

## **Chapter 17.**

# **MARKETING IN INSURANCE – RESPONSE TO CONSUMER DEMANDS**

Disruptions in the marketing environment have always existed and there will be a constant stream of future disruptions. Companies must successfully face disruptive challenges – from the digital revolution and major economic changes, through the consequences of the global COVID-19 pandemic, to a wide range of environmental, social and political changes. Companies in this age of disruption, to thrive or even survive, must adapt to eliminate threats and take advantage of opportunities. They must learn to serve customers profitably in the face of constant change and uncertainty. This requires a new, more holistic marketing approach – a concept that can be a strong foundation for companies as they face various challenges in the present and in the future.

The concept of marketing has evolved and developed since its inception until today. That development went from simple exchange, through consumer-oriented marketing, value-oriented marketing, to marketing in the digital world and marketing in the virtual environment. During the evolution, the application of the marketing concept contributed to the achievement of the company's goals while satisfying the needs and desires of consumers, but also taking into account the long-term interests of society.

The marketing concept changed and progressed under the influence of various factors from the environment, and at the same time, technological innovation and digitalization are not the only factors that influenced its evolution, although most works emphasize the impact of technological progress on its evolution. This chapter analyzes the broader factors that influenced the development and evolution of the marketing concept, in addition to technological progress, changes in the market, changes in consumer behavior and changes in society.

The chapter aims to analyze the development of Marketing in insurance as response to changes in consumer demand. That development took place in five basic stages, known as the five stages of marketing development, from Marketing 1.0 to Marketing 5.0. The focus of the analysis will be on the evolution of marketing objectives and the critical characteristics of each stage in the development of marketing, and understanding how progress has occurred. In particular, the main factors responsible for growth will be analyzed. The research objectives that arise from the chapter aim are:

1. Analysing the marketing concept evolution and various stages of marketing in insurance as response to consumer demands.
2. Interpreting the fundamental differences between each stage of marketing.
3. Analysing how digitalization affects marketing in insurance companies.

The research method used in the preparation of this chapter is a secondary research approach. We collected secondary research data and studied and analyzed journal articles from Scopus index and Google Scholar, research papers and books of eminent researchers and authors researching this topic.

In this chapter, we explained the development of the insurance marketing concept by stages from Marketing 1.0 to Marketing 5.0, analyzed the characteristics of each stage, the differences between them and identified the factors that lead to the transition from one stage of evolution to another. In particular, we analyzed the digital transformation in insurance and how digitalization affects business and the application of marketing in this area.

## **1. MARKETING CONCEPT – A RESPONSE TO CONSUMER DEMANDS**

Business is dynamic and changes over time. Only those companies that change to better meet the needs and demands of consumers survive. Insurance companies are particularly exposed to dynamic changes taking place in modern economies. Major market forces – increasing role of technology, globalization, physical environment, and society responsibility have created new opportunities for consumers and companies and changed competitive landscape. These changes are complex and require high costs and time to adequately respond to them, so new business models and strategic approach are necessary. Skilled marketers are continually updating classic practices and introducing new ones to find creative, practical ways to adapt to new services realities.

Marketing is both an art and a science, and it results from careful planning and execution using state-of-the-art tools and techniques. Marketing is about identifying and meeting human and social needs in a way that enables the fulfillment of goals of the company. Marketing management „is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value“.<sup>506</sup>

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<sup>506</sup> Kotler, P., Keller, K. L., & Chernev, A. (2022). *Marketing management*. New Jersey: Pearson, p. 3.

We can distinguish social and managerial aspect or definition of marketing. A social definition of marketing shows the role that marketing plays in society. As Philip Kotler points out, the purpose of marketing is always to improve people's lives and contribute to the common good. It shows that marketing is a social process by which individuals and groups get what they need and want through creating, offering, and freely exchanging products and services of value with others.<sup>507</sup>

Knowing the motives and behavior of consumers is the starting point for making quality decisions and defining effective marketing strategies. The basic motive of the consumer, i.e. the insured, is to protect people and property from risks. The insurance product appears in a specific form of risk, i.e. potential damage to which the individual, the economy and society are exposed on a daily basis. Insurance contributes to the satisfaction of three basic needs: 1) the need for security, 2) the need for savings and 3) the fulfillment of legal obligations prescribed by the state. As different consumers react differently to individual marketing instruments, when designing marketing strategies, the greatest attention should be paid to the instrument to which members of the target segment show the greatest degree of sensitivity.

The insurance product appears in a specific form of risk, i.e. potential damage to which the individual, the economy and society are exposed on a daily basis. The insurance market is complex and very dynamic. The development of technique and technology increases the field of risk, the growth of people's living standards, the development of the economy and the increase of investments, the development of international trade and the development of tourism expand the insurance market. There are opportunities for innovation in insurance services.

It is in the interest of consumers that their needs are satisfied as best as possible with adequate products, at appropriate prices, through adequate distribution channels and with timely and quality communication. Insurance companies are interested in achieving their own business goals through more complete satisfaction of the demands and needs of certain categories of clients and consumers. It is necessary to analyze the inclinations and intensity of insurance needs of existing and potential policyholders. Satisfying the needs of consumers and business entities also achieve wider social interests.

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<sup>507</sup> Kotler, P., Armstrong, G., & Opresnik M. O. (2023). *Marketing: An Introduction*. Harlow, England: Global Edition, Pearson, p. 29.

## 2. MARKETING KONCEPT EVOLUTION FROM 1.0 TO 5.0

Marketing as a concept has a dynamic character that constantly changes and adapts under numerous factors. The development of marketing has influenced marketers and companies in all sectors, including insurance, to change and adapt their marketing strategies and business models to the dramatic changes in the economy and society. Practices of marketing management have evolved with different strategic concepts.

Over time, marketing has gone through several phases and kept pace with the evolution of technological innovations that are necessary for the future of any successful business. Rapid the development of technology and the fact that it is now increasingly affordable in terms of learning and cost have led to its popularization among marketers and consumers.<sup>508</sup>

For a long time, the literature was dominated by the classification of the phases of the evolution of the marketing concept into the concept of production, the concept of products, the concept of sales, the concept of marketing and social marketing. With the appearance of the 16th edition of the book *Marketing Management*, professors Kotler and Keller introduced the concept of holistic marketing instead of the phase of social marketing.<sup>509</sup> This classification of marketing evolution stages is widely accepted and widely used by theorists and practitioners.

However, with the appearance of a series of articles and especially the book of Professor Kotler, Kartajaja and Setiawan 2010, *Marketing 3.0: From Products to Customers to the Human Spirit*, a new classification of the phases of the evolution of the concept of marketing has been established.<sup>510</sup> The emergence of a new approach to the evolution of marketing was primarily due to the impact of technological changes, changes in the market, changes in consumer behavior and changes in society.

As a result, we are talking about several phases in the development of the marketing concept. We look at the evolution of marketing starting from

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<sup>508</sup> Sima, E. (2021). Managing a brand with a vision to marketing 5.0. *MATEC Web of Conferences* 343, 07015, p. 1, [https://www.matec-conferences.org/articles/matecconf/pdf/2021/12/matecconf\\_mse21\\_07015.pdf](https://www.matec-conferences.org/articles/matecconf/pdf/2021/12/matecconf_mse21_07015.pdf)

<sup>509</sup> Kotler, P., & Keller, K. L. (2016). *Marketing management*. New Jersey: Pearson.

<sup>510</sup> Kotler, P., Kartajaya, H., & Setiawan, I. (2010). *Marketing 3.0: From products to customers to the human spirit*. New Jersey: Wiley.

product-driven marketing (1.0) to customer-oriented marketing (2.0) to human-centric and value-oriented. marketing (3.0) to era of combining offline and online marketing (4.0) to era of dominance of the digital environment (5.0).

Those individual stages of marketing evolution differ significantly in many characteristics and assumptions. Certain stages in the evolution of marketing arose in different periods of time under the influence of different forces in the environment. There are differences in certain stages of development, first of all what is the focus of marketing orientation, then what is the basic goal of marketing, what is the basic value proposition and what is interaction and communication with consumers, see Figure 1.

*Figure 1. The basic characteristics of individual stages of marketing development*

Area of Distinction	Marketing 1.0	Marketing 2.0	Marketing 3.0	Marketing 4.0	Marketing 5.0
Initiation Year	1950	1970	1990	2010	2020
Era	Commodity era	The era of customer focus	The era of value	The era of combining offline and online	The era of dominance of the digital environment
Focused on	Product	Consumer	Values	Social compromise	Humanity that uses artificial intelligence
Aim	Sale of products	Satisfaction and customer retention	Making the world a better place	Inspiring the client to personalise their experience	Increase human connection with the help of artificial intelligence
Forces enabling the emergence of a concept	Industrial Revolution	Information Technology	A New Wave of Technologies	Cybernetic revolution and Web 4.0	Introduction of artificial technology
Communication	Unidirectional	Bidirectional	Multidirectional	Omnidirectional	Omnidirectional
Value Proposition	Functional	Functional and emotional	Functional, emotional and spiritual	Functional, emotional, spiritual and self-creative	Functional, emotional, spiritual, self-creative and interpersonal

*Source: Mehta, S. (2022). The Evolution of Marketing 1.0 to Marketing 5.0. International Journal of Law Management & Humanities, 5(4), pp. 480-481; Sima (2021), op. cit.*

The characteristics of the marketing stages mentioned above further lead to different ways in which companies view the market, which generations

(cohorts) of consumers they predominantly focus their efforts on, and which key marketing concepts they use to serve. Now we will analyze the specifics of certain phases of the evolution of marketing that are characteristic of all sectors, including insurance and the companies in them.

## 2.1. Marketing 1.0: Commodity era

Marketing 1.0, as the first phase of marketing, was a concept that emerged in the 1950s. First of all, he was product-oriented, and he did not pay enough attention to the wishes and preferences of customers. The main object of the company's attention is the commodity; and the basic aspects of the competitiveness of goods are cheapness and its volume of production.

The technological premise and catalyst for the emergence of Marketing 1.0 is the industrial revolution.<sup>511</sup> The development of production technology created a situation in which there was mass production and a boom in consumer needs and a drastic increase in both the demand for products and competition among companies. This provided the need for marketing. Marketing era 1.0 is current in the period after World War II. Consumer incomes begin to grow, and communications begin to develop, barriers in foreign trade are reduced, and thus the volume of potential demand increases.<sup>512</sup>

The focus of marketing in this phase of development was the efficiency of production and distribution. The basis of competitiveness in the commodity era is the technical and economic characteristics of the product. Companies looked for better machines, i.e. the development of production technology, in order to take advantage of economies of scale. Research and development budgets were important to achieve superior products as a competitive advantage.

In Commodity era, companies concentrate on product development and its features with the aim of gaining market share. The main goal of Marketing 1.0 was to sell the product and services wealthy baby boomers and their parents.

The Marketing 1.0 relied on emphasising on the Unique Selling Proposition to distinguish one product from its competitors. The focus is on the functional aspects of the product to sell the product to customers. Functionality is the basis

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<sup>511</sup> Alim, L. D. (2020) The Impact of Industrial Revolution to Marketing. *Electronic Research Journal of Social Sciences and Humanities*, 1(4), pp. 114-122.

<sup>512</sup> Zozul'ov, O., & Tsarova, T. (2020). *The marketing epocs by key elements of enterprise competitiveness*, [https://ela.kpi.ua/bitstream/123456789/36973/1/EV\\_2020\\_Zozulov\\_Tsarova.pdf](https://ela.kpi.ua/bitstream/123456789/36973/1/EV_2020_Zozulov_Tsarova.pdf)

of the value proposition that companies offer to customers. The customer groups that are dominantly in the focus of marketers are baby boomers and their parents.

In Marketing 1.0 distribution was through traditional channels. Communication with customers is limited and reduced to one to many. Companies use one-way communication and existing media such as television, radio, print and letters. Its message was unidirectional because it does not provide feedback to the client, and the elements of measurement are very few and variable. This means no interactions with customers.

The biggest shortcoming of Marketing 1.0 was that companies often forced consumers to consume what they didn't need, which created a culture of consumerism. Companies have realized that quality and uniqueness are not enough to sell products and increase profits, which has led to further evolution towards Marketing 2.0

## **2.2. Marketing 2.0 The era of customer focus**

Marketing 2.0, as the second phase of marketing, was a concept that emerged in the 1970s. The focus of Marketing 2.0 has shifted from the product to the customer and his needs. Marketing activities are customer-oriented, which required an increase in the variety of product offerings due to different customer characteristics, so customers have different options in purchasing. Customers benefit from the availability of multiple products for their needs, while manufacturers compete with each other to attract target customers.

In Marketing 2.0, the focus was on understanding segmentation, targeting and positioning. Companies have learned more about their target market and have defined their market positioning. The marketing goal was to create products and services that adapt to meet the specific needs and preferences of customers and build long-term relationships with them. The golden rule of marketing 2.0 is "The customer is king". This places the customer as the starting point in product and service development. It prioritizes the client experience across multiple touchpoints.

Marketing 2.0 emerged as the application of information technology (IT) grew within companies. With the growth of IT information technologies, the possibility to use highly targeted messages through segmentation and personalization also grew. The goal was to differentiate the product based on the unique needs and desires of customers. Most companies are still at this stage.

The factors that led to changes in social and business life and thus to the emergence of a new era in the development of marketing are the rapid progress of technology, liberalization, globalization and privatization.<sup>513</sup> Economic conditions and demand for goods in the market have increased the power of buyers. Marketing 2.0 appeared with the emergence of the information age, which is based on the evolution and development of communication and information technologies. In the information age, consumers are much better informed and can compare and search for information about similar products and services. Accordingly, consumers have the possibility of a wide choice, the price sensitivity of buyers - late boomers and Gen Xers; has increased, and the willingness to compromise with the seller has increased. The key to competitiveness is in the choice of target audience.

Marketing 2.0 is defined as the use of Web 2.0 technology and the collaborative resources it offers to open interactive channels of communication between consumers and businesses. Marketing 2.0 introduced a new information model that connected customers with businesses in a much more efficient way. It starts with the user and introduces "Web 2.0 tools" such as WordPress, Facebook, YouTube, Wikipedia, etc. Companies systematically organize information collected through various Web 2.0 tools. During data collection, companies create databases, process them, classify and extract information. The information then flows to marketing managers, where it is used to develop consumer-based strategies based on demographics and current market trends.

Web 2.0 also helps in identifying and meeting needs consumers, emphasizing their feelings. Marketing helps to create an emotional connection with consumers. In addition to the features offered by products and services, how consumers feel about the product is also important. That's why we say that Marketing 2.0 is based on emotions.

The primary goal became retention of existing customers in addition to satisfaction and it is based on offer differentiation and one-to-one communication.. Marketing 2.0 communicates with traditional media and with interactive media that promote social participation and receive constant feedback. This is why this phase focuses on the 4 Cs of communication (clarity, coherence, control and credibility) instead of the four Ps (product, price, place and promotion).

Marketing 2.0 is marketing that has focused on brand communication and brand experiences. Service design is a tool for customer experience management

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<sup>513</sup> Mehta (2022), op. cit., p. 475.



(CEM), and databases have been used to formulate customer relationship management (CRM) strategies to gain loyalty.

### **2.3. Marketing 3.0 The era of value**

Marketing 3.0 is a concept that emerged in the 1990s and is known as value-driven marketing. The basic idea of the value era is to create value for the consumer as a way of self-expression. People are seen not only as consumers, but also as human beings with a mind, heart and spirit. In this phase, companies face the deepest needs and desires of consumers as complete human beings and adapt marketing and communication strategies to explore, create and deliver value not only from an economic, functional or environmental point of view, but also from a spiritual or sentimental point of view.<sup>514</sup> Marketing 3.0 meets the consumers emotional needs, connects to the consumer through social media, and looks at people instead of segments.

In Marketing 3.0, consumers are more aware of the social and humanistic aspects of being treated as people. The rise of Generation Y fueled another significant evolution in marketing. Generation Y demanded that companies create products, services and cultures that deliver positive social and environmental impact. As customers are sensitive to problems in society, the company strives to produce products with values that the community wants. Companies have begun to incorporate ethical and socially responsible marketing practices into the business model.<sup>515</sup>

Marketing 3.0 focuses on human values, corporate social responsibility, sustainability and ethical business practices. The goal is to satisfy customer needs, create a meaningful relationship with customers based on shared values, and provide solutions to social problems. The focus is on creating products and services that align with customers' values and beliefs, and marketing serves to inspire and connect with customers on a deeper level.

Marketing 3.0 is an era of mission marketing that has gone beyond creating customer value to creating human value. Companies worked to make the world a better place and to make lives better. They designed programs of social

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<sup>514</sup> Fuciu, M., & Dumitrescu, L. (2018). From marketing 1.0 to marketing 4.0 – the evolution of the marketing concept in the context of the 21st century. *International Conference KNOWLEDGE-BASED ORGANIZATION*, Vol. XXIV, No 2, p 45. Retrieved from: <https://sciendo.com/article/10.1515/kbo-2018-0064>

<sup>515</sup> Kotler et al. (2010), op. cit.

contributions to correct social dysfunctions. Only companies willing to be good corporate citizens could win the hearts of consumers and gain shares of wallet.

The emergence of Marketing 3.0 arose from the development of the "new wave of technology" and the use of computers and the Internet. One of the drivers of new wave technology is the rise of social media. New wave of technology has enabled the connection and interactivity of individuals and groups where everyone cooperates with everyone.

The catalyst for the emergence of Marketing 3.0 was the accelerated process of globalization, the concept of coexistence of people and technology, and the emergence of a creative society. The idea of globalization is directly related to technology. Globalization is driven by technology, i.e. information technology enables the exchange of information, and transportation technology facilitates trade and physical exchange in global value chains.

The development and globalization of communications against the background of oversaturation of the offer gives the customer the opportunity to promote the requirements for the product and at the same time to express his opinion within the limits of a wide audience. Within the satisfaction of basic needs, the consumer can form requests for additional properties of the goods as a way of expressing the value of the consumer as a person. Consequently, companies strive to involve the consumer in product development and appeal not only to needs, but also to the values that underlie these needs, and are realized in the process of consumption, as well as in the act of self-reliance.

## **2.4. Marketing 4.0 The era of combining offline and online**

Marketing 4.0 integrates traditional (offline) and digital marketing. Marketing 4.0 is not only focused on technology, but also on how technology helps companies to humanize their relationship with their customers. Digitization further complements the trend towards human centrality.<sup>516</sup>

Marketing 4.0 initiated in 2010s represents "a marketing approach that combines online and offline interactions between companies and consumers".<sup>517</sup> Generation Y and Generation Z are gravitating toward the digital economy. For marketers, it makes sense to target young people. The digital revolution, social

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<sup>516</sup> Andhyka, B. (2020). Marketing 4.0 a Literature Review. *IOSR Journal of Business and Management (IOSR-JBM)*, 22(4), p. 50.

<sup>517</sup> Kotler, P., Kartajaya, H., & Setiawan, I. (2017). *Marketing 4.0: moving from traditional to digital*. New Jersey: Wiley.

networks and mobile technologies, lead to society becoming more connected. Marketing in the digital world does not only rely on digital media and channels. The digital divide still exists; therefore, marketing requires an omni-channel approach – both online and offline. The concept is partly inspired by Industry 4.0 – the high-level strategy of the German government – in which physical digital systems are used in manufacturing sectors.

The epoch of marketing 4.0 is based on the Internet, various applications, websites, portals and blogs. Companies are replacing high-cost brick-and-mortar stores with sale sites. At the same time, it is also an approach that combines artificial intelligence with other technologies in order to increase productivity and increase connectivity between people, thus improving the process of interaction with customers. Although the use of technologies in Marketing 4.0 is quite basic, new marketing frameworks are emerging that serve customers in hybrid - physical and digital - touchpoints.

The marketing era 4.0 is defined by a change in the technological methods of providing services in the conditions of intensifying competition, which required new approaches in working with the client. Consumer behavior has shifted towards online channels and interactions and the use of mobile devices, consumers are digitally connected and expect personalized messages, content and experiences.

The wide spread of the Internet and the mass "migration" of consumers to the online environment serve as a catalyst, when communication, receiving information, shopping as a business, become, if not virtual, then online. A common digital environment, within which consumers will realize a wide range of daily needs and functions, and the traditional methods, time and algorithms of interaction with the consumer are changing.

The focus of Marketing 4.0 has shifted to digital technologies in marketing. The goal is to use data and analytics to better understand consumer behavior, tailor and personalize marketing efforts to individual consumers, and improve customer experience. In Marketing 4.0, customer data collection plays a leading role and completely transforms the buying process by focusing as much on needs as on expectations and behavior.

In the online world, social networks have redefined the way people interact with each other, allowing people to build relationships without geographic or demographic barriers. Buyers now have the resources and means to assess and examine any company's offering positioning promises, corporate social responsibility and core values in the digital economy. Therefore, companies can

no longer make false, unverifiable promises, which has proven to be a valuable tool for the public.<sup>518</sup> Marketers have adapted to this change by communicating and delivering products and services through a omni-channel presence.

Marketing 4.0 is witnessing the birth of digital marketing with many types of marketing strategies including content marketing, engagement marketing, experiential marketing, marketing, social marketing, community marketing and viral marketing. It is an age of co-creation and collaboration with the aim of gaining community share, which means there is a large following on various social media platforms. Social listening is essential to the practice of crowdsourcing by gathering and analyzing big data in social media for co-creation and collaboration. Big data analytics is a core competency in this era.<sup>519</sup>

## **2.5. Marketing 5.0 Dominance of the digital environment**

Marketing 5.0 is a marketing era that creates technology for humanity where people and technology collaborate to create a customer experience. In the Marketing 5.0: the consumer is in an intelligent, flexible digital environment and interacts with artificial intelligence, as a full-fledged agent of the digital environment. Marketing 5.0 represents the use of use of technological applications such as AI (artificial intelligence), NLP, sensors, robotics, augmented reality (AR), virtual reality (VR), IoT (Internet-of-Things), and blockchain to create, communicate and deliver customer value to the overall customer experience.<sup>520</sup> It starts with mapping the customer journey and identifying where marketing technologies can add value and improve the performance of marketing people.

Marketing 5.0 was initiated in the 2020s and represents the integration between Marketing 3.0 and Marketing 4.0. He focused on how technology can empower and advance humanity: improving people's lives and creating happiness. The inspiration for Marketing 5.0 comes from Society 5.0, which was introduced by the Japanese government in 2016 as a natural progression of Industry 4.0. Society 5.0 introduces the theme of using advanced technology for the good of humanity. We are now living in an era of technology for humanity, when humans and machines collaborate under a new business ecosystem.

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<sup>518</sup> Mehta (2022), op. cit., p. 479.

<sup>519</sup> Wongmonta, S. (2021). Marketing 5.0: The era of technology for humanity with a collaboration of humans and machines. *Nimitmai Review Journal*, 4(1), p. 83.

<sup>520</sup> Kotler, P., Kartajaya, H., & Setiawan, I. (2021). *Marketing 5.0: Technology for Humanity*. New Jersey: Wiley.

The main forces that have led to the emergence of this era are rapid technological advances, changes in consumer behavior and changes in business models. The Covid-19 pandemic has contributed to greater and faster digitization of business and marketing, as a result of quarantine and physical distancing policies. This has led to a new contactless, digital reality and the development of new ways of interacting with customers. There are also changes in consumer behavior. Consumers, and above all members of generation Z and Alpha, insist on humanity and improving the quality of human life. Thus, they expect hyper-personalized experiences and seamless omnichannel integration. At the same time, they care about the privacy and security of their data.

The focus of Marketing 5.0 is customer-centric, creating customer value based on seamless, personalized customer experience at all touch points where new technologies help improve human interaction, creating emotional connections with customers. Also, the focus is on building long-term relationships with customers based on trust, empathy and shared values.

Marketing technology use cases span seven different touch points: advertising, content marketing, direct marketing, sales, channel, offering and service. The technology is primarily useful for analyzing data and uncovering insights about customers and specific target markets. Another area where the technology has proven effective is in finding the optimal configuration, for example, in media buying and pricing. The predictive power of artificial intelligence is valuable for predicting sales, recommending products and detecting potential churn. AI also enables marketers to personalize products and services at scale and speed.

Kotler and co-authors outline five ways technology can boost marketing practices: 1. Make better informed decisions based on big data; customers leave footprints every time they browse the internet and post something on social media. 2. Predict the outcomes of marketing strategies and tactics with the help of AI-based analytics, it is now possible to predict the outcome before launching new products or announcing new campaigns. 3. Bring a contextual digital experience into the physical world through personalized landing pages, relevant ads and tailor-made content. 4. Increase frontline salespeople's capacity to deliver value with AI, along with NLP, Chatbots, AR and VR. 5. Accelerate marketing execution with agile practices of lean startups to perform rapid market experiments and real-time validation.<sup>521</sup>

Technology for humanity creates value not only for customers, but also for society as a whole with a positive impact on the environment. Marketing 5.0

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<sup>521</sup> Kotler et al. (2021), op. cit.

increases the adaptability and flexibility of marketing strategies to changing market trends and consumer behavior. In Marketing 5.0 technologies become integrated with aspects related to social responsibility and human-centered behavior. A successful marketing strategy requires a holistic approach that takes into account customer needs, data insights, multi-channel engagement, and targeted messaging.

The evolution of marketing has influenced insurance companies to change and adapt their marketing strategies and business models. Thus, no phase of the evolution of marketing is dominant or the most important. Traditional and digital marketing need to be integrated and coexist with the common goal of providing a superior customer experience as high-touch interaction becomes the new differentiator. Definitely, the future of marketing is a mix of online and offline experiences in the customer journey.

### **3. DIGITAL TRANSFORMATION IN INSURANCE**

Digitization is an extremely attractive and comprehensive topic. Digital transformation is the process of using new technologies, such as artificial intelligence (AI), Big data, the Internet of Things (IoT) and robotics, to improve business processes, products or services. According to Deloitte, implementing digital transformation can help companies achieve 22% faster progress toward financial returns, workforce diversity, and environmental goals.<sup>522</sup> In general, the financial sector is continuously seen as a leader of the digital transformation in the economy, actively adopting new technologies and business models.<sup>523</sup> The future of insurance is undoubtedly digital. With rapid steps, insurance is moving from the dominance of the analog model to the digital one.

Digitization disrupts the existing analog reality and introduces numerous changes to insurance systems, which changes their product offering, applied processes and used tools. It creates new opportunities, risks and challenges. It is crucial that the digital transformation fundamentally changes the way insurance companies operate and that the state with its regulatory power and money has a particularly important mandate.

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<sup>522</sup> Kotler, P., Kartajaya, H., Huan, D. H., & Setiawan, I. (2023). *Entrepreneurial Marketing: Beyond professionalism to creativity, leadership, and sustainability*. New Jersey: Wiley.

<sup>523</sup> Gasiorkiewicz, L. & Monkiewicz, J. (eds.) (2023). *The Digital Revolution in Banking, Insurance and Capital Markets*. London: Routledge International Studies in Money and Banking, p. 3.

Digitization enables individuals and legal entities to be active in the insurance market via the Internet, without physical contact with the insurance company. Also, digitization enables different setting of back-end and front-end activities of insurance companies, platformization of business organizations and processes and growth of specific ecosystems around them.

The specific impact of "digital transformation" for the insurance value chain has already been discussed (e.g. Bramlet et al. 2019; Eling and Lehmann 2018; Naujoks 2017). The most of further academic studies are limited to the implications of digitization in insurance and to specific technologies - IoT with wearables for life and health insurers (Spender et al. 2019) or usage-based insurance (e.g. Desillas and Sako 2013; Huang and Meng 2019). Furthermore, previous literature explores the possibilities of applying big data and analytics to insurers (Zhang et al. 2019 focus on benefits in customer relationship management, Owadalli et al. 2019 use a data mining approach to detect periodicity in underwriting cycles, Fang et al. 2016 apply big data to better predict customer profitability, Gatteschi et al. 2018 exploring of applying blockchain as a distributed ledger technology for smart insurance contracts).<sup>524</sup>

At first digital transformation of the insurance sector related to the use of algorithms for calculating insurance premiums more accurately, which gave excellent results. Insurance companies became more profitable and started to manage risk better. In the early 2000s, insurance companies began to use the Internet and web sites to sell insurance products directly to consumers, leading to increased customer loyalty. Digital transformation can help the insurance sector meet new customer expectations by offering digital real-time communication and 24/7 support. Additionally, it can help to reduce operational risks, such as fraud prevention and assist integrated risk management systems.

The Internet of Things and telematics are now mostly used in insurance, while open finance, techfins and cryptoassets are almost non-existent.<sup>525</sup> The Internet of Things, which is one of the key technologies today, represents the mainstream of digital transformation of the insurance business and draws attention to changes in the entire security value chain. The application of telematics is most often associated with car insurance, but it can also be applied to other types of insurance. Also, there are different models of personalized car insurance, i.e. Usage Based Insurance (UBI). UBI is actively expanding in auto

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<sup>524</sup> Review was made according to: Eckert, C., & Osterrieder, K. (2020) How digitalization affects insurance companies: overview and use cases of digital technologies, <https://doi.org/10.1007/s12297-020-00475-9>

<sup>525</sup> Gasiorkiewicz & Monkiewicz (2023), op. cit., p. 5.

insurance, and its main advantage is the personalized price. The model foresees flexible prices, i.e. determining the price of insurance depending on the client's driving style, his behavior on the road. This is possible thanks to telematics equipment that collects data on the client's driving at individual level and systems of work from Big Data.<sup>526</sup>

Finally, as we have seen so far, the field of marketing and insurance is constantly changing and adapting under the influence of technological innovations, but also due to changes in the market, in consumer behavior and in society. With this work, we tried to underline the evolution of the concept of marketing and to point out the basic differences between its individual phases or so-called epochs. At the beginning of the 20th century, companies were interested in product development, and in the second phase, the focus shifted from production to needs and desires. consumers, and in the third phase the focus is on creating value for consumers and society. In the fourth stage of evolution, the concept of marketing is driven by changes in IT and social media, including feelings and the human spirit in the decision-making process. In the fifth phase, advanced technologies create the well-being of people and society as a whole.

We have pointed out that knowing how the marketing concept has evolved can and will prepare insurance companies for the changes to come. Insurance companies must use the possibilities of digitization in all possible directions and forms in order to remain competitive. New technologies, changes in consumer behavior and new trends in society as well as other factors from the external environment continue to influence and change marketing practice, and it is crucial to understand and predict how the marketing concept will develop in the future.

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<sup>526</sup> Tselentis, D. I., Yannis, G., & Vlahogianni, E. I. (2016). Innovative insurance schemes: pay as/how you drive. *Transportation Research Procedia*, 14, [https://www.researchgate.net/publication/304530360\\_Innovative\\_Insurance\\_Schemes\\_Pay\\_as\\_how\\_You\\_Drive](https://www.researchgate.net/publication/304530360_Innovative_Insurance_Schemes_Pay_as_how_You_Drive)