the basis of the objectives and the style of doing the task

**c) Making decision on the message**

According to Kotler, advertisers should pay attention to the following three stages to be more innovative and creative: preparing a message, selecting and assessing the message, administering the message

**d) Making decision on the media**

After selecting the advertising message, the advertiser’s duty is to choosing the media which is the forth M in advertising discussion and is supposed to transmit the message. Different media provoke various reactions and effects on the clients.

The most considerable stages in choosing media are as follows:

1- Determining the scope coverage, frequency of disseminating the message and its effects
2- Selecting among other media
3- Choosing the particular instrument of transmitting message
4- Deciding on the message scheduling

(Mohammadian, 2006)

**Effectiveness**

Peter Drucher believes that effectiveness is the consequence of doing a task properly and seeking appropriate jobs. Mir Kamali (1995) and Alagheh Band (1993) state that effectiveness is dependent upon the coordination of many variables such as administrative hierarchy, organizing and programming, educational procedures, the school’s region and the strategies of managing.
The assessment of advertising effectiveness

Advertising effectiveness is one of the most fundamental issues in advertising. In other words, we should be able to answer the following questions: Could the advertisement which has cost lots of our budget lead us to our final objective? Was the advertisement able to achieve the communicative and sales purposes? Have we reached our expectations? Has the advertisement actually directed us to the objective? (Mortimer, 2008)

Insurance advertising

The world is instantaneously changing and moving towards competitive activities; therefore, if any organization wants to improve, survive and continue in this environment, it must have an appropriate perception of advertising on the basis of marketing rules to be able to encourage the clients to purchase. In 21st century, both insurance companies and clients require adroit advertisers in this competitive environment to provide insurance coverage and present the products appropriately.

Due to the experience of successful countries in the field of insurance selling, advertising is of great significance in insurance companies, since advertisers and marketers have the most principal role in attracting clients. Additionally, they know how to choose their clients and when and how to present their insurance services to be in complete concordance with the clients’ requirements. (Karimi, 2007)

Effective advertising

The measurement of advertising effectiveness is of considerable importance. One of the best strategies to overcome the competitors is to attack ourselves. It signifies that we should firstly measure the effectiveness of every activity that we do. These principles are as follows:

Simplicity principle

An advertisement must be perceived easily by the clients since it is a communicative process. We transmit a message and the client should get it in the way that we intend; therefore, advertisements should be simple.

Differentiation principle

Never follow others in advertising. In an advertisement, you should do something different from your competitors. If the competitor has made a popular and attractive advertisement, you should order your advertiser to prepare something different and always obey this rule.

Creativity principle

Creativity signifies what has not been existed in advance. Differentiation needs creativity. If we possess creativity, we will be able to make differentiation. In advertising, creativity must be in the direction of the objective. Our objective is to rebound our perceptions and having communicative impacts on the clients, so our creativity should be inclined to achieve us to our advertising purpose. Creativity in advertising means that the clients should not be able to guess the result and it arouses the clients’ curiosity.

Synergy principle

Company’s advertising brands should follow the same direction. We must change our advertisements, but these alterations should be in the similar directions. Variety should be in the way that clients become able to find the relationships between the advertisements.

Penetrating into the clients’ feelings

Sometimes, affecting on the people’s feelings is more beneficial than their logic. An advertisement should not have just a logical dimension. It is better to penetrate into both logic and feelings of the clients. Solomon believes that an advertisement should make a strong emotional connection between the product and client and if such a task can be performed successfully, it can be called bonding strategy (Mohammadian, 1998).

Advertising effectiveness circumstances

Before any advertising activity, many characteristics must be appraised such as selling, interests, market share, product quality, standardization, used and unused capacities such as planned obsolescence, the characteristics and price of similar and competitors’ products and so forth. It also should be investigated that whether the existing instruments can suffice new demands, since advertising and informing provokes new demands. Time and place conditions should also be considered with regard to organizational and marketing objectives. (Karlsson, 2007)

By and large, advertising effectiveness can be provided just under the following circumstances:

- Customer’s awareness of the product and service is at the minimum level.
- There is a very close competition between two competitors with the same market shares.
The product sales are augmenting.
There is an obvious differentiation between the products of competitor and our company.
Customer’s income is increasing.
The economy is improving or product or service is so novel.
The characteristics of product or service are not clear for the customer.
New changes are made in the product (Golchin Far et al., 2005)
Katleen Mortir (2008) also believes that advertising should pay attention to both communicative and emotional attractions in the field of timing services. Three administrative instruments also must be considered in advertising which are physical presentation, making documents and exhibiting the services.

The hierarchy of effects model (Lavidge and Steiner model)

The hierarchy of effects model has been proposed by Robert Lavidge and Gari Steriner in 1961, and has been applied as a widespread beneficial pattern for organizing and measuring the advertising objectives. (Barry Howard, 1990)
This pattern is consisting of six stages which indicate the hierarchy of responses and is known as “the hierarchy of effects pattern”. These stages are as following:
- Awareness
- Knowledge
- Liking
- Preference
- Conviction
- Purchase / suitable behaviour (Mackey, 2005)

Advertising is scheduled on the basis of this pattern. In this pattern, it is assumed that the customer (client) passes through different stages which commence with the rudimentary awareness about the product and finish with purchasing. This pattern focuses on the advertising effectiveness on the clients (customer response) which happens during a particular period of time. (Lavidge & Steiner, 1961)

The adverted stages have been analyzed as follows:

Awareness
The communicant should know that how much the client is aware of the product, trademark or organization.

Knowledge
The client may be aware of the existence of organization or product, but he may not have adequate knowledge of them. (Belch, 2002)

Liking
Based on the assumption that the clients know the product, the following question can be brought up: “how do they feel about the product?”

Preference
Clients may like the product, but this liking may not suffice for preferring it to other similar products. In such a situation, the communicant should do his best to make the customer to prefer this product to other similar products through the quality improvement, value promotion and augmentation of the other efficacious aspects of the product. (Belch, 1995)

Conviction
Clients may prefer a product to other similar products, but they may not be still fully convinced of purchasing it. In this condition, the communicant must convince the potential client that this product is an ideal choice for him which can satisfy his expectations. Additionally, the facilities and capacities of the product should be adverted in comparison with the other competitors’ trademarks and through the advertising techniques for the clients.

Purchase
After convincing the potential clients, the communicant must through a carefully planned manoeuvre lead the clients to purchase the product. Some elements such as stimulating information about the product, suitable price, high quality
and novel characteristics in comparison with other similar products can provoke the potential clients to purchase the product. (Belch, 1998)

**Review of Literature on internal and external resources**

In Iran, just few studies have been accomplished related to this issue. Mahboobeh Harati Sani (2006) conducted a research under a title of “the assessment of advertising effectiveness of insurance industry” and came to the conclusion that the advertisements of Iran Insurance do not have adequate effectiveness in the process of insured’s decision makings.

Ali Amiri (2006) did a research under a title of “the investigation of television advertising effectiveness on attracting interest-free accounts in Tejarat Bank” and concluded that Tejarat Bank was successful in attracting the clients through television advertising.

Amir Reza Maleki (2007) accomplished a study under a title of “the appraisal of advertising effectiveness on Iran food industries” and came to the conclusion that Kale Company could be effective in all above four factors.

Zahra Hosseini (2009) conducted a study which is titled as “the assessment of television advertising effectiveness on attracting clients through applying Lavidge and Steiner model” and came to the conclusion that the television advertisements of Bank Refah were effective in attracting the clients.

Abdollah Roostayi (2010) did a research under a title of “the assessment of advertising effectiveness of Zarin Ghazal (Daiti) Company and showed that the advertisements of Daiti Company could have adequate effect in all above four factors.

Shwu (2001) conducted a research under a title of “an experimental research about the existing relationship between the clients’ active participation and advertising effectiveness” and the findings of his research indicate that the clients’ participation can increasingly affect the advertising, so it is a significant indicator for the advertising strategy.

Hall (2002) did a research under a title of “a new model to measure the advertising effectiveness” and came to the conclusion that an advertisement must be retained in the consumer’s mind; therefore, an advertisement should be transmitted regularly to survive in the customer’s mind.

Samphol Vantamay, (2005) conducted a research under a title of “efficiency and evaluation of marketing communication of advertisers in Thailand” and the results of his study show that there are appropriate indices to evaluate the effectiveness of advertising organizations on the basis of marketing communications.

Stewart (2006) accomplished a research under a title of “an exploratory assessment of the behavior of moving towards websites and the hierarchy of effects model” and concluded that there is a positive outlook on the usage of websites and its relationship with the hierarchy of effects model.

David Alan (2007) accomplished a research under a title of “sound advertising: an article about the experimental criterion of music effects on attention, memory, behavior and purchasing in the business advertisements” and achieved to the conclusion that music has a positive effect on the customers’ reactions to the advertisements. It must be noticed that the type of music should be in accord with the potential clients who are supposed to be the objective of advertising.

Joel Robinson (2009) did a research which is titled as “experimental evidences of television advertising effectiveness” and the findings of his research show that a combination of multidimensional marketing plans should be applied in the process of purchasing to have an effective marketing plan.

Cristina (2011) did a research under a title of “measurable feelings: how the television advertisements work? A pattern of TV commercials can indicate the advertising effectiveness”. The results of his study show that emotional experiences should be made and advertising programs must be on the basis of the relationship between products and customers’ standard of living.

**Research Major Question**

Was the advertising effectiveness of fire insurance adequate to attract clients in Persian Company?

**Research Minor Questions**

1. Does the insured’s awareness have any influence on the advertising effectiveness?
2. Does the insured’s knowledge (informing) have any influence on the advertising effectiveness?
3. Does the insured’s liking have any influence on the advertising effectiveness?
4. Does the insured’s preference for products have any influence on the advertising effectiveness?
5. Does the insured’s conviction for applying this insurance company’s services have any influence on the advertising effectiveness?
6. Does the insured’s purchase have any influence on the advertising effectiveness in applying this insurance company services?
Research Hypotheses

The major hypothesis
There is a significant relationship between the fire insurance advertising and the amount of attracting clients.

The minor hypotheses
1. Does the insured’s awareness have any influence on the advertising effectiveness?
2. Does the insured’s knowledge (informing) have any influence on the advertising effectiveness?
3. Does the insured’s liking have any influence on the advertising effectiveness?
4. Does the insured’s preference for products have any influence on the advertising effectiveness?
5. Does the insured’s conviction for applying this insurance company’s services have any influence on the advertising effectiveness?
6. Does the insured’s purchase have any influence on the advertising effectiveness in applying this insurance company services?

A minor hypothesis is proposed to appraise the advertising effectiveness of every six stages of above model which are as follows:
1. Insurance advertising has a positive effect on the clients’ awareness.
2. Insurance advertising has a positive effect on the clients’ knowledge.
3. Insurance advertising has a positive effect on the clients’ liking for this insurance company’s services.
4. Insurance advertising has a positive effect on the clients’ preference for the services of this insurance company.
5. Insurance advertising has a positive effect on the clients’ conviction for applying the services of this insurance company.
6. Insurance advertising has a positive effect on the clients’ action to purchase and apply the services of this insurance company.

Methodology

The present research is a descriptive survey which has investigated different branches of Persian Fire Insurance in Mashhad City as a case study and described research variables in a specific framework. The instrument which has been applied to disseminate data is a questionnaire which has been designed on the basis of conceptual model of research, hypotheses and review of literature. The questionnaire’s validity has been appraised through content validity tests, and its reliability (0.795) has been calculated by Cronbach’s Alpha coefficient. This questionnaire has been distributed between 132 members of statistical universe of the research who have been chosen through stratified random sampling and without any substitution and with the help of sampling formula of statistical universe. The achieved findings have been analyzed to test the research hypotheses.

Results

Table 3 indicates the respondents’ outlooks according to the research variables:

<table>
<thead>
<tr>
<th>Variables</th>
<th>total</th>
<th>mean</th>
<th>Standard deviation</th>
<th>T statistics</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>132</td>
<td>12/3</td>
<td>2/9</td>
<td>206/9</td>
<td>000/0</td>
</tr>
<tr>
<td>Knowledge</td>
<td>132</td>
<td>11/03</td>
<td>3/5</td>
<td>366/3</td>
<td>000/0</td>
</tr>
<tr>
<td>Linking</td>
<td>132</td>
<td>11/9</td>
<td>2/96</td>
<td>35/7</td>
<td>000/0</td>
</tr>
<tr>
<td>Preference</td>
<td>132</td>
<td>13/3</td>
<td>3/64</td>
<td>38/10</td>
<td>000/0</td>
</tr>
<tr>
<td>Conviction</td>
<td>132</td>
<td>11/9</td>
<td>3/12</td>
<td>84/6</td>
<td>000/0</td>
</tr>
<tr>
<td>Purchase</td>
<td>132</td>
<td>12/17</td>
<td>3/3</td>
<td>58/7</td>
<td>000/0</td>
</tr>
</tbody>
</table>

First hypothesis testing

Insurance advertising has a positive effect on the clients’ awareness.
This hypothesis has been stated as a statistical hypothesis:
Advertising does not have a positive effect on the clients’ awareness of Persian Fire Insurance. \( H_0 \) : \( \mu \leq 0 \)

Student’s T-test has been applied to test this hypothesis, so by making a comparison between p-value of significance and the confidence level of \( \alpha = 0.05 \), we can come to the conclusion that the null hypothesis is rejected and the alternative hypothesis is accepted.
So, in reply to the first minor hypothesis, we can conclude with the confidence coefficient of 95% that:
Advertising has a positive effect on the clients’ awareness of Persian Fire Insurance.

**Second Hypothesis Testing**

Insurance advertising has a positive effect on the clients’ knowledge.

This hypothesis has been stated as a statistical hypothesis:
Advertising does not have a positive effect on the clients’ knowledge of Persian Fire Insurance. $H_0: \mu \leq 10$
Advertising has a positive effect on the clients’ knowledge of Persian Fire Insurance. $H_1: \mu > 10$

Student’s T-test has been applied to test this hypothesis, so by making a comparison between p-value of significance and the confidence level of $\alpha = 0.05$, we can come to the conclusion that the null hypothesis is rejected and the alternative hypothesis is accepted.

$$P \text{-value} = 0.000 < \alpha = 0.05 \Rightarrow RH_1$$

So, in reply to the second minor hypothesis, we can conclude with the confidence coefficient of 95% that:
Advertising has a positive effect on the clients’ knowledge of Persian Fire Insurance.

**Third Hypothesis Testing**

Insurance advertising has a positive effect on the clients’ liking for this insurance company’s services.

This hypothesis has been stated as a statistical hypothesis:
Advertising does not have a positive effect on the clients’ liking for the services of Persian Fire Insurance. $H_0: \mu \leq 10$
Advertising has a positive effect on the clients’ liking for the services of Persian Fire Insurance. $H_1: \mu > 10$

Student’s T-test has been applied to test this hypothesis, so by making a comparison between p-value of significance and the confidence level of $\alpha = 0.05$, we can come to the conclusion that the null hypothesis is rejected and the alternative hypothesis is accepted.

$$P \text{-value} = 0.000 < \alpha = 0.05 \Rightarrow RH_1$$

So, in reply to the third minor hypothesis, we can conclude with the confidence coefficient of 95% that:
Advertising has a positive effect on the clients’ liking for the services of Persian Fire Insurance.

**Forth Hypothesis Testing**

Insurance advertising has a positive effect on the clients’ preference for the services of this insurance company.

This hypothesis has been stated as a statistical hypothesis:
Advertising does not have a positive effect on the clients’ preference for the services of Persian Fire Insurance. $H_0: \mu \leq 10$
Advertising has a positive effect on the clients’ preference for the services of Persian Fire Insurance. $H_1: \mu > 10$

Student’s T-test has been applied to test this hypothesis, so by making a comparison between p-value of significance and the confidence level of $\alpha = 0.05$, we can come to the conclusion that the null hypothesis is rejected and the alternative hypothesis is accepted.

$$P \text{-value} = 0.000 < \alpha = 0.05 \Rightarrow RH_1$$

So, in reply to the forth minor hypothesis, we can conclude with the confidence coefficient of 95% that:
Advertising has a positive effect on the clients’ preference for the services of Persian Fire Insurance.

**Fifth Hypothesis Testing**

Insurance advertising has a positive effect on the clients’ conviction for applying the services of this insurance company.

This hypothesis has been stated as a statistical hypothesis:
Advertising does not have a positive effect on the clients’ conviction for the services of Persian Fire Insurance. $H_0: \mu \leq 10$
Advertising has a positive effect on the clients’ conviction for the services of Persian Fire Insurance. $H_1: \mu > 10$

Student’s T-test has been applied to test this hypothesis, so by making a comparison between p-value of significance and the confidence level of $\alpha = 0.05$, we can come to the conclusion that the null hypothesis is rejected and the alternative hypothesis is accepted.

$$P \text{-value} = 0.000 < \alpha = 0.05 \Rightarrow RH_1$$

So, in reply to the fifth minor hypothesis, we can conclude with the confidence coefficient of 95% that:
Advertising has a positive effect on the clients’ conviction for applying the services of Persian Fire Insurance.
So, in reply to the fifth minor hypothesis, we can conclude with the confidence coefficient of 95% that:
Advertising has a positive effect on the clients’ conviction for the services of Persian Fire Insurance.

Sixth Hypothesis Testing

Insurance advertising has a positive effect on the clients’ action to purchase and apply the services of this insurance company.

This hypothesis has been stated as a statistical hypothesis:
Advertising does not have a positive effect on the clients’ action to purchase the services of Persian Fire Insurance. $H_0 : \mu \leq 10$
Advertising has a positive effect on the clients’ action to purchase the services of Persian Fire Insurance. $H_1 : \mu > 10$

Student’s T-test has been applied to test this hypothesis, so by making a comparison between p-value of significance and the confidence level of $\alpha = 0.05$, we can come to the conclusion that the null hypothesis is rejected and the alternative hypothesis is accepted.

So, in reply to the sixth minor hypothesis, we can conclude with the confidence coefficient of 95% that:
Advertising has a positive effect on the clients’ action to purchase the services of Persian Fire Insurance.

Conclusion

The experts believe that advertisements comprise two different effects which are communicative impact and customer response. First to fifth hypotheses of the research have been devoted to the assessment of communicative impact. The achieved findings of statistical analyses of fire insurance advertising indicate that effective advertisements can augment the level of client’s awareness, knowledge, liking, preference and conviction. The sixth hypothesis of the research has been studied customer response. The statistical analysis shows that fire insurance advertising has been effective on attracting the clients.

Suggestions

Considering the accomplished tests, following suggestions have been proposed:

- Owing to the fact that advertising increases the clients’ liking for the insurance services, making a positive outlook on the insurance services in the clients is of considerable importance.
- By mentioning the convincing advantages of fire insurances, the ancillary matters of insurances can be concentrated.

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