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# The Influence of Intrinsic Brand Cues in Intangible Service Industries: An Application to Life Insurance Services

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## Abstract

This paper primarily examines the influence of intrinsic brand cues in service industries particularly in the life insurance services. This is due to the growing importance of life insurance in the service sector in Malaysia. A self-structured questionnaire survey was conducted and distributed to respondents in the townships of Dungun and Kemaman. Early results show that company reputation was the most powerful cue that can influence life insurance decision.

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*Keywords:* Malaysia; life insurance; intrinsic brand cue; company reputation; service attributes; media reviews

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## 1. Introduction

Malaysia's insurance industry has achieved significant progress in recent decades in terms of growth and development. According to Bank Negara Malaysia, the penetration rate, as measured by the number of life policies to total population, increased significantly to 55 percent from 31 percent in the year 2000. In the face of challenging global economic environment, the capacity of the insurance industry to expand is depending on the ability of insurers to maintain their competitive positions in the financial sector as well as within the industry itself. During the

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past 10 years, the level of awareness on life insurance protection among Malaysian is relatively low compared to the current situation. Recently, some of the insurance companies have successfully grabbed the attention of Malaysian people by implementing various marketing strategies including service branding strategy. Branding has received significant attention from various marketing literatures; however this interest has been directed at products with physical forms (goods), rather than services (Davis, 2007; Krishnan and Hartline, 2001). The high degree of intangibility in life insurance service makes it extremely difficult to communicate and evaluated. Thus, a greater understanding of how brand cues influence service purchase decisions is therefore needed (Brady, Brodeau and Heskell, 2005). Therefore, intrinsic brand cues as branding strategies in communicating the service to the consumer should also be applied by a life insurance company. For that reason, this paper is essentially presented to examine the association between intrinsic brand cues and life insurance purchase decision.

## 2. Literature Review

### *Branding in life insurance service*

Kotler (2000) defines a brand as a name, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate from those of competitors. Brand also is considered as the seller's promise to deliver a specific set of features, benefits, and services consistently to the buyers (Kotler, 2000). According to Onkvisit and Shaw (1989) the high degree of intangibility of services has made branding and image creation become more important to be applied for services. Same as life insurance service, the intangibility of the service offered requires the application of branding. Skinner (1990) claims that branding can show the quality level of particular product or service to the customer and can be very useful in gaining competitive advantage. Therefore, the branding in life insurance service is crucial in influencing customer and important for the life insurance company to conquer life insurance industry in Malaysia.

### *Brand cue*

Crane and Clarke (1998) define cue as “a characteristic event, quality, or object that is external to the consumer that is encoded and used to categorize a stimulus object”. Cue involves in the cue utilization process when a customer wants to buy something along the way of their purchase decision. Olson (1972) consumer will pass through 2-step of cue utilization process where customer stores information about specific cues and then the product will be evaluated via cues cognitive processing. Basically, there are two types of cues that can be used in branding strategy; intrinsic brand cues and extrinsic brand cues (Olson and Jacoby, 1972). There are many reasons to use the cues in a purchase decision. Veale, Quester, and Karunaratna (2006) have found several purposes of cues usage; the consumer intended to reduce perceived risk (Simoes and Dibb, 2001), the consumer is short of expertise (Srinivasan and Jain, 2004) or the consumer unwilling to spend much time in assessing the too complex objective quality (Ha et al., 1986).

### *Intrinsic Brand cue and Purchase Decision to life insurance service*

Intrinsic brand cues made up directly from the products or services which make it difficult to change (Olson and Jacoby, 1972). They are higher-level cues that directly related to the product, such as product or service quality attributes. The intrinsic brand cues that will be discussed in this study are reputation, service attributes and media reviews.

Reputation is a perceptual representation of an organization's past performance and future prospects which describe the company's overall performance as compared to other competitors (Roberts and Dowling, 2002 and echo Fombrun 1996) as quoted in Dolphin (2004). Broomley (2001) defines reputation as a distribution of opinions that are the expressions of image about certain key points. A good reputation is a tool in enhancing an organization's financial value which can also influence purchase intentions (Gotsi and Wilson, 2001). Moreover, Rindova et al. (2005) as quoted in Dolphin (2004), suggest that company reputation signal the capabilities of a company to produce quality products and services and perform as a sign of the quality inputs and productive assets possessed by that

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