Chapter Overview

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Chapter Overview

This chapter deals with reviewing the existing literatures on the various aspects of the study to find the research gap. First, it discusses earlier studies on life insurance and the determinants of life insurance demand (for India) followed by studies on life insurance in India. In the following sub chapters, it reviews the earlier studies on services marketing mix (in Indian life insurance sector) and ultimately finds the research gap. Based on the research gap, the statement of the problem is formulated.

2.1. EARLIER STUDIES ON LIFE INSURANCE AND RELATED ISSUES

Huebner & Black\(^1\) (1969) in their book “Life Insurance” has defined life insurance as: “Life Insurance is a contract for payment of a sum of money to the person assured, or failing him/her, to the person entitled to receive the same, on the happening of the event insured by the contract.” According to them, the peculiar nature of Life Assurance is that the contracted event is bound to happen and the insurer has to perform the contract; Life insurance covers death due to natural causes as well as due to accidents; Life insurance contract is a long term contract having all essential features of a valid contract; Life insurance is contract of assurance and not indemnity; A warranty in a life insurance policy is not collateral but basis to the contract.

The benefits of life insurance as explained by this book are as follows: Superior to any Other Savings; Plan Easy Settlement and Protection Against Creditors; Administering the Legacy for Beneficiaries; Ready Marketability and Suitability for Quick Borrowing; Disability Benefits; Accidental Death Benefits; Tax Benefits. As it was understood from going through this book, life insurance is an instrument to take care of the uncertainties faced by the human society caused by the natural cycle of life and death.

Gronroos\(^2\) (1984) pointed that customers of services, especially, insurance get influenced by the external aspects such as brand image while judging the service. Specialized customer needs and requirements has created a difficulty in universal pricing, hence, making it not reliable as a tangible extrinsic clue of the insurance service.
Jonston et al³ (1984) focussed on the aspect of the customers’ difficulty and inability in building a service expectation if their purchase and use of the insurance products is occasional. By limited usage of the products, their understanding and knowledge of the service also become very limited.

A life insurance product gives the required output after a long wait. Therefore, the post-purchase valuation is impossible for this service, hence, not creating a good satisfaction level among the customers (Crosby & Stephens, 1987⁴). Further, the customers do not foresee the future benefits while purchasing the policy and they have to wait for a long period to verify its effects.

Skipper⁵ (1987) analysed the various rationale behind protectionism. He also differentiated various protective barriers along with their nature with respect to the international life insurance business. Sherden⁶ (1987) is disappointed with the lack of high quality service in life insurance industry. According to him, the customers always demand a service which exceeds their expectations about the service, but the life insurers are not trying to meet this need of the customers.

Slattery⁷ (1989) puts the customer in the focus of insurance marketing. Integrity and trust are highly important to win over a customer’s decision to buy a life insurance product. The perceived risk of the customer in buying a life insurance product is dependent on the service of the insurer/agent and its personal equation with the customer. It may increase or decrease with the quality of the relationship and service.

Pointek⁸ (1992) mentioned about the survey done by Prudential (life insurer) to understand the customers’ dissatisfaction. The results clearly showed that customers needed the insurer’s personalised communications along with accurate and transparent transactions. They also wanted a well connected agent with immediate response to their problems.

Generally, the insurance business is an agent-driven business. Agent is the face of the insurer to the customer and, in majority of case, the only contact of the company to the customer (Clow & Vohries, 1993⁹). Further, Zeithaml¹⁰ et al (1993) also said that
the agent’s integrity and advice is an important factor in maintaining the customer’s faith in the insurance company and its service.

But as the amount of money and time invested in the insurance policy are significant, there is a chance of a long term bonding and relationship between the customers and the insurers or their representatives. The obvious cause to maintain the relationship is to reduce uncertainties and avoidable risks involved in this business (Berry\textsuperscript{11}, 1995)

There is a widespread dissatisfaction among the customers of the life insurance industry. The various causes outlined by Wells & Stafford\textsuperscript{12} (1995) and supported by Cooper & Frank\textsuperscript{13} (2001) are low quality of service, unawareness of specific needs of customers, inferior service design and very poor insurance service delivery process. Customer’s expectation of the agent’s service is the standard to be used by the insurers while evaluating their services (Walker & Baker, 2000\textsuperscript{14}).

2.1.1

Earlier Studies related to Demand for Life Insurance

Numerous theoretical frameworks and models were developed to analyse the demand for life insurance in the second half of 20\textsuperscript{th} century. These earlier models developed by the authors who believed life insurance as a solution to minimise the uncertainties in the income patterns of a family when the head of the family dies. This school of thought had Yaari\textsuperscript{15} (1965), Fischer\textsuperscript{16} (1973), Pissarides\textsuperscript{17} (1980), Lewis\textsuperscript{18} (1989) and Bernheim\textsuperscript{19} (1991) as the proponents.

But, Lewis had a major difference from others by mentioning his objective of the study as meeting the survivors’ needs, i.e. maximising the beneficiaries’ lifetime utility (expected) where as the others had believed in maximisation of the policy holder’s expected lifetime utility. After formulating a model to explain the factors responsible for rise in consumption of life insurance, he found that life insurance consumption increases with increase in the probability of the death of insured. Further, if the insured survives the stipulated term, then the current consumption value of all the survivors is positively correlated with the life insurance consumption. Again, policy price and wealth of the household affect the life insurance consumption.
adversely where as the household’s willingness to avoid risk creates more demand for life insurance cover.

Basically, the old school\textsuperscript{20} had always considered premium payments as the measure of life insurance consumption due to the easy availability of data and helpful in comparative analysis with previous studies. But, the aggregate value of the policies is a better tool to assess the consumption level; because it calculates the protection level if the insured dies within the term of policy.

Hammond et al\textsuperscript{21} (1967) established through household survey that life insurance consumption is hugely influenced by family life cycle, income, net worth, education standard and respective occupations of the customers. Similarly, according to Mantis & Farmer\textsuperscript{22} (1968), demand for life insurance is dependent on income, birth rate, population, policy pricing and employment.

Hammond et al (1967) and Lewis (1989) outlined the major cause of buying a life insurance policy was to help the survivors with economic gains if the insured dies before the end of the term stipulated. The number of dependents of the policy holder positively influences the consumption of life insurance (Beenstock et al, 1986). But, few studies, namely, Ferber & Lee\textsuperscript{23} (1980) and Goldsmith\textsuperscript{24} (1983) have found this relationship as negative.

Numerous studies have proved that income of the insured positively affects the demand for life insurance. Hakansson\textsuperscript{25} (1969) and Campbell\textsuperscript{26} (1980) along with Lewis have derived a positive correlation between income and life insurance purchasing decision.

Duker\textsuperscript{27} (1969) made a case for family with working wife. He found that working – wife families buy less life insurance products than the families with house wives. He stressed on the need to focus on the working- wife families. Age, family size and birth rate significantly influence the customers to buy life insurance cover (Berekson\textsuperscript{28}, 1972).
Cummins\textsuperscript{29} (1973) analysed the impact of various macroeconomic factors on the life insurance sector of the USA. This study outlined the various factors responsible for causing fluctuations in the demand for life insurance products. The results of the study made a great contribution in understanding the demand for a life insurance product better. It was found that life insurance along with pension reserves (insured) are positively correlated with Gross National Product and income (permanent).

According to Fortune\textsuperscript{30} (1973), income, net worth and the customer’s confidence influence the consumption of life insurance. Customer emotions, savings and policy price play a major role in determining the consumption level of life insurance (Headen & Lee\textsuperscript{31}, 1974).

Normally, inflation has a negative impact on the demand for life insurance due to loss of value of the investment (to some extent) (Fortune\textsuperscript{32}, 1974). The amount of inflation expected by the customers is totally dependent on the rate of inflation in the previous years (Choate & Archer\textsuperscript{33}, 1975). While considering the time lag involved in purchase time and realisation time, inflation is a very important factor influencing the customers to rethink about the purchasing decision. Therefore, inflation plays a major role in creating demand for life insurance (Babbel\textsuperscript{34}, 1981). Greene \textsuperscript{35}(1954) also found that insurance lacks protection against inflation. Similarly, Neumann \textsuperscript{36}(1969) outlined that there is almost zero relationship between the expected prices and life insurance consumption. But some studies have found a relationship between inflation and demand for life insurance. These studies included Hofflaner & Duvall \textsuperscript{37}(1967) and Fortune \textsuperscript{38} (1972). Fortune has found a positive relationship between inflation and the demand for life insurance.

Anderson & Nevin\textsuperscript{39} (1975) made a survey of young married couples and outlined that current income, expected income, husband’s education, net worth and the wife’s income (pre-marriage) are the factors which decide the level of demand for life insurance. Various traits of the customer affect his/ her decision to buy life insurance. Psychological traits such as fatalism, socialising, religious beliefs, old work ethics and assertiveness are responsible in fixing the demand level foe life insurance. Similarly, demographic traits such as education, income and family size influence the customer.
to buy a life insurance product. People moving frequently between places possess less number of life insurance (Burnett & Palmer, 1984).

Zeilzer (1979) believed that religion has created a negative perception about life insurance since long time. Religious people, especially, Catholics, Muslims and a few other sects oppose life insurance coverage thinking that it is an insult to the God’s power of protection. Religion and culture can affect a person’s perception on risk aversion which results in less demand for life insurance (Douglas & Wildavsky, 1982).

Miller (1985) has found that working people have more number of policies than retired people (same age) because of the employer’s cost-cutting operation and absence of government’s recognition of life insurance coverage for retired employee. Higher interest rates (more influential) and increased life expectancy (less influential) basically negatively affect the life insurance demand (Williams, 1986).

Fitzerald (1987) categorise positive and negative determinants of life insurance consumption. Positive determinants were husband’s future income (expected) and wife’s income (expected). Similarly, negative determinant was the benefits expected at the husband’s survival of the stipulated term. Age, education and income positively influence the demand for life insurance (Truett & Truett, 1990). Wealth has a huge positive influence on the purchase of life insurance (Benheim, 1991).

Education plays a major role in increasing the demand for life insurance as it increases the dependency term. Again, better education creates a sense of risk control and overall positive perception of the insurance coverage. Hence, education is positively related to life insurance consumption (Browne & Kim, 1993). Again, policy loading charge, i.e. the cost of the life insurance product (which is the ratio of aggregate premium expenditures to the total life insurance amount) is negatively related to the demand for life insurance. More the cost of the product less is the consumption. Life expectancy is perceived to be negatively associated with the demand. More the potential insured is expected to live less is the demand for coverage.
It depends on a variety of factors to get in to a customer’s investment portfolio. Dependency ratio, religion, income, social security, expected inflation rate, average life expectancy, education and policy loading charges are the few factors which affect the demand for a life insurance product (Browne & Kim, 1993). They put the relationship (both positive and negative) of the factors in the following equation:

\[
\log (Y_i) = \beta_0 + \beta_1 \log (DEP_i) + \beta_2 MUS_i + \beta_3 \log (INC_i) + \beta_4 \log (SSE_i) + \beta_5 \log (INFi) + \beta_6 \log (EDUC_i) + \beta_7 \log (LE_i) + \beta_8 \log (Pi) + e_i,
\]

where, \(Y_i\) = life insurance per capita in country \(i\), \(DEP_i\) = dependency ratio in country \(i\) (positive), \(INC_i\) = income per capita in country \(i\) (positive) as a replacement for disposable personal income for which the data is never available, \(SSE_i\) = social security expenditures per capita in country \(i\) (uncertain), \(INFi\) = expected inflation rate in country \(i\) (calculated average of last eight years’ inflation rate) (negative), \(Pi\) = insurance loading charge in country \(i\), i.e. the policy price (negative), \(EDUC_i\) = rate of third-level education in country \(i\) (positive), \(LE_i\) = Life expectancy in country \(i\) (the probability of death) (negative), \(MUS_i\) = Classification variable which takes the value of \(1\) if country \(i\)’s population is predominantly Islamic and \(0\) otherwise (negative), and \(e_i\) = the random error term.

Age, income, number of family member with income and family size have a positive relationship between themselves where as there is a negative relationship between age and demand for insurance, family size and insurance demand as well as income and number of earners (Showers & Shotick, 1994). Hau (2000) noted that wealth and net worth influence the customers positively to buy life insurance where as demographic variables have less impact on the customer’s decision to buy a policy.

Zietz (2003) went through an extensive collection and review of literature to find the determinants of life insurance demand. He reviewed almost every literature available that deal with life insurance demand in last fifty years. Various demographic and economic factors responsible for affecting the demand for life insurance as well as the environmental factors were discussed.

Though there were numerous studies conducted to find out the determinants of
demand for life insurance, many of them had conflicting results. The relationship between various factors life insurance demand varied from study to study. In this study, an attempt was made to ascertain the factors responsible for increase in demand for life insurance.

2.1.2
Earlier Studies related to Determinants of Life Insurance Demand in India

The very first attempt to identify the various determinants of demand for life insurance products/services in Indian life insurance scenario was done by Sadhak (2006). He tried to draw a relationship among the lead variables responsible for demand of life insurance. Though the attempt was honest, he did not give a true and clear picture of the factors.

Mitra & Ghosh (2010) tried to find out the macro-economic factors affecting the demand for life insurance in Indian life insurance sector. They went through an extensive review of literatures available (discussing about the determinants of life insurance demand in other countries) (the details are given in the following table) to find out the factors’ suitability in Indian context. They categorised all the determinants in to two categories, namely, economic and non-economic factors. Economic factors included the following variables related to the insurance business: income, inflation, interest rates, financial development, and price of the insurance service. Similarly, the non-economic factors included: life expectancy (expected at the time of birth), social security coverage, education, and urbanisation.

The dependent variable in their study was obviously life insurance consumption. According to them, life insurance demand/consumption can be assessed by some variables like life insurance penetration/density, face value of active life insurance policies, volume of the premiums and so on. Similarly, they defined the independent factors mentioned already in the study to be measurable for the analysis purpose. After putting all the factors in place, they proposed a hypothesis explaining the relationship between the life insurance demand and the outlined economic and non-economic determinants. The proposed hypothesis based on global trends is given below (See table-2.1):
## Table 2.1

### Existing Studies on the Life Insurance Demand

<table>
<thead>
<tr>
<th>Life Insurance Determinants</th>
<th>Relationship</th>
<th>Existing Research Studies</th>
</tr>
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Existing Studies on the Life Insurance Demand
(Continued from previous page)

| Urbanisation | I | |

Source: Mitra & Ghosh (2010).
The various relationship signs: + = positive, – = negative and I= insignificant.

Life Insurance Demand = \( f \) \{Income (\(+ve\)), Financial Development (\(+ve\)), Rate of Interest (of alternate products) (\(-ve\)), Inflation (\(-ve\)), Education (\(+ve\)), Life Expectancy (\(+ve\)), Urbanisation (\(+ve\))\}, which can also be expressed as:

\[
L = f \left[ I + F.D. - R.I. - INF. + L.E. + EDU. + URB. \right]
\]

To test the hypothesis, the authors have taken data from the annual data series for the post- IRDA period, i.e. from 1999 to 2008. After a thorough empirical analysis using time series analysis, they found that among economic variables, income and financial development are the most positive and important determinants of life insurance consumption in India. But, inflation was also found be important and positively correlated to demand negating the world wide trend where as interest rate negatively influences the customers to buy life insurance. Among non-economic factors, education was found to be most important and positively correlated to life insurance demand in India. This study has set a benchmark for the current research work. The researcher has tried to incorporate as many as determinants mentioned in this study in his research work. A special sub- chapter is made under data analysis in order to discuss about these variables and their impact on the number of policies purchased by the customer.
2.2.
LIFE INSURANCE IN INDIA

Ray (1941) in his book “Life insurance in India: its history, law, practice and problems” elaborately described the origin of the life insurance in India along with the laws made over the time for selling and buying the life insurance products. He also mentioned the informal practices being followed by lot of people which are legally not viable. He also threw light on the various problems faced by the companies and also by the customers in the early twentieth century in India.

Though this book is old and provides data for the first three centuries of the industry when life insurance business in India was negligible, it is highly useful for the private life insurance companies (who are shy of going rural) to learn typical marketing strategies being followed in the pre-independence period which are still valid for most parts of rural India even today.

There is a need for immediate reforms in the Indian insurance sector and the government is also considering it with a bill proposed in the parliament. Very soon, Indian insurance industry is going for a sea change (Gupta, 1996). Similarly, Mittal (1998) has analysed the world insurance industry in order to make Indian insurance sector competitive in the wake of reforms and liberalisation of this industry.

With the increase in average life span and technological/medical developments in last two decades, the customer’s insurance needs have changed drastically all over the world including India. From basic insurance plans, the focus of the customers and the insurers has moved towards protection, pension and health-oriented insurance products (Jha, 1999).

Kundu (2006) focussed on the present insurance market status in India by highlighting the potential available to the foreign players and the challenges ahead. His study was a detailed analysis of facts and figures. There was a comparative analysis on the futures of Indian and Chinese insurance industries. As the markets in the USA and the European countries are saturated, their next target is Indian and Chinese markets.
Insurance density in India is $5 in the life insurance segment and $2 in the general segment, whereas insurance density in Japan stood at $3,236, US - $1,079, Brazil - $18, and $14 in Mexico. Life insurance premium is 1.29% of GDP in India, which is abysmal in the global standard, but the growth is 8.2% when compared to global average of 3-4%. Insurance is mostly considered to be a savings tool in India rather than a cushion for risk. Here, the foreign players have to adapt to the Indian life style and culture in order to succeed.

The study by Siddiqui (2006) named as “Indian Life Insurance Sector – An overview” produces an overview of present position of Life Insurance Sector in India and study various economic indicators related to all Life Insurance Companies operating in India. He fixed his objectives as: i) To know the status of life insurance industry in India and ii) To study various economic indicators related to all life insurance companies operating in India. Methodology adopted: The study is based on secondary data related to insurance companies which are taken from the all-annual reports of the Insurance Regulatory and Development Authority (IRDA). He focused on the prevailing market shares of the companies, life insurance penetration in selected countries, agent strengths and qualities, equity share capital of the companies, premiums earned, and profit and loss incurred by respective insurers.

He found that life insurance industry in India has grown twice as compared to pre-IRDA bill 1999 period. He also found that LIC is well ahead in market share and premium collections but is losing rapidly to the private insurers. He suggested for the better future of life insurance industry as follows: improvement in the insurance density and insurance penetration is required. Development of products including special group policies to cater to different categories should be a priority; especially in rural areas; Consumer awareness campaigns should be encouraged to improve insurance literacy levels; the life insurers should conduct more extensive market research before introducing insurance products.

It must be said that he has given a very good analytical picture of the status of Indian insurance industry which is highly useful in forecasting the market trends also. This
study provides a big exposure to the present day happenings in Indian life insurance industry which is of huge importance.

Chakraborty (2007) in his study “private life insurance companies in India: Growing Prospects and Challenges” traces the challenges faced by the private players while marketing their products and the measures they have taken for overcoming them. His objective was i) to find out the new techniques developed by the private players to overcome the stiff challenges faced by them to market their products and ii) to project a future trend of the market using the prevailing situation. His study was based basically on secondary data provided by renowned organizations such as IRDA, IBS Research centre, Kolkata and LIC etc.

Using these data, he critically analyzed the prevailing trends in Indian life insurance sector and found that: the private players have been able to increase their market share primarily on account of highly customized products and aggressive marketing strategies; Due to India's huge population and an untapped insurance market, life insurance companies have been instrumental in mobilizing the savings of the people and have been ranked next to the banking institutions; Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors; In addition, the private players have had a “second mover advantage” over their predecessor LIC in fruitfully strategizing their business options; Further, the adoption of new and innovative technologies by the private players has enhanced their performances when compared to that of LIC which remained engrossed in applying traditional business methodologies; Barring LIC, the top five life insurers have adopted aggressive bancassurance strategies; throw tie-ups with several nationalized and private banks in India, to promote their products; Apart from the cost factor, the private life insurance companies also confronted stiff challenge from the country's only public sector life insurance company with respect to selling insurance products.

Though Chakraborty has used only secondary data to make his point clear, the study has critically analyzed the current happenings and explained with proper justifications. For the current research work, this study holds a significant weight as
the researcher is also going to deal with the private companies. Therefore this study laced with latest data is going to act as a basic parameter for further research.

Rao (2007)\textsuperscript{61} made a case of insurance regulatory regime in India. With the IRDA Act coming into effect in 2000, private corporate players were permitted to enter the insurance business. The regulation of insurance business changed in accordance with the Government policy and approach to society. Insurance business in India is central subject. The insurance business in India went through various sets of regulations in the last century. The objective of this research work was to examine the existing regulatory regime of insurance business and provisions of the Insurance Act, 1938, and the IRDA Act, 1999.

When the government institutions control the regulatory system, it becomes very tough for private insurers who are left with very limited alternatives. Insurers play with public money and due to regulatory tangles, the customer’s money is not used for their benefits which erodes the customer’s faith in the insurers. There is an urgent need of balanced policy which gives equal importance to regulation and freedom.

Kumar\textsuperscript{62} (2005) discussed about the prevailing scenario in Indian life insurance sector. He found that the life insurance penetration was just 2\% of the per capita life insurance premium was just Rs. 550. Post- IRDA, the efficiency of the life insurance industry and customer services have improved a lot, especially among the private life insurers. LIC remained the market leader with more than 2000 offices. ICICI Prudential was the market leader among the private players.

Parimal & Joshi\textsuperscript{63} (2006) attempted a SWOT analysis of Indian insurance sector. Their study has revealed that only 10\% of all Indian households have insurance cover rendering the rest of 90\% vulnerable. With disposable income of the Indian middle class moving north, insurance industry has a great future. Insurance penetration is going up in last three years after liberalisation an India stands at seventeenth rank of overall penetration rate in the world. The basic nature of Indian life insurance business has been a tax benefits tool and savings purposes. Very few customers buy a life insurance policy as a mode of financial protection. Structural reforms are taking across the industry which is a good sign for the future.
Further, customer satisfaction should be the most important aim of the insurance companies, especially the life insurers (Jagannath et al, 2006). This study tried to examine the numerous difficulties and challenges faced by the life insurers while dealing with Indian customers. Maximum quality mixed with minimum price should be considered while selling a life insurance product. In order to gain both the factors, the life insurers must understand the customer’s needs. The future and success of the sector depends on this aspect. The authors also analysed the various regulations and guidelines and their impact on the industry.

The study conducted by Sinha (2005) named as: “The Indian insurance industry: challenges and prospects” also discusses about the present status of Indian insurance industry. It aims to promote a better understanding of insurance in India today. Covering a broad range of topics, the booklet shows the diversity of Indian insurance, its development and its prospects. It also provides a lot of international comparisons which put developments in India into perspective.

The objectives of the study are to explore the current state of development in India’s insurance market and enumerate the opportunities and challenges offered by this exciting market. He elaborately discussed about the history, regulations and deregulations after IRDA-1999 bill with great emphasis. He totally based his study on the secondary data provided by various reputed organizations such as: Swiss Re, IRDA, LIC, RBI etc. with a detailed analytical explanation by comparing various reports and parameters which are really very useful to one and all.

After a specific study on the Indian life insurance sector, he found that: a) the initial years of liberalization have continued to see the former monopoly Life Insurance Corporation of India (LIC) retaining a dominant position in the market. b) Economic fundamentals continue to suggest that there is huge potential for the life insurance sector to attain further growth. c) Competition between the LIC and the private sector insurers is intensifying. d) Insurers will need to constantly innovate in terms of product development to meet the ever-changing consumer needs. e) All life insurers have tied agents working on a commission basis only, and the majority of private-sector insurers have followed this approach in distributing life products. f) New
concepts such as e-commerce\textsuperscript{67}, bancassurance\textsuperscript{68} etc. are going to dominate the future marketing strategies.

A great insight has been gained by going through this report. While Siddiqqi has focused on the Indian scenario Sinha gave a broad picture of the world insurance industry with a deep focus on Indian life insurance industry. For everybody’s enhanced understanding of the life insurance industry these two studies have helped a lot. Now the particular problems/gaps can be explored further.

According to Rao (2008)\textsuperscript{69}, the Indian insurance industry was poised for tremendous growth taking into cognizance the next round of reforms from April, 2008, when the players were permitted to set their own terms and conditions and were given total freedom in policy pricing. The growth of Indian life insurance sector is mind boggling and even surprised the experts. Especially, ULIPs are responsible for this kind of growth. The life insurance market in semi-urban and rural India is expected to touch the $20-billion mark by 2011. A greater part of rural India is still left untouched because of long distances; poor distribution systems and higher return costs. Two drivers of interest to the insurance industry are the rate of growth of savings and the migration of a good number of families to the upper income group.

New distribution channels such as corporate agents, brokers, MFI's, post offices, SHGs, internet marketing and bancassurance etc. have changed the face of insurance marketing. The study also discussed about challenges involved in detariffing in the Indian general insurance sector. A deep segmentation is going to take place in the insurance market with some companies becoming financial conglomerates and others transforming themselves into niche players. The only way looks is upwards.

According to Rao (2006)\textsuperscript{70}, the growing demand for ULIPs is a result of the boom on the markets and the sensex going upwards. The concept of unit linked insurance plans came in to the fore only in 1960s in US and Western Europe. ULIPs are insurance policies in which the investment element, expenses and benefits are to the account of the policyholder. It is a life insurance solution that offers both benefits of protection and flexibility in investment. Many variants of unit-linked insurance products have come into the market. It is two-in-one beneficial plan. The policy value, however, at
any time fluctuates according to the value of the underlying assets at that time making it quite risky and dependent on the market. They have poor transparency and too little investment portfolio disclosures. The study also covered the reasons behind ULIP increasing popularity in the recent past. In India also, the trend of policy buying behaviour shows that over the last decade, ULIPs have outshined the traditional policies.

Subhash & Bhat (2007) focused on the huge potential of Indian insurance market. According them, there is a big chunk of population in India is still there without any insurance cover making it one of the biggest insurance markets in the world along with China. They made an extensive study on the history of insurance in India and the impact of liberalisation on the industry as a whole. They stressed upon the need to explore the rural market which is still untouched by the private players. According to them, privatisation added four features to the insurance industry such as: huge expansion of the insurance market, new and innovative insurance products, customer-centricity with good customer service and innovative and alternative distribution channels. They concluded by saying that insurance reforms have changed the industry for better and there is a big scope to revolutionise the entire Indian economy.

There was an attempt made by Rajerndran & Natarajan71 (2009) to assess the impact of LPG (liberalisation, privatisation and globalisation) on the business and performance of LIC. Further, they made a detailed analysis of the present status, competitive environment and various challenges and difficulties faced by LIC in this post- LPG era. Through trend analysis and method of least squares (of secondary data only), they made a projection of the business figure of LIC in India and outside India for the year 2012. They outlined the positive impact of LPG on the business of LIC based on their results.

According to Khan & Dash (2010)\textsuperscript{72}, the life insurance industry in India has seen a phenomenal growth over the last decade since the deregulation of the sector came into effect (2000). In the wake of global financial meltdown, this industry has been able to maintain a robust growth rate for the first year (2007-08) of the crisis while other sectors have severely been affected. But in the latter half of the last financial year (2008-09) this sector has also started to face the heat of recession and posted a
negative growth rate for the first time since privatization. Though the present situation is unstable and turbulent, the overall scenario for the Indian life insurance sector seems very rosy aided by the fact that the life insurance penetration rate remains very low as well as the huge potential of the rural sector which still remains untapped. Since the liberalization of this sector, the growth in the past was phenomenal till last year. Though the present is gloomy, the future promises a brighter picture. This paper describes the health of the life insurance industry as on today, its growth potential as well as future trends and projections from a researcher’s point of view.

In order to give a right direction for this industry, the life insurance products have to blended with every product available targeting a segment of customers. The industry peers should think out of the box to find newer methods and models to attract more and more customers. They should give stress on the evolving models of marketing the life insurance products, e.g. bancassurance, shopassurance, microinsurance, telcassurance, postassurance etc. The industry, as a whole, has a very bright future as it has proved its mettle throughout the period of global recession.

2.3.
‘MARKETING MIX’ TO ‘SERVICES MARKETING MIX’

In the earlier part of the last century, the entire focus was on the sales volume and the core of any marketing strategy was the concerned product. But coming to the latter half of the 20th century, especially the last two decades, the customer’s importance has come to the fore of any marketing designs. From the time of mass marketing and the concept of customer as just a regular tool of the marketing strategy, the marketing concept has changed a lot that the customer’s loyalty and opinions have become the focus of any give marketing models. In short, the marketing strategies have become customer-centric rather than the old and traditional product-centric.

In their path-breaking study, Booms and Bitner (1981) have changed the concept of services marketing. They added lot of elements in to the marketing mix to make it more humane to suit customers of the service product. These visionaries were joined by Cowell (1984), Fryar (1991), Brunner (1989), Ruston and Carson (1989)
and Grove et al (2000). The revision of the marketing mix has created a huge change in the financial services marketing especially life insurance marketing strategies.

According to Kotler (1984), external and environmental variables are highly influential on the marketing strategies. He advocated that the MM should consider customers, environmental factors and competitive factors along with the old elements. Further, he suggested two more P’s, namely: public opinion formulation and political power to be included with the old P’s.

Cowell (1984) has supported the model proposed by Booms & Bitner. He outlined few reasons responsible for relooking at traditional mix model. His first objection was that the old mix was basically meant for manufacturing industries. Further, he criticised the old mix not to be practically applicable by the marketing executives involved in the service business, hence, limiting its usability.

Services have distinct features such as intangibility, inseparability, variability and perishability which make the traditional mix ineffective while dealing with them. There is an urgent need to develop futuristic and new concepts and tools in order to describe and manage the intangibility nature of services (Ruston & Carson, 1989). Concept mix, channels mix, cost mix and communication mix are the various mixes which should be included in the existing mix to help marketing services (Brunner, 1989).

The old marketing mix with only 4 P’s is product-centric whereas a successful marketing strategy must be customer-centric keeping the customer in mind while designing a new marketing strategy (Lauterborn, 1990). He introduced four C’s: customer needs, customer’s cost, convenience and communication in place of the four P’s to make the mix more oriented towards the customer. This was well supported by Rousey & Morganosky (1996).

According to Fryar (1991), services’ marketing is solely dependent on the distinction based on the criteria: segmentation and successful positioning of the service product. He also advocated for a personalised relationship between the service quality and the customer in question which is a very important aspect of the services marketing.
Robbins\textsuperscript{82} (1991) criticised the traditional MM saying that it is more internally oriented. He further suggested four C’s: customers, competitors, capabilities and company as to make the MM externally oriented.

Retention marketing mix model was developed in order to create a strategy to retain the existing customers who are as valuable as the potential customers (Rozenberg \& Czepiel, 1992\textsuperscript{83}). This mix included the following factors: sales-force connections, product extras, specialised distribution, reinforcing promotions and post-purchase communication.

Ohamae\textsuperscript{84} (1992) just like Robbins (1991) suggested three types of C’s, namely, customers, corporation and competitors which give shape and vision to the marketing strategy. According to him, there were no strategic elements available in the traditional MM. In modern marketing strategies, these elements hold a lot of value.

Numerous new models were proposed with new elements by lot of authors. Heuvel\textsuperscript{85} (1993) has proposed a new services marketing mix which involved five elements such as product, personnel, price, place and promotion. He emphasised on interaction between the customer and seller of the service which influences the customer’s perception of the service quality, in turn, enhancing the quality of the service. According to him, the services product includes: both primary and secondary services along with the process through which the service is delivered.

The existing MM was out of date, not universally applicable, totally production based, not interactive and integrative \ldots\ldots\ldots (Gronroos\textsuperscript{86}, 1994). According to him, these drawbacks of the mix made it ineffective as a good marketing strategy with changing times.

Another SMM model was proposed by Doyle\textsuperscript{87} (1994). He slightly agreed with the traditional 4P’s model which can be applied to marketing of services by little modification of the mix. For this purpose, he changed the promotion and place elements of the mix and introduced communication and distribution elements to the
mix in place of these elements. So the new SMM included four elements: product, price, communication and distribution.

Vignalli and Davies\(^88\) (1994) rued upon the fact that the old mix was restricted to non-strategic internal factors which never helped in the output of the strategy. They advocated for linking marketing planning closely with the strategy in order to enhance organisational success. Further, they suggested adopting MIXMAP model to obtain exact mapping of various MM elements and the factors which further provides the required sync between tactics and strategies.

According to Bennett\(^89\) (1997), the old mix relies upon internal factors and hence does not give a complete basis for marketing. It supports the views of the sellers not the customers. But in today’s world, customers are the core of any marketing strategies, hence making the old mix useless. Further, he suggested five V’s: virtue, variety, value, viability and volume as the customer’s disposal towards the market.

In order to make the mix more personalised, four more P’s were to be included in the existing four P’s (Goldsmith\(^90\), 1999). These four P’s are given below: personnel, procedures, personalisation and physical assets. These factors made more involvement of services while delivering the products. Making the marketing strategy personalised would help in solving a lot of problems inherent with the mix.

In order to maintain a company’s visual identity along with the corporate uniqueness, the corporate visual identity system (CVIS) should be used which proposed an extra P should be added to the existing 7P’s model. The newest P can be named as publications (Melewar & Saunders, 2000\(^91\)).

Grove et al (2000) has compared the marketing of services with a theatrical production. They discussed four strategic elements associated with the theatre which can be used to assess the experience of services. Actors, setting, audience and performance make this type of mix. These factors in addition to the 7P’s model can address the problems of marketing of service products. According to him, the entire process should be experienced as theatre.
Information should be the base of any marketing paradigm. Communication, collaboration, customisation and clairvoyance should be made new core themes of a marketing strategy which is based on the ‘information’ aspect of the plan. A good organisation needs to set its priorities straight with adopting relationship marketing as the model of marketing their products in this modern century (Patterson & Ward, 2000). They also thought that the old marketing mix was quite insensitive towards the customers as it was totally focussed on the function and output.

One factor which is very important while applying services marketing mix is customer satisfaction. With the transformation of the economies from manufacturing to service, it is very important to take care of customers and their perceptions of the service regarding the services marketing plan. Therefore the effect of each elements of the SMM on the customer’s perception of the service must be analysed (Yelkur, 2000). The additional three P’s suggested by Booms & Bitner (1981) create a clear differentiation between manufacturing industry and service industry with the concept of ‘customer service’. The last three P’s of the SMM, namely, participants, physical evidence and process distinguish the service sector from manufacturing sector. Hence, these three P’s have to be discussed in detail.

Another model which did the rounds in the circles of modern marketing strategies was 4R’s model proposed by English (2000). He specialised in marketing of health services and regretted that the traditional mix was a failure to deal with this aspect. For this purpose, he suggested this new model which included four R’s namely, relevance, relationships, response and results. Further, four main aspects of services marketing were price, packaging brand and relationships which emphasise on customer satisfaction and disapproval of traditional product based models and marketing plans and strategies (Beckwith, 2001).

Schultz (2001) has criticised the traditional mix saying that in this modern century, the marketing strategies are customer-centric whereas the old mix did not address this concern and it has outlived its use requiring a huge change. He suggested a new marketing mix must be developed to suit the marketing triad: customer, employee and market. According to him, in current markets, end-customers are the trendsetters.
According to Kotler (2003), with the sophistication of the customers, the traditional marketing strategy had to be reviewed and more factors like procurement and service have to be incorporated in the mix. He also advocated for a step by step approach to the marketing plans. Firstly, target market has to be decided. Then, the process of product assortment and procurement follows. The next step includes services along with store atmosphere. Lastly, a few decisions have to be taken, namely, price decision, place decision and promotional decision.

Constantinides (2006) in his path breaking study “The Marketing Mix Revisited: towards the 21st Century Marketing” has focused on the relevance of the MM (Marketing Mix) in the context of the marketing strategies of this new century. He went through an extensive review of literatures of prior studies of both the supporters and opponents of the MM. Starting with consumer marketing, he went on to explore relationship marketing, services marketing, retail marketing, industrial marketing and ended with e-marketing.

He examined all these concepts and their relationship with MM. His study was to find all the criticisms involved with application of this traditional MM in the above discussed traditional marketing areas. Further, he outlined two important disadvantages of MM as management tool: internal orientation and lack of personalisation. He also discussed about various particular area-specific disadvantages and suggested the direction of future researches in those areas.

After these extensive reviews of literatures, he found that the frequently expressed views that the concept of marketing management and MM along with its teaching needs a paradigm shift to suit the 21st century. Further, the new concepts and models to be included in the mix should address the needs of modern day marketing which the old mix has always ignored and hence was ineffective. The marketing strategies of modern day sellers must be futuristic to meet the demands of future.

Constantinides (2006) has also briefly outlined two causes responsible for making the services marketing concept a unique sub-discipline among various marketing sub-disciplines. According to him, these two causes are as follows: services have become a major part of any physical products (an important differentiator of product...
dimensions) and in developed countries, services have contributed a lot in economic activity and revenue.

2.4.
EARLIER STUDIES ON SERVICES MARKETING MIX IN LIFE INSURANCE BUSINESS WITH SPECIAL REFERENCE TO INDIA

Product/ Policy Elements

There was a study conducted by Gupta\textsuperscript{99} (1977) to assess the LIC with respect to product variations and quality provided to the customers by it. His interest was to analyse the market to find place for the private companies. He expressed satisfaction with the products and their features provided by the LIC. But he opined that privatisation of the life insurance industry is imminent in order to provide the customers with better policies with better features and alternatives.

Mishra & Mishra (2005)\textsuperscript{100} discuss possible strategies that can be used by insurance companies for product differentiation and service offerings like product, customer service, distribution channels, promotion, brand building and hedging the insurers. Product differentiation can be achieved in terms of new products, identifying new target segments, tailored products and bundled products. They can differentiate by offering easier payment options, easier claim settlement, better training to agents and service through internet. In distribution, they can differentiate by selling through indirect channels like bancassurance, postal department, bundling with commodities etc. Brand building and promotions are going to play an important role in differentiation of the insurance product.

Athma & Kumar (2007)\textsuperscript{101} focussed on the various factors affecting the customers while selecting the life insurance products and tried to determine the extent to what these factors are taken into consideration for choosing the life insurance products. They finalised two main factors viz., product attributes and non-product attributes which influence the selection of the life insurance policy product. They categorised the product attributes in to: product features, risk coverage, product flexibility and grace and maturity period. Similarly the non-product attributes were agent and company. After an empirical study they found out that in case of urban areas, product
attributes are ranked first and non-product attributes like agents and company are secondary. At the same time, in rural areas, non-product attributes play a major role in selection of a policy.

Patil\textsuperscript{102} (2003) critically examined the various available insurance products and their performances. He found that the performance of children-based life insurance products to be very low with money back products for children being the only exception. Further, he established the ever worrying fact that the customers with agriculture base are least covered by the existing plans. He particularly singled out the performance of the agents as pathetic and their communication and demonstration of various insurance plans as not up to mark.

Dash & Khan (2011)\textsuperscript{103} have focussed on different elements of the life insurance product and the customers’ perceptions about these features. With the onset of liberalization process, the life insurance sector in India was thrown upon to private players. Combined together, private companies numbering twenty three, are giving a close fight to the public sector behemoth L.I.C.I. in recent years. The market is evenly divided between them now. The players of this industry are developing new strategies to attract the customers. The concept of 7P’s of services marketing mix comes in to the picture. Product- the first ‘P’ (which is the policy here) of this mix has become very important. The customer’s perception of the numerous elements of the life insurance policy (product) and his/her subsequent decision is most important. The various elements of the policy and their impact on the customer’s buying behaviour are the focal theme of this study. This study tried to investigate the differences in the perception of the customers (of the policy elements) with respect to their age, gender, education, choice of company, income and occupation.

After conducting an empirical analysis they found the following results. The various age categories across the policy holders have no significant difference in their perception of all the policy variables. Similarly, it is seen that differences in educational qualifications does not get reflected in perceptions of any of the six policy elements. Again, when the question of gender comes in to the picture, both male and female respondents have the same perception of the policy variables. Further, when compared to the annual income levels, the policy holders have no difference in their
perception of the variables. But there is a huge difference between the perceptions of the policy holders of the L.I.C.I. and the private companies regarding the following variables: policy/company’s brand name, usefulness and better investment option. Similarly, policy holders with different occupations differ significantly regarding the first variable, i.e. policy/company’s brand name.

Further, an attempt has been made to compare the perception (of the life insurance product) of both the buyers, i.e. the policy holders and the sellers, i.e. the executives regarding the various elements of the policy: brand name, features and options, usefulness, flexibility, comparatively better investment option and a good service line and support (Dash & Khan, 2011). This empirical study relied on assumption that age, gender, organization and education have no effect on the perception (of the policy) of the customers and the executives. It further assumed that there is no significant difference between the customers’ and executives’ perception of the policy elements.

The customers and the executives differ significantly regarding the following variables: policy/company’s brand name, better investment option and good service line and support. Customers believe in the impact of brand name while executives remain neutral. Customers don’t think the policy as a better investment option while executives believe in the contrary. Customers have neutral view regarding a good service line and support while executives believe that it is available. This study bears importance with respect to the post-liberalization Indian life insurance sector as it focuses on rural India and first hand service transaction between the front line executives and the potential policy holders.

**Policy Pricing**

Mukherjee (2005) has mentioned about product pricing in Indian life insurance sector. In the insurance industry, with the entry of private players, advancement of technology and speed in communication, communicating with the remotest customers also became very easy. Pricing of life insurance products plays a major role in marketing them. In this study, he has explained extensively the pricing methodology of insurance companies. Low pricing attracts the customers whereas high pricing
drives them away. Therefore, competitive pricing which takes care of the interests of both the insurer and the insured should be implemented.

Cost driver is the factor whose change causes incurring of costs, i.e., the number of times the cost has been incurred. Activity-based costing is a very useful tool when competition is very stiff between life insurance companies and various types of products. It helps cut costs for unused resources and finds potential resources. The insurers earn their income through: premiums, profit/loss on sale/redemption of investments and interests and dividends on premiums on these investments. But, out of the income generated by the insurers, there is some expenditure to be met such as: agent commissions, employee salaries, administrative expenses, claims, policy benefits to insured, banking costs and legal and professional fees.

Dash & Khan\textsuperscript{106} (2011) tried to assess the perception of the executives about the various life insurance policy pricing attributes through a detailed empirical analysis. The various elements involved in the policy pricing are outlined as: affordability of the price level, flexibility of terms and conditions, worth of its value (as anticipated by the customer), uniqueness and better than alternate policies, simple and clear price structure and discounts/incentives. This study assumed that age, gender, education, experience and organization have no effect on the perception (of the policy pricing elements) of the executives. After a thorough investigation and statistical analysis, they found that age, experience and organisation have no significant impact on the executives’ perception of the pricing attributes. But, the study has shown that gender and education have an impact on the seller’s perception of the pricing variables. The executives have a positive perception (agree) about all the pricing attributes except ‘worth of its value’. This study helps in understanding the seller’s view point of the various elements associated with policy pricing which will give a chance to the insurers to make a better pricing policy.

**Place/ Distribution**

Mehr\textsuperscript{107} (1969) summarised the various channels of distribution in insurance marketing strategies. His focus was on the various determinants of change in insurance distribution channels and the resultant affect on the parties involved with
the marketing plans. He examined the directions of the distribution channels along with the length and width of these channels. Further, the rate of flow of business through these identified channels was also discussed. Various variables influencing the flow of insurance services from the insurers to the customers were outlined as: economic forces, sociological changes and technological advancements. The ultimate goal of his research was to build an efficient cooperation between the customers and the insurance marketers through required changes in the channels of distribution.

The length of the channel depends on the players and the steps involved in carrying the services from the insurers to the customers. Various agencies involved in these channels are: primary, ancillary and finally, facilitating agencies. He also provided a typical channel length illustrating the players and the stages involved, e.g. Insurer--broker--agent—insured. According to him, the flow of the channels is both sided, i.e. from insurer to insured and insured to insurer (Mehr, 1969).

The width of the channel is dependent on the numbers of the markets needed to be serviced and the degree of coverage of these markets. He mentioned about the optimal channel width. Types of insurance products, the targeted geographical area (coverage), and the particulars of the targeted customers to be insured are the various factors responsible in finalising the optimal channel width (Mehr, 1969).

Similarly, the serious attempts made by both the insured and the insurers to make the flow faster are an important factor in deciding the rate of flow through these channels. Further, the size and number of various hurdles limiting the flow are also responsible for ascertaining the flow rate. Finally, natural gravitational force is influential in fixing the rate of flow through the channels.

Location and place along with channels and environment play very important role in providing insurance services to the customers (Aggarwal, 2005). According to him, all over the world including India, the insurance service was being delivered to the customers through the agents as it required personal guidance and suggestions. It helped in simplifying the complex nature of the insurance products. But, in this modern century, various modes of distribution using advanced technologies are being tried to reach more number of customers.
Chari (2005) speaks about the insurance industry's marketing efforts being focused more on the urban middle class and affluent section. IRDA, the insurance chief controller in India, has made it mandatory for the insurance companies to increase their business coverage to rural and social sectors. The cost-effectiveness and conversion efficiency of various distribution strategies is very important in ensuring the success of insurance business. Three traditional and successful distribution channels in force are: marketing intermediaries, financial institutions and direct response. Basically, there are two types of distribution channels: agency-based and non-agency based. Agency based channels are: career agents, home service, salaried and multiple-line exclusive agents. Non-agency based channels include: brokerage, producer groups, personal producing general agents and independent property and casualty agents.

Foreign companies are making use of bancassurance (by tying up with banks) to negate the competitive advantages of the existing companies in the distribution. A few futuristic distribution strategies are outlined by him. Two types of strategies can be taken up: direct distribution and distribution through intermediary. Direct distribution is again divided into two types: I) seller initiated which includes mail, Telemarketing, worksite marketing and policy holder initiative and II) buyer initiated which includes telephone response and internet response. Similarly, distribution through intermediaries is also divided into two categories: I) personal intermediary which includes tied career agent, salaried representative, independent agent and financial service professionals and II) institution/business intermediary which includes financial organisation (banks, security firms)/bancassurance, affinity groups and sponsored groups (Chari, 2005). According to Sigma, China and India are arguably the two most challenging and promising emerging insurance markets.

After the liberalisation, with the entry of private players and the introduction of bancassurance as a channel of distribution, it has to be analysed carefully to assess their impact on the overall Indian insurance sector (Cheenappa, 2005). He particularly mentioned about the SBI and its successful joint venture with Cardiff to distribute insurance products. Subramaniam (2005) said that adopting bancassurance model, the collections of Indian insurers can increase by up to 50% in
the next five years. In India, this channel was very slow to get attention, but over the years it has become a successful channel with an established and well-maintained network. This is just a follow up of the world wide trend. His views were echoed by Krishnamurthy\textsuperscript{113} (2005).

Lakshmikutty & Baskar (2006)\textsuperscript{114} discussed various insurance distribution channels prevalent in India from the perspective of the socio-cultural ethos of the market and adaptability of these channels. Two major challenges before insurers in India are: product design to suit the market and reaching the customer through a right distribution channel. With the present scenario of insurance industry, building faith about the company and credibility of intermediaries among clients becomes the prime challenge. In this battle of perceptions of the customers about the product and the producer, appropriate segmentation of distribution channels and careful choice of channel are highly needed. Various distribution channels like agents, banks, brokers, work site marketing, internet and cross-selling agent are discussed in detail by the authors. The authors concluded that the success of insurance marketing depends on matching the market segment with suitable intermediary with the social and cultural needs of the target population.

Chowdhury (2006)\textsuperscript{115} has thrown light on aspects like defining Bancassurance and outlining its various benefits to insurers, bankers and customers. According to him, Bancassurance is basically selling various insurance products and services by taking benefit of the vast customer base of a bank and fulfilling both of their banking and insurance needs. It is just a joint venture of the insurer and the bank to sell their products together and sharing the profits.

Bankers are benefited by the bancassurance in the following ways: increase in return on assets (ROA) and creation of loyal customer base. Similarly, insurers are benefited by it through increase in the volume, solving the difficulties arising from price competition, capturing the vast middle class market and cutting the cost. Customers get benefited with reduced price, diversified products and service in time at the doorstep. Further, the customers are benefited due to both product innovation and distribution strategies are made to satisfy their needs.
Worldwide study on the application of bancassurance says that European countries are doing better than others. Market penetration of bancassurance in new life insurance business is 30% in the UK, 100% in France. In Spain, Belgium and Germany more than 50% of all new life premium is generated by bancassurance. Cardiff, SBI-Life's JV partner, has hands-on experience with various banks around the world. SBI has the largest banking network in the country whereas Cardiff provided the much needed technology.

Technology has a very important role to play in distribution of insurance services (Xharbahini, 2006). In order to provide the best products in line with the corporate marketing design to the customers, technology comes to the fore. Both the insured and the insurer can save a lot of time and cost by adopting technology in the insurance distribution mechanism. This study has analysed various benefits of technology to life insurance services. In the current competitive market structure, the insurers with advanced technology will have the edge over others. In the next decade, companies not adopting the latest technologies will lose the race.

**Promotion**

Rajesh et al (2005) talked about how sales promotions are being increasingly used to influence the policy buying behaviour of consumers in a specific way as desired by the insurers. The major causes mentioned by them for the extraordinary use of sales promotional measures can be attributed to increased competition, declining brand loyalty, consumer's sensitivity to promotional deals and increased advertising clutter. Consumer-oriented promotion, trade-oriented promotion, and sales force promotion are the three types of sales promotion which is well adopted by LIC.

Consumer-oriented promotions are a part of the promotional pull strategy which includes tax benefits, bonus payments, accidental benefits and improved non-medical limits. Trade-oriented promotions include salary savings scheme (bringing more occupations including hazardous ones under cover). Sales force-oriented promotions include incentives to agents on good performance in the mode of various gifts and club memberships. With the help of these measures though LIC has performed very
well, it was observed that a proper promotional mix involving advertising, sales promotion, publicity and public relations could give a synergetic effect.

Any marketing strategy must have a good promotional design to convey the intended message to the buyers from the sellers. Morill (1959)\textsuperscript{118} wrote an article called ‘Creative Marketing of Life Insurance’ in the Journal of Marketing. He argued that the prevailing life insurance marketing strategies have ignored the masses while targeting only well-above-average families only. He further proposed that as the middle-income group was increasing rapidly, an innovative creative strategy has to be adopted to target this group. He suggested immediate need of market analysis and overhaul of the marketing and promotion strategies followed by the life insurers to meet the challenges of modern era. He focussed on multi-line selling approach with sheer professionalism. His views hold high validity even today while formulating a life insurance promotion plan.

Radhakrishna (2006)\textsuperscript{119} has provided a platform for a discussion on promotional mix elements such as personal selling, sales promotion, public relations and advertising aspects in service sector and its relative importance. The paper highlighted role of advertising with an interrogative approach which can make the insurance marketer to decide the agenda and develop strategy for advertising campaign. Then the article explored the role of advertising in services in a conceptual approach way. Some of selected short case studies dealing with insurance' advertisements on TV and print advertisements were also briefly discussed. Some generalizations regarding the advertising strategies and message execution styles for insurance advertising were mentioned. The article further focused on understanding the consumer dimensions. He explained the term of customer in a life insurance way. In one word, it explains the customer side of the life insurance product and the seller. According to him, the various letters of “customer” is given below:

\begin{itemize}
  \item C- Company/ life insurer
  \item U- Utility (derived from the polices)
  \item S- Satisfaction (feeling of risk aversion and future benefits)
  \item T- Technology
  \item O- Options (personalised policies as per needs)
\end{itemize}
M-Monetary (pricing, terms of payments, various charges)
E-Evaluate (all the above elements assessed by the customer)
R-Responding (demonstrating his choice of buying/ not buying the policy)

Regarding promotion design, Sahoo and Das (2009) categorised it into three types:
1. Personal selling, 2. Advertising and 3. Word-of-Mouth. They summarised the various steps involved in personal selling: Prospecting (preparing a list of prospects), Pre-approach (the work done by the executive between the time a prospect is selected and he meets him in person), Approach (the meeting at a given place at a scheduled time), Overcoming objections (clearing the mind of the prospect of his reservations and doubts), Close (the formal end step to close the sale) and After close (regular policy service mechanism taking care of the esteemed customer).

They also discussed about a few recent trends in life insurance marketing and promotion strategies such as: bancassurance, internet marketing, tele marketing, community life insurance marketing, shopassurance and mallassurance etc. After thoroughly studying these available literatures, the basic objective, the promotional variables and the demographic variables of the executives were introduced to this study.

In an emerging economy like India where the rate of literacy is very low and the rural economy is pre-dominant, the role of promotion becomes very important in any marketing strategy (Dash & Khan, 2010). The life insurance services depend on effective promotional measures. This study tried to analyse the differences in the perception of the executives (of the promotional variables) with respect to their age, gender, education, experience and organization. The various elements involved in the life insurance policy promotion strategy are outlined as: Advertising and publicizing; Personal selling; Incentives; Unity and honesty; A rational and tangible reason; Creative strategy; Targeting an ideal mix of high worthy customers. This study relied on assumption that age, gender, education, experience and organization have no effect on the perception (of the promotional elements) of the executives.

The executives have a positive perception (agree) regarding all the promotional variables except ‘Incentives’ for which they have a neutral opinion. Among the other six variables,
they have the highest positive perception regarding ‘Advertising and publicizing’ and the lowest positive perception regarding ‘Targeting an ideal mix of high worthy customers’. Further, it has been proved that age and gender have no significant impact on the executives’ perception of the promotional attributes. But, the study has shown that education, experience and organisation have an impact on the seller’s perception of some of the promotional variables. In the long run, this study will help the life insurance companies in understanding its frontline sales force with respect to creating an effective promotion strategy to reach more and more prospective customers.

**People involved**

Jawaharlal & Rath (2005)\(^{122}\) have debated the importance of customer-centricity for insurance companies in order to achieve better service, improve operational efficiencies, reduce costs and carry out more profitable customer relationships. Over the last few years, Indian life insurance sector has become customer-centric. Earlier, the nature was pure monopolistic. Potential buyers are attracted to buying a policy for one or more of the following reasons viz., saving for one or more purposes, security of the money invested, and the tax benefit (more important).

With the privatisation, the customer expectations have moved north. They are more focussed on issues like truthfulness of agents, superiority over those of competitors, post-sales service etc. Insurers can gain customer loyalty in spite of tough competition from banks and other financial peers. CRM helps the insurer in maintaining and creating a long-term and profitable relationship with the customers. For this purpose, CRM takes care of different customer-centric aspects such as: unified customer view; integrated and multichannel customer sales and service; marketing based on the specific target audiences and encouraging and building customer loyalty.

Use of IT to build customer-centricity is mainly based on few CRM technologies such as: data mining, data warehousing and productive modelling. Further, there are numerous benefits of customer-centric strategies such as: continuous product development, better servicing (reduces costs), efficient distribution, claims (web based), optimisation of marketing plans and designs, and helps in building a customer-centric model for universal uses.
Palli (2006)\textsuperscript{123} tried to bring forth the gap that exists between the actual quantum of recommended insurance and the actual house holding insurance. Through an empirical study he found that males are more prone to buy insurance than the females. Age-wise analysis showed that males progressively preferred pension and ULIP plans. Middle-aged females opted for illness and disability schemes while older women opted for saving plans. Household income is very important with respect to the insurance purchasing ratio.

With the IRDA act in force and globalisation steadily affecting Indian life insurance sector, there is a need to assess all the life insurance companies by analyzing certain variables such as consumer awareness regarding the life insurance industry, the effect of privatization, the customer perception and their purchase behaviour, (Devasenathipathi et al, 2007)\textsuperscript{124}. A detailed study resulted in giving some interesting facts. It was found that customer satisfaction rate is strongly associated with the type of the company. The purchasing decision of the consumer depends on quality, accessibility and promptness of services, which may lead a company acquire the top rank with a huge market share.

Chandrasekaran (2006)\textsuperscript{125} defines the terms 'Agents' and `Brokers', and explains the extent of their authority with respect to insurance business. The agent is a person employed to do an act for or to represent the insurance company before the customers. The insurer becomes liable for the insurance cover promised and underwritten by the agents. Broker is an agent of the insured, but remunerated by insurers. He should possess enough technical expertise to provide insurance to the insured from the insurer at best possible terms. The IRDA (Insurance Brokers) Regulations, 2002, prescribes licensing requirement, including a minimum capital and qualification, for a person to act as an insurance broker. The author has described in detail the functions and liabilities of insurance brokers with help of a few cases and research papers.

Nagjyothi & Hasanbanu\textsuperscript{126} (2007) has conducted a study on the impact of various demographic and socio-economic characteristics of the customers and their taking of policies. They found through empirical analysis that the factors, namely, age, gender, education, income, occupation and level of investment have a major impact on the
customer’s decision to take a policy where as type of family, marital status and family size are unable to influence the customers while taking a policy.

Understanding the needs of the customers help the insurance marketers in developing the services/ products, better product pricing and maximizing their profitability (Raman & Gayatri, 2004). They examined the awareness of the customers with respect to the new players of the insurance industry. It was found that majority of the respondents belonged to below 30 years of age. It showed the younger generation was more aware about the companies. Majority of the already insured people were married. A major chunk of the customers were professionals. Further, risk coverage was the foremost cause for the insured to buy a policy followed by tax benefits.

Age, gender and education have almost no impact on the preferences of the potential customers of life insurance products. But, family size, occupation and income of the customers influence this choice while taking a policy. These inferences were outlined by Namasivayam et al (2006) while analyzing the impact of various socio-economic factors on the customer’s buying decision and their preferences towards various types of policies provided by LIC.

**Process**

Grossman et al (2004) examine factors that influence the implementation of e-commerce in the insurance industry, and suggest some future technological trends that will accelerate the transition to this new era of e-insurance. Assimilating new Web-based technologies into its current business activities, obtaining the necessary technical expertise and realizing a fit between new technology and the existing processes become challenges to implement e-insurance. The authors opine that probable challenges like emergence of new financial products, skyrocketing costs and competition due to deregulation could be curbed by web-enabled insurance which reduces transaction costs, incorporates the speed and flexibility and gives an opportunity for new intermediaries. This study also elaborated various emerging standards and technologies, and highlights how the future of insurance industry looks like when the state-of-art Web technologies are implemented.
Physical Evidence

Sharma\textsuperscript{130} (2008) has mentioned about the customers’ perception of the life insurance product with the physical evidence available for consideration. He had a practical approach about knowing the impact of physical evidence on the customers’ decision to purchase a policy. He assumed that there was no relationship between a customer’s policy buying decision and his expectation of the physical evidences supplied by the insurer. But after a thorough investigation, he found that physical infrastructure of the insurers and the employees have a significant effect on the customer’s perception of the life insurance product.

Dash & Khan\textsuperscript{131} (2010) discussed about the importance of physical evidence in influencing the customers about buying a policy. After an extensive review of literature, they found that the customers of LIC are not affected by the physical environment and infrastructure shown by the company. But, the customers of the private companies had a slight thought about the signage, logo, employee uniforms etc. of the insurers before finalising the purchase of the policy. Further, the urban customers are more aware about the various physical evidences produced by the insurers than the rural customers.

Productivity/ Quality

Chawla & Singh (2008)\textsuperscript{132} in their study “Service quality perceptions of life insurance policyholders in northern India: Pre-privatization vs. Post-privatization” focused on the service quality factors affecting customer satisfaction levels of the policyholders. The study is based on responses of 210 policyholders from northern India. The study is explorative in nature, as the study tries to extract service quality factors induced by privatization of the life insurance industry and the factors which influence customer satisfaction. The study has also tried to uncover customers’ motivations, feelings and attitudes towards the phenomenon of privatization of the life insurance industry in India. Various statistical tests, namely, reliability analysis and factor analysis have been carried out to test data that was collected through survey method.

After an intense and exhaustive analysis, they found that there is higher level of concurrence among the respondents for the changes with regard to product
innovation, increased interaction level between agents and the policyholders and technological upgradation as compared to the changes regarding professionalism of agents, reliability of sales promotional techniques and advertisement and effective grievance handling mechanism. On an overall basis, it has been assessed that accessibility factor has a higher mean score as compared to mean score of the reliability and assurance factor.

Both of the authors have worked hard to collect data through primary source and the analysis part was really praise-worthy for its definitive conclusions. This work deals with the customer side of the market with respect to the privatization which gives enough scope to develop the current research work in a positive way with respect to the marketing strategies being adopted by the private life insurance companies.

Bakshi et al (2008) studied the customer’s perception of the service/product quality offered by the insurance companies. Customers were asked to rate their perception about satisfaction level in respect of product, compared to their financial needs. Quite a good percentage of respondents have rated service quality of Public Sector Company as satisfied, but significantly lower percentage responded the service as highly satisfied in comparison to private life insurance companies on all dimensions. Hence, in this regard L.I.C.I. has to take initiatives to convert satisfied customers into highly satisfied customers. After going through all these works and much more which are not mentioned in this work, the present study incorporates the various product attributes as well as the demographic variables of the people involved in this life insurance business.

2.5. OTHER STUDIES RELATED TO SMM IN INDIAN LIFE INSURANCE SECTOR

Sahoo and Das (2009) have mentioned about the perfect approach to market life insurance products. According to them, there were four steps involved in marketing life insurance policies. The various steps are as below: customers’ financial insecurity has to be determined by proper research; based on these needs, new services/policies have to be developed or the old policies have to be renovated; marketing mix
including pricing, distribution and promotion has to be applied to reach the researched
customers and; by doing so, the customers’ needs have to be satisfied. Further, the life
insurance product designs must consider three essential features: types of
contingencies to be covered by the policy; various patterns of premium payments and;
different patterns of benefits received by the insured. Similarly, the pricing,
distribution and promotion designs should take care of the interests and needs of the
customers.

The study conducted by Garg & Verma (2010)\textsuperscript{134} named as;” An Empirical Analysis
of Marketing Mix in the Life Insurance Industry in India” discusses the problems of
marketing mix in the life insurance industry in India. After a thorough analysis
through various statistical tools, they commented that the insurance firms should
focus on the concept of MM and implement the concept. They should study elasticity
of the mix ingredients, quantify the level of expenditure for their mix ingredients,
analyze their competitors’ mix while implementing MM, carry out careful analysis in
order to identify the most effective and economic mix, review the whole mix in detail
so that each segment gets its own assemblage of mix components and review their
own MM on a regular basis.

2.6.
RESEARCH GAP

There has been a very limited research in the area of marketing that has covered the
aspect of services marketing mix and its various elements and their effects on life
insurance marketing strategies. Most of the researchers have focussed on the
traditional marketing mix concept which ignores the humane aspect while formulating
the marketing plans.

The concept of life insurance has changed dramatically over the years. It has become
a personalised service product in the last decade. After the concept of 7P’s coined by
Booms and Bitner (1981), there has been a huge emphasis on the applicability of
these elements in financial services sector. But, after a detailed review of literature, it
was found that there is almost no research in this field that compares the perception of
the customers and the executives of life insurance sector regarding the services
marketing mix and its elements.

Further, in Indian context, there is very negligible amount of research regarding the use of modern marketing mix in financial services sector, especially, the life insurance sector. This study is an attempt to fill the gap. Again, this research work is unique because in a single study, a complete collection of the demographic variables, organisational variables, the buyer’s opinion, the seller’s opinion, the comparison of their perceptions and descriptions of all the services marketing mix elements has been taken in to consideration. Hence, the statement of the problem has been put as follows:

2.7.
STATEMENT OF THE PROBLEM

With the onset of liberalization, the Indian life insurance industry has gone through a huge change both in the numbers of players and their business figures. The first few years have seen a tremendous growth for almost all the companies. But with the global financial meltdown, the chinks in the armour have become exposed. The traditional marketing mix as adopted by the companies has become ineffective. Hence, the concept of modern marketing mix (services marketing mix) has come to the fore and a number of players have already started using them. This study tries to examine the perception of this modern mix of 8 P’s (product, price, place (or distribution), promotion (or communication), process, people, physical evidence and productivity) in the post-privatisation Indian life insurance sector.

In this study, there is an attempt to make a comparative analysis of perception of the above said elements of the SMM from both the buyers’ (customers) and the sellers’ (executives) point of view. Further, the perceptions of the executives and the customers are examined with respect to their respective organisations, i.e. the public and the private sectors. Finally, an attempt was made to compare the perceptions of customers/ executives of urban area and customers/ executives of rural area.
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Table 2.2

SMM in Indian Life Insurance Sector in Detail

<table>
<thead>
<tr>
<th>POLICY ELEMENTS</th>
<th>POLICY PRICING</th>
<th>DISTRIBUTION CHANNELS</th>
<th>PROMOTIONAL ACTIVITIES</th>
<th>PEOPLE INVOLVED</th>
<th>PROCESS DETAILS</th>
<th>PHYSICAL EVIDENCE</th>
<th>PRODUCTIVITY/QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy quality</td>
<td>Price level</td>
<td>Channels involved</td>
<td>Advertising and publicity</td>
<td>Employees</td>
<td>Customer involvement</td>
<td>Tangible clues about company’s service quality and style</td>
<td>Service quality</td>
</tr>
<tr>
<td>Brand name</td>
<td>Terms of payments</td>
<td>Channel coverage</td>
<td>Personalized selling</td>
<td>Customers</td>
<td>Customer advice</td>
<td>Value addition to customer</td>
<td></td>
</tr>
<tr>
<td>Features and options</td>
<td>Customer’s own anticipated value</td>
<td>Intermediaries</td>
<td>Incentives to policyholders</td>
<td>Training</td>
<td>Employee’s discretion</td>
<td>Policy differentiation</td>
<td></td>
</tr>
<tr>
<td>Usefulness</td>
<td>Price level</td>
<td>Direct or indirect sales</td>
<td>Community life insurance marketing</td>
<td>Incentives</td>
<td>Promoting interaction programmes</td>
<td>Company infrastructure</td>
<td></td>
</tr>
<tr>
<td>Flexibility</td>
<td>Price level</td>
<td>Accessibility</td>
<td>Unity and honesty</td>
<td>Educating the customer</td>
<td>Customer friendly</td>
<td>Careful maintenance of Company’s</td>
<td></td>
</tr>
<tr>
<td>Tax components</td>
<td>Price level</td>
<td>Locating a branch</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Policy must be worthy of its buying value</td>
</tr>
<tr>
<td>Policy quality</td>
<td>Price level</td>
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</tbody>
</table>
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<table>
<thead>
<tr>
<th>Comparison with Other investment options</th>
<th>Differentiation</th>
<th>Managing the insurance personnel</th>
<th>Creative strategy</th>
<th>Understanding the consumer</th>
<th>Smooth flow of policy delivery mechanism</th>
<th>Physical environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service line</td>
<td>Flexibility</td>
<td>Clearly laid price structure</td>
<td>Targeting an ideal mix of customers</td>
<td>Promoting customer’s involvement</td>
<td>Efficient back office support</td>
<td>Employees dress code, signage, Logo etc.</td>
</tr>
<tr>
<td>Support</td>
<td>Clearly laid price structure</td>
<td>Technological advancements</td>
<td>Rational and tangible reason to buy the policy</td>
<td>More humane approach</td>
<td>IT and Data warehousing</td>
<td>Guarantee-s on policies</td>
</tr>
<tr>
<td>Terms and conditions well explained</td>
<td>Incentives and discounts</td>
<td></td>
<td></td>
<td></td>
<td>Transparent and speedy</td>
<td>Immutable assets for emergency financial downturns</td>
</tr>
</tbody>
</table>

(Continued from the previous page)

Source: adapted from the views expressed by eminent authors whose studies have been mentioned in this chapter/ developed by the researcher.


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65 Sinha Tapen (2005), The Indian insurance industry: challenges and prospects, booklet, Swiss Re., IIRM, INDIA
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