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MARKET CATEGORY GENERATION BY META-CONTRAST THESIS

Abstract:

This study is based on the J.C. Turner et al. discussion of self-categorization and investigates generated categories in relation to existing categories. The research question in this study was: Does the existence of parallel categories clearly set boundaries for new categories? The aim of this study is to demonstrate the generation of categories in this market with cases of Japanese mini insurance. The conclusions were, firstly, that new product categories are generated in relation to parallel product categories and secondly that, if products have labels that can be clearly compared with parallel product categories, consumers can clearly see the boundaries between new and existing categories.

Keywords:

category in market, meta-contrast thesis, emergence of category

JEL Classification: L22, L26, L29

Introduction

How are categories generated in markets? This study concerns the generation origin of market categories and their evolution up to the present. This field of study has been expanding in recent years(Negro, Koçak and Hsu 2010, Kennedy and Fiss 2013). There are many studies concerning the evolution of market categories in particular but there are only a few entrepreneurs' studies concerning their generation (Kennedy, 2008,Navis and Glynn 2010, Tyler, Lounsbury and Glynn 2011).

Studies concerning category generation up until now have focused on specific product categories. Of course, some studies focus on new categories while others discuss the generation of new categories in relation to existing categories (Rosa et al., 1999, Porac et al.,,1995)..

This study is based on the J.C. Turner et al.(1987)'s discussion of self-categorization Zuckerman(1999)'s discusssion of categorical imperative ,and investigates generated categories in relation to existing categories. The research question in this study was: Does the existence of parallel categories clearly set boundaries for new categories? In other words, this study asserts that new product categories are generated while drawing a parallel with existing product categories.

The aim of this study is to demonstrate the generation of categories in this market with cases of Japanese mini insurance. The conclusions were, firstly, that new product categories are generated in relation to parallel product categories and secondly that, if products have labels that can be clearly compared with parallel product categories, consumers can clearly see the boundaries between new and existing categories.

Theory

One of the origins of the study of market categories is the study of the pursuit of competitive patterns in markets. For example, Porter(1980)'s approach to competitive positioning analyzes competitive patterns between companies that adopt the same or similar strategy groups. Although the format of strategy groups differs depending on market characteristics, usually only a few strategy groups exist in a market. In addition, there are clear differences in strategies adopted by each strategy group.

However, while strategists from companies within the same strategy group adopt similar strategies in the market, why do companies adopt clearly different strategies between strategy groups? Dominant competitive strategy theory does not respond satisfactorily to these kinds of questions. Porac and Whitley et al. point out these limitations in their research.

Consequently, Porac et al(1995) first of all consider that it is not possible to discover the causes of competitive patterns such as those of strategy groups in objective product attributes and corporate strategy. On top of this, they attempt to change the discussion with the recognition that discussion up to now of which company is which company's rival and which companies strategists see as their rivals.

However, for companies, it is possible to be rivals in the same market with degrees of difference. Company strategists cannot, however, regard every company in the market as a rival. This is because there are limits to the recognition that company strategists can have. Therefore, they specify restricted rivals and determine company strategy while ascertaining these rival companies' trends. In other words, company strategists are in opposition to local companies.

Response to this kind of restricted rival means that both rivals and the company are regarded as restricted rivals in the same way. Therefore, companies mutually create recognition about the market within the limited recognition range. The result is that extremely similar recognition is created between the company and its rivals (Porac et al.,,1995).

Companies share market categories when creating similar environments to rivals(Rosa, et al,1999). The difference between the generation of these kinds of market categories and other market categories is clarified. Therefore, as company categories and other categories are different categories, the company recognizes this and further, consumers form the same recognition. A similar environment to rivals is created, market categories are generated within this environment and the difference with other categories is clarified(Yoshinari, 2015).

Company aggregation is certainly achieved by being a rival based on a certain category. However, categories are not generated only with companies that have similar recognition in the market. Normally, it is necessary to have aggregation that has the same attributes in categories and labels that express this. Even if this kind of aggregation exists, category labels are not necessarily shared. In other words, market categories are not generated just with aggregation that has shared attributes.

In studies up to now, while there has been focus on aggregation surrounding categories, the focus in this study is on the relationship with other market categories in order to generate category labels. This is due to the fact that if there are no other categories, there is no possibility of new categories (Turner et al. 1987). Empirical investigation was conducted into which other categories help in generating new categories in order to achieve this.

Context

Categories targeted in this study were mini insurance product categories in the insurance industry. The product category of mini insurance was newly generated from the year 2000 onwards even in the insurance industry. The mini insurance category includes product categories such as pet insurance, home contents insurance and medical insurance.

In this study, the subject of research is The Small Amount and Short Term Insurance. The Small Amount and Short Term Insurance is official name. The Small Amount and Short Term Insurance is commonly called as 'mini insurance'.

Method

The research method was text mining for words that frequently appear in newspapers. These newspapers were financial newspapers with readers all over Japan. Empirical investigation was conducted into category generation through words that frequently appear in these newspapers.

Along with the generation of this mini insurance category, in order to analyze the relationship with other existing categories, the relevance of the words mini insurance and other words in newspapers is investigated. Along with the increase in use of the words mini insurance, how mini insurance was generated in relation to insurance is analyzed through researching increases and decreases in the occurrence of other types of insurances, excluding general words.

Findings

First of all, for the generation of the product category of mini insurance, analysis was conducted with a keyword search in newspapers. The period covered was 2000 – 2014, as shown in Figure 1.

And for the generation of the product category of mini insurance and other words(pet insurance and fire insurance for household effects), analysis was conducted with a keyword search in newspapers. The period covered was 2000 – 2014, as shown in Figure 2.

Figure 1: Number of word "mini insurance"
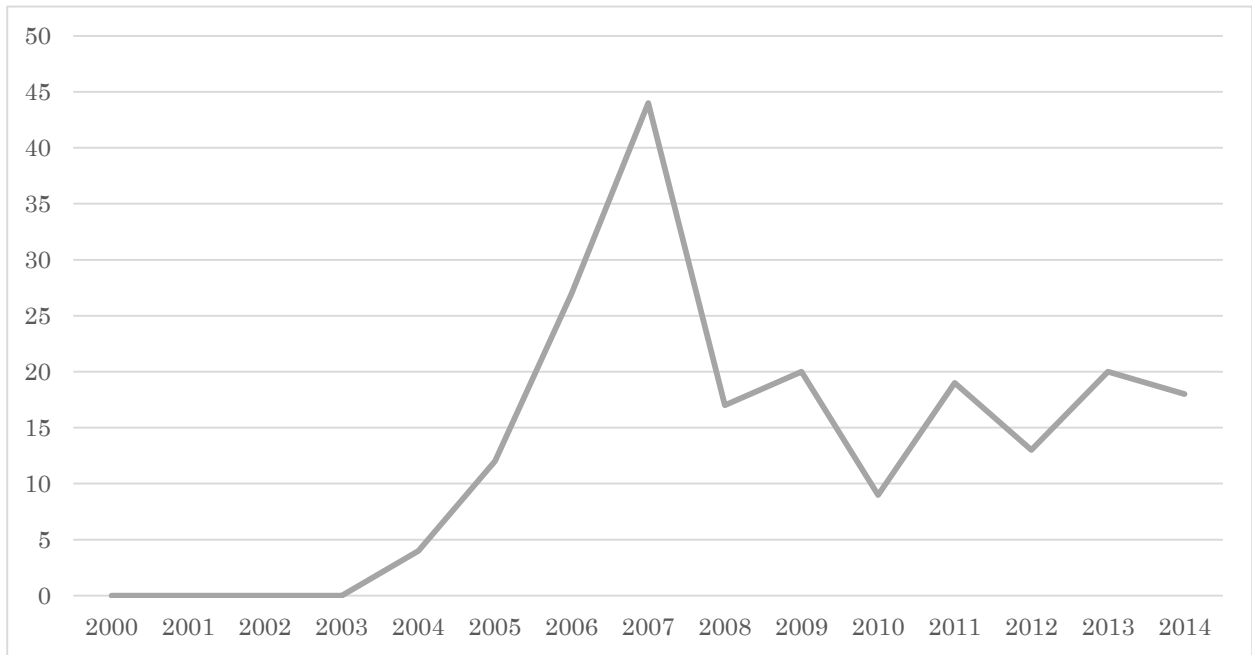
Source: "Nikkei" Japanese economic newspaper

Figure 2: Number of words "mini insurance" and other words
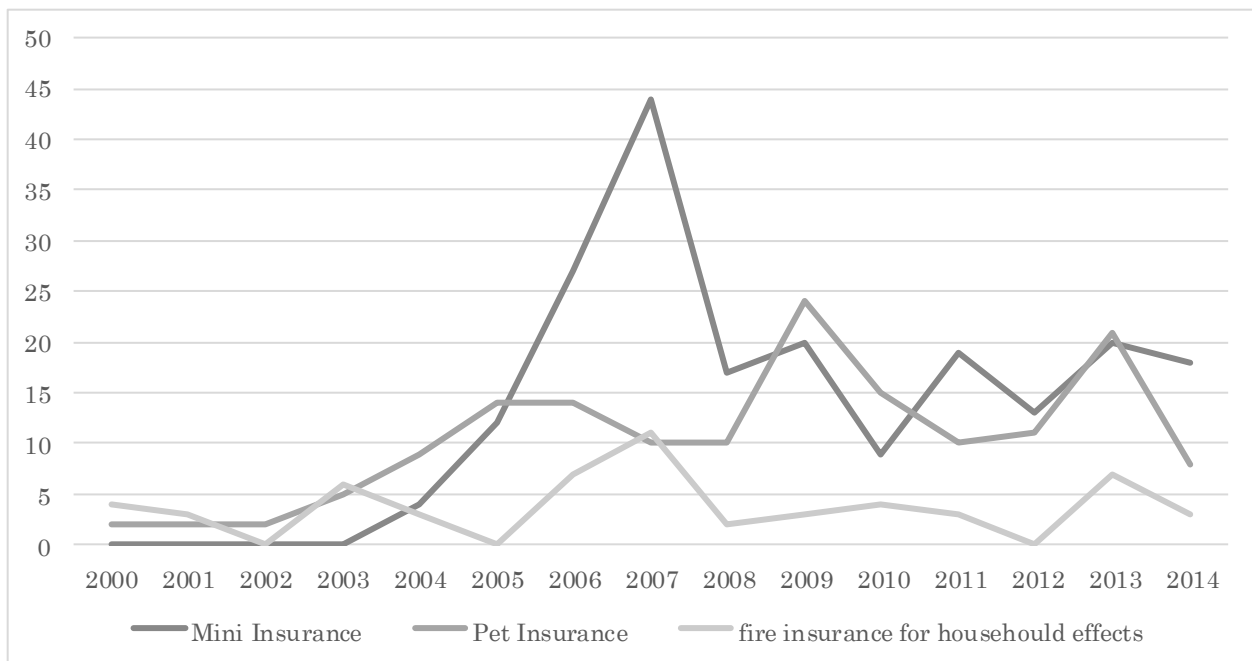
Source: "Nikkei" Japanese economic newspaper

The words mini insurance do not appear in newspapers before 2003. They first appear in 2004 and continue to do so until 2014. Peak appearance in newspapers was in 2007 and they continued to appear after that.

In addition, pet insurance, home contents insurance and hospitalization insurance which are a lower product category in mini insurance exist from 2000 before the words mini insurance first appeared in newspapers. For example, pet insurance has existed since 1998.

Furthermore, a search with mini insurance as the keyword was conducted and the contents of 175 specified articles were analyzed. A Japanese language text mining software called KH coder was used and the language used in newspaper articles was analyzed. The results are shown in Table 1 and Figure 3.

Table 1: Words and number in mini insurance articles

Noun	number	Noun	number
Insurance	3044	Contract	331
Firm	656	Compensation	309
mutual aid	561	Sign	271
Mini	371	Sales	199
product	350	Service	167
Small	344	Nonlife	158
Shot	337	Care	136
earthquake	306	ensure	132
unauthorized	234	introduce	131
Fee	233	foundation	119
business	215	Sift	115
Pet	205	Sales	112
finance	199	reform	102
Agent	182	regulation	100
nonlife insurance	167	Use	95
Fire	155	Expense	93
household effects	136	discontinuance of business	84
House	127	Management	81
medical	121		
Major	118		
Subject	116		
amount	103		
institution	98		
life insurance	96		
Law	94		
life	92		

association	84		
collective	84		
enterprise	83		
Funeral	83		
Customer	82		

Source: "Nikkei" Japanese economic newspaper

Figure 3: Categorical collective in insurance market based on Table 1
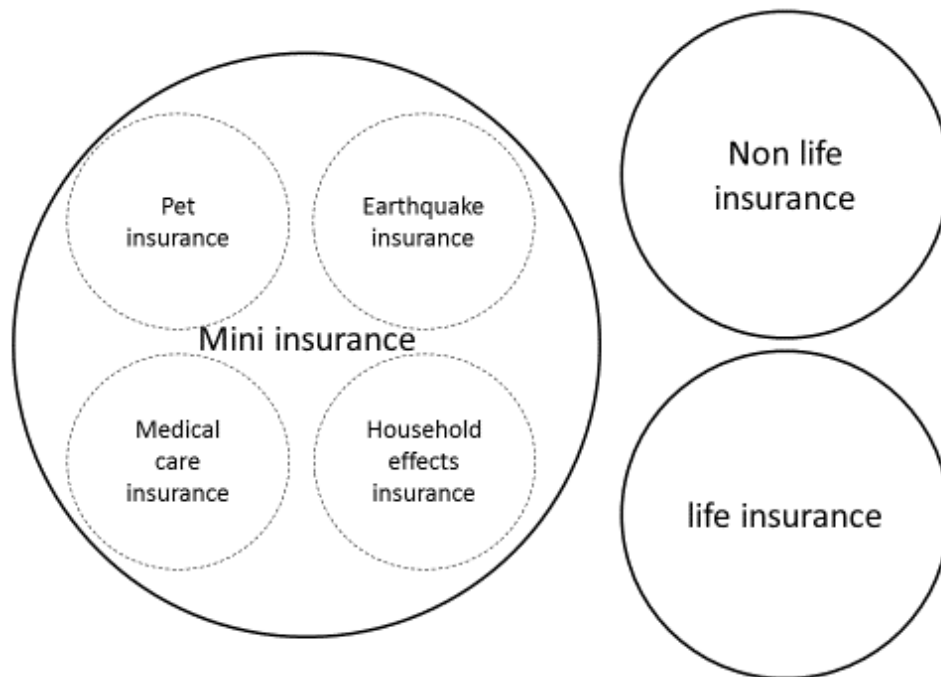
Source: "Nikkei" Japanese economic newspaper

It is obvious from the results in Table 1 that mini insurance is the highest category in the most frequent words relating to "insurance" followed by "company", "mutual aid" and "mini". As mini insurance used to be called mutual aid associations that operated without a license, the words mutual appear frequently. After these, the lower frequency categories such as "damage insurance" and "life insurance" are on a par with "pet".

Figure 3 is based on Table 1. Along with lower categories such as "earthquake" and "pet", "damage" and "life insurance" are also lower categories and it is clear that the same category of mini insurance appears frequently.

Discussion and Conclusion

From the above results, first of all, the mini insurance category does not necessary generate through only lower categories such as "pet insurance". It can be seen that the category of mini insurance is generated in a comparison with other categories on the same level such as "damage insurance", "life insurance" and "mutual aid".

Especially, over 300 words of "damage" or "damage insurance" appeared in newspaper articles about mini insurance. It can be seen from this that when the categories of mini insurance and damage insurance are compared to other categories of the same level, they compare more frequently.

In reality, 60% of subscribers to mini insurance are related to damage insurance such as "home contents insurance" or "earthquake insurance". When damage insurance and mini insurance are compared, or when there are consumers who try to subscribe to both damage and mini insurance, newspaper articles are clearly aware of this. Consequently, while clearly being aware of the category of damage insurance, there is potential for this category of mini insurance to clarify these boundaries.

The word "mini" in mini insurance usually means that insurance installments are inexpensive when compared to life or damage insurance and that insurance periods of validity are shorter. However, when comparing to damage insurance, the image of mini insurance as light insurance is emphasized and subscribers have increased. Consequently, it is considered that the comparison with the same level category of damage insurance is necessary in order to generate the category of mini insurance.

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