Chapter-3

Marketing Strategies in Insurance Industry

3.0 RATIONALE OF MARKETING IN INSURANCE INDUSTRY

The marketing concept is relatively new to Insurance Industry. But Insurance Industry is rapidly turning in to the marketing concept. The essence of marketing concept is that the Industry must adopt customer-oriented postures and focus their attention on building programme, offering, and strategies that satisfy customer's needs and wants. Many organizations maintain their focus on operations, or product, or sales efforts, and thereby get dislocated by mistaking the means for the ends. This is more so in the insurance field because the marketing approach is new in this area and its value not very well appreciated by service managers. Successful marketing involves company-wide transformation in attitudes, beliefs, and perceptions of the people in how they view the customer, tasks, activities and firms. They should relentlessly strive to provide excellence in service to the customer. Deep commitment to the customers is what distinguishes successful marketers from laggards.

For success in the marketing of Insurance Industry, we must be known to the "gaps model of service quality".

**Figure-3.1**

Gaps Model of Service Quality

Source: Mary Jo Biinner & V A Zeithmal "Services Marketing", 2nd Edition,
GAP - 1 - Not knowing what the customers expect.
GAP - 2 - Not selecting the right service design and standards.
GAP - 3 - Not delivering to service standards.
GAP - 4 - Not matching performance to promises.

The central focus of the gap model is the customer gap, the difference between Customers' expectations and perception.

Good marketing strategies have to be rewarded and accomplishments have to be measured in such a way that employees realize the importance of marketing. Donald Miles, vice president of information and service from IBM Canada observes, "Good people are often forced to do stupid things, because the measurement and recording systems are wrong". If this is the case, and employees feel they are rewarded for accomplishments other than excellent marketing quality, any attempts to develop a marketing culture is bound to fail.

Thus we can say that the marketing manager's ultimate objective is to evolve a strategy that ensures long run survival in a given set of market and product characteristic. There are, of course, ranges of strategically decisions, which have to be made. A service-oriented strategy is only one part of several options. Some of the important strategic options, available to the insurance industry are:-

1. Technical quality strategy.
2. Price strategy.
3. Image strategy.
4. Service strategy.
5. Competitive differentiation.

3.1.1 Technical, quality and strategy: A technical quality strategy means that the development and maintaining of a neither Superior nor technical quality of a physical good or a service is considered the cornerstone of the firm is due to an excellent technical quality of the products. This used to be widely used strategy, especially for many manufacturers of industrial goods. It works well in
situation where technical excellence demonstrated by the firm is in itself of critical value to the customer. The more the technical competence among competitors grows, the less powerful this strategy becomes. As many firms come to offer a similar technical solution, the technical excellence may no longer be the critical issue in the market place. A high level of technical quality is most probably still required, but success is not related to this factor only.

New technologies permit service business to do things that were not previously possible as well as to do existing things better more productively. Technologies have affected the services, in the way in which services are produced, delivered and marketed. In particular, advances in telecommunications, and computers continue to generate innovations in service delivery, more notably through the medium of Internet. Collectively, these are usually referred to as information technology (IT). However, technological advances in fields such as biology, physical design, power and energy, method of working, and materials also have significant implications for services. Changes in one technology often have a ripple effect, requiring leverage from other technologies to achieve their full Potential. Every time technology changes, it creates threats to established ways of doing business and opportunities for new ways to offer service. Managers need to be watching developments proactively to determine their potential impact. Leading firms often seek to shape the evolution of technological applications to their own advantage.

3.1.2 Price strategy: - Pricing a key component of the 8Ps is often seen as a dull task that has more to do with accounting and finance than it does with marketing. But in services, it's a real challenge that require active participation from marketers who understand the needs and behavior of customers and from operations managers who recognize the importance of matching tile demand for service to the capacity available to meet that demand. A. price strategy means that the firm basically relies on its price level and specific price offerings as the competitive edge. To be less expensive alternative to the customer is the specific
competence of the firm. In many cases this is an attractive option. This strategy is, however, seldom to be recommended in the long run. Using low price as a main argument does not help the firm in building up enduring relationships with its Customers. Price remains the cornerstone of the relation, and when price is not the lowest one anymore, there is not much left to keep the parties together.

If the firm can expect to maintain its excellence as low-cost producer in the long run, this is probably a profitable strategy. Otherwise, it may become a strategic trap and should most likely be avoided. Low price normally equals less capital to invest in other elements of the customer relationship such as the technical quality itself and various services to the customer. Therefore, as a long run strategy the price strategy may be dangerous of course, price, including low price offerings when appropriated should be used actively as a part of any leading strategy.

3.1.2.1 Pricing strategy: Some of the prominent challenges are

(A) No Ownership of Services - It's usually harder for managers to calculate the financial costs involved in creating an intangible performance. For a customer than it is to identify the labour, materials, machine time, Storage, and shipping costs associated with producing a physical good where ownership is transferred to the customer upon purchase. Yet without a good understanding of costs, how can managers price at levels sufficient to yield a desired profit margin? Because of the labour and infrastructure needed to create performance, many service organizations have a much higher ratio fixed costs to variable costs than is found in manufacturing firms.

(B) Variability of both Inputs and Outputs - It is not always easy to define a unit of service, raising questions as to what should be the basis for service pricing. Making matters even more complicated is the fact that apparently similar units Of service may not cost the same to produce and neither may they be of
equal value to customers—especially if the variability extends to greater or lesser quality.

(C) Many Services are Hard to Evaluate - The intangibility of service performances and the invisibility of the necessary backstage facilities and labour makes it harder for customers to see what they are getting for their money than when they purchase a physical good.

(D) Importance of Time Factor - Another factor that influences service pricing concerns the way in which scheduling and the amount of time required to complete a service performance may affect customer perceptions of value. In many instances, customers are willing to pay more for a service delivered quickly than for one delivered more slowly (compare the cost of courier service against that of regular mail). Sometimes greater Speed increases operating costs, too, reflecting the need to pay overtime Wages or use more expensive equipments. In other instances, achieving faster turnaround is simply a matter of giving priority to one customer's business over another's.

(E) Availability of Both Electronic and Physical distribution Channels - The use of different channels to deliver the same service - Say, electronic rather than face to face banking - not only has different cost Implication for the bank but also affects the nature of service experience for the customer. Some people like the convenience of impersonal transactions, others, however, dislike self-service technology and prefer to deal with a service transaction delivered through a particular channel may have value for one person but not for another.

(F) Ethical Concerns - Service often invite performances and pricing abuses, especially credence service whose quality and benefits are hard to evaluate even after delivery.
(G) Exploiting Customer ignorance - When customers don't know what they're getting from service suppliers, aren't present when the work is being performed and lack the technical skills to know if a good job has been done, they are vulnerable to paying for work that wasn't done, wasn't necessary, or was not well executed. There's an implicit assumption among many customers that a higher priced professional say, a lawyer must be more skilled than one who charges lower fees. Although price can serve as a surrogate for quality, it's sometimes hard to be sure that the extra value is really there.

(H) Complexity and Unfairness - Pricing schedules for services are often quite complex. The quoted price may be only the first of several expenditures that customers will incur. Consider the credit card industry, traditionally, the banks that issue these cards derived revenues from two sources, a small percentage of the value of each transaction and a high interest charges on balance that remained unpaid by the monthly data, the interest can be seen as a cost of renting loan. However, as credit cards become more popular, costs started to rise for the banks on two fronts. First, more customers defaulted on their balances, leading to a big increase in bad debts. Secondly, as competition increased between banks, marketing expenses rose and new categories of card were introduced. Gold and platinum cards offer more affluent customers feature. On the revenue side, however, competition was leading banks to offer reduced interest rates, and male customers were paying off their monthly balance in full. So the banks sought additional revenue. So by adding a variety of changes, the banks can generate substantial income.

Complexity makes it easy for firms to engage in unethical behaviour. Assuming that the firm is honest, the best approach is a proactive one, spelling out all fees and expenses clearly in advance so that there are no surprises. A related approach is to develop a simple fee structure so that customers can more easily understand the financial implications of a specific usage situation. Now a question arises that how firms should decide on specific financial prices that they
charge for their services. The foundations Underlying pricing strategy can be described as tripod I with costs to the Competition, and value to the customer as the three legs.

3.1.3 Image strategy: - A corporate (or local) image is an asset for any firm. Here, image refers to an imaginative auxiliary to the physical good or service. Thus, applying an image strategy means that the competitive edge is based on the imaginative extra surrounding the physical good and services, which is frequently created by advertising or other means of communication. This strategy is in a sense equivalent to the price strategy because something without real substance is added to the offering in order to achieve a competitive advantage. Following a price strategy we offer a low and thus competitive price. In this case, however, the image of the offering is enhanced in the minds of the customers through the use of a range of means from labels brand names and distribution channels to various means of communication. Typical examples of goods enhanced by an image strategy are jeans, cigarettes, and cosmetics etc. However, even durables like passenger cars and services like fast food restaurants seem to rely on this as basic strategy.

3.1.4 Service strategy: - Service strategy means creating a range of services to enhance customer relations. Even turning the goods components of the customer relations into service can be the cornerstone of such service relation. In short, we can say that various types of services and service like components in the relationships with customers are developed so that the customer relationship is strengthened. The specific competence of a firm can be seen in its ability to serve its customers in a competitive way, and thus create a differentiated offering to the market. Moreover, for a manufacturer, developing service elements as part of the offering creates a goods support, which may operate as a barrier to entry in many industries. Thus, a service strategy not only enables the firm to differentiate its offering and create a value added for its customers, it also helps keep competitors away from its customer relationship.
A service strategy can be a powerful tool for a firm that wants to enter a market and overcome the advantage held there by established suppliers. Although a service strategy is always a valid option in any market, it may be predominantly powerful in mature markets in which it is difficult to attract new customers and mere technically sophisticated goods such as cars, computers, and paper machines. Also, durable goods require, in general, more service support than nondurable, which are bought' frequently and consumed quickly.

Applying a service strategy does not mean that less interest is given to the technical quality of the solution or that price and image are considered unimportant. Instead, applying a service strategy implies that the main focus in the strategic thinking and in the decision making of management is service. In other words, the key competence is service. A competitive edge is created by offering values or the benefits that are due to various services or service elements in the relationships with customers (or distributors or other interaction parties). Differentiation is achieved mainly by focusing on services and by a profound exploitation of the characteristics of services, irrespective of whether the organization is a service firm in the traditional sense, a manufacturer of goods, or an institution in the public sector. Service is considered a very broad phenomenon, and the term service is therefore used in a very broad sense.

3.1.5 Competitive differentiation: - Because of the intangibility, it is rather difficult to differentiate one's service from those of competitors. The problem assumes larger dimensions in those services where prices are regulated or in cases where the competition is non-price based competition. However, with a view to getting a competitive edge, the solution lies in differentiated offer, delivery and image. The important thing is to understand is the various levels of service package. One has to understand the primary service package, and the secondary service package in relation to specific service, and then create differentiation.
If we take the example of recent changes, which have come about in the Indian aviation industry, and the strategies adopted by the private airlines, we would notice that the primary service package for civil aviation industry includes punctuality. If these airlines have achieved 97% on time departure, they are able to differentiate themselves from the public sector airlines. The other strategies towards differentiation include free on board liquor, non-Indian cabin crew, quality of food, etc.

From this example we observe that most innovations in service industries, but a marketer keeps introducing newer innovations to sustain competitive edge. For example, Citi bank in India (more specifically in Delhi) was not permitted to open branches beyond a limited number - affecting "retailing of their services". They made innovative arrangements, with other parties, for increased distribution of their loan services to purchase house, scooter/Car, TV/VCR and other household appliances. This arrangement gave Citibank a competitive edge.

Kotler has observed that differentiation is a major issue in service industry as most service innovations are easily copied. Service companies, therefore, face a challenge of continuously developing new innovations to gain a succession of temporary advantage over competitors.

However, Porter observed that firms invariably view the, potential sources of differentiation too narrowly. He agreed to the fact that a firm needs to differentiate its offer from that of competitors by providing something unique that is valuable to the buyer. If it is successfully achieved then the firm can command a premium price, it would sell more of its product in the long run and win greater loyalty.
3.2 Process for market segmentation and targeting in Insurance Industry

3.2.1. Market Analysis: Market Analysis is needed to determine such factors as the overall level and trend of demand, and the geographical location of this demand. Then alternative ways of segmenting the market should be considered, and an appraisal made of the size and potential of different market segments.

Internal corporate analysis: requires the organization to identify its resources, any limitations or constraints and the value and goals of its management. Using insights from this analysis, the organization should be able to select a limited number of target market segments, which it is willing and able to serve with either new or existing services.

Competitive analysis, identification and analysis of competitors can provide marketing strategies a sense of their strengths and weaknesses, which back to the internal corporate analysis, should suggest which benefit should be offered to which target market segments. This analysis should consider both direct and indirect competition.

The outcome of integrating these three forms of analysis is a position statement that particulars the position of the organization in the market place. Armed with this understanding, the marketer should then be able to develop a specific plan of action.

3.2.2 THE SERVICE MARKETING MIX

For service industries, it is obscure that the traditional marketing mix was inadequate because of three main reasons. The first reason is that the original marketing mix was developed for manufacturing industries & it want that the services offered by service companies should change in a more product-like manner. So that the existing marketing tools can be applied. This was practically
impossible. The second reason is that services have certain basic characteristics and a different type of marketing is required by Services. The third reason is that services are basically different in comparison to physical products as:

- Services are performed, not produced.
- Services are more people based than technology based.
- Service supply cannot be easily changed to meet the suddenly changed market needs.
- Service demand has greater elasticity.
- Services face unique quality issues and a larger number of problems in customer servicing.
- Service quality is an amalgam of services.

The above three criticism suggest that a revised framework for Service marketing mix is required and dimension of each of the mix elements should be redefined.

Booms and Bitner, suggested a '7 P' marketing mix model arising out of the above three observations. Magrath and others endorsed such an approach and a number of marketing research studies supplement the relevance of each of the '7P'. A detailed account of each of the '7P' of the service marketing is as follows:

(A) The first P: services product or service package
Conventionally, we describe a product as an object which is developed, produced, delivered and consumed. The most important issue in the service product understands what benefits and satisfaction the consumers are seeking from the service. From the viewpoint of a restaurant's manager, the restaurant simply provides food. But the customers coming to the restaurant may be seeking an 'outing', an atmosphere different from home, relaxation, entertainment or even status. The marketing of services can be a success only if there is a match between the service products from the consumers' view point and the supplier's view point.
(B) The second P - pricing

In the case of products; the term price is used for all kinds of goods. Fruits, clothes, building ate, but in the case of. Services different terms are used for different services.

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The above table represents the term used for some selected services. In determining the prices' of services, the one characteristic, which has great impact, is their perish ability and the fact that fluctuations in demand cannot be met through inventory. We can prove this, by taking the example of hotels and airlines, offering lower rates in off-season, and lower telephone charges for outstation calls after hours.

Another characteristic of services that creates a problem in price determination is' the high content of the intangible component. The higher the intangibility the more difficult it is to calculate cost and grater the tendency towards non-uniform services, such as fees of doctor, management consultants, and lawyers. In such cases, the price may sometimes be settled through negotiation between the
buyer and seller. On the other hand, in services such as dry cleaning, the tangible component is higher, and the service provided is homogeneous. It is easier to calculate the cost on a unit basis and have a uniform pricing policy. In general, the more unique a service is, the greater is the freedom to fix the price at any level. Often the price may be fixed according to the customer’s ability to pay. In such cases price may be used as an indicator of quality. The third characteristic to be kept in mind while determining prices is that in many services, the prices are subject to regulations either by the government or by trade associations. Bank charges, electricity and water rates, fare for rail and air transport in India are controlled by the government. In many other cases the trade or industry association may regulate prices in order to avoid undercutting and maintain quality standards. International airfares are regulated by international agreement of airlines; shipping conferences may regulate sea freight fares. In all such cases the producer has no freedom to determine his own price.

The two methods which a service organization may use to determine prices are cost-based pricing and market-oriented pricing. In the former, the government or industry association on the basis of the cost incurred by the most efficient unit may regulate the price. Such a pricing strategy is effective in restricting entry and aiming at minimum profit targets. The market-oriented pricing may either be a result of the competition or customer-oriented. In case of customer-oriented pricing, the price may be fixed at the level that the competitor is charging, or fixed lower to increase market share. Customer-oriented pricing varies according to the customer’s ability to pay. This component addresses management of the expenditure and other outlays incurred by customers in obtaining benefits from the service product. Responsibilities are not limited to the traditional pricing task of establishing the selling price to the customer, setting trade margins, and establishing credit terms. Service managers also recognize and, wherever practical, seek to minimize other burdens that customers may bear in purchasing and using a service, including time, mental and physical
effort, and unpleasant sensory experiences, such as noises and smells. Due to these reasons, in setting price objectives, following factors should be considered in relation to the overall marketing strategy of the corporation:

(a) First is the planned market position for the service product. (b) Second is the life cycle stage of the service product.  
(c) Third is the study of competitive situation.  
(d) Fourth is to see that what strategic role pricing can play in overall marketing strategy.

Keeping in view the above four objectives, the pricing strategy for services should be decided.

(C) The third P place or distribution

Delivering product element to customers involves decision on the place and time of delivery as well as on the methods and channels employed. Delivery may involve physical or electronic distribution channels (or both), depending on the nature of the services being provided. Use of messaging services and the Internet allows information-based services to be delivered in cyberspace for retrieval by telephone or computer wherever and whenever it suits the customer. Firms may deliver service directly to customers or through intermediary organizations such as retail outlets that receive a percentage of the selling price to perform certain tasks associated with sale, services, and customer contact. Speed and convenience of place and time for the customer are becoming important determinants in service delivery strategy.

Intangibility and inseparability of service, makes it impossible to use the same distribution channels available for product marketing. The most important decision element in the distribution strategy relates to the issue of location of the service so as to attract maximum number of consumers. The Inseparability characteristic of the service such as those of doctors, teachers, consultants,
mechanics etc. poses a distribution constraint. Since they are able to serve only a limited, localized market. The other characteristic of services, which affects the distribution strategy, is the fixed location of services such as universities, restaurants, and hospitals, which necessitates the customer to go to the service location. These two characteristics of services i.e. intangibility and inseparability make the channel very short and direct. At best one agent or middleman can be added to it, like in case of an insurance, travel agency, courier service etc. Keeping in view the characteristics of services and the potential management problems in retailing of services as shown in the figure there are distinct channel configurations, which one can notice in service sector. Intermediaries like agents, brokers, often appear in distribution of service.

(D) The fourth P - Promotion
The fundamental difference, which must be kept in mind while designing the promotion strategy for services, is that the customer relies more on subjective impressions rather than concrete evidence. This is because of the inherent intangible nature of services. Secondly the customer is likely to judge the quality of service on the basis of the performers rather than the actual service. Thirdly, since it is difficult to sample the service before paying for it the Customer finds it difficult to evaluate its quality and value. Thus, buying a service is a risky proposition than buying a product. These three differences have influence on -

1. Promotion objective.
2. Target audience.
3. Planning the promotion mix.

Promotion objective
Although there could be a variety of objectives to promote, but the basic objectives of the promotion mix for services may fall under one of the following -

- Develop personal relations with clients.
- Make a strong impression of competency, honesty, and sincerity.
• Should be able to use indirect selling technique (Creating derived demand or act as a buying consultant).
• Manage to maintain a fine image by positive word of mouth.
• Packaging and customization.

**Target Audience**
While defining the objectives of our communication campaign, we must be clear about the target audience. In service sector there is a direct contact between the person who provides the service and the customers. Therefore, some amount of promotion should be targeted at the employees so as to motivate them to serve the customer better. In such communications the objective can also be to educate the employees about how to handle operational problems so as increase their performance level.

The other set of target audience are similar to that of goods where the target audience may not necessarily be the buyer but also the influencer, decider or user of the buying cycle.

**Planning the promotion mix**
In the case of services a customer is buying the performance of the service personnel and therefore the promotion mix in service industries should not only restrict it to encouraging consumption, but also it should encourage employees to perform well. The four methods used for promoting services, viz, advertising, personnel selling, publicity and sales promotion are the same as the promotion of products. We shall now discuss them in the contest of services.

**Advertising**
Advertising is any kind of paid, non-personal method of promotion by an identified sponsor (an organization or an individual). Certain services such as entertainment, passenger and freight transport, hotel, tourism and travel, insurance have been advertising heavily in newspapers, magazines, radio, TV.
promote greater usage and attract more customers. Doctors, dentists, lawyers and accountants have a Negative attitude towards advertising their services. These groups have traditionally relied as word-of-mouth form of communication for attracting new customers. But this view is changing and we can occasionally see an advertisement in the daily newspaper giving information about timings a particular doctor is available for consultation.

The guidelines, which can be kept in mind while promoting services, are as follows -

(a) Use simple clear messages.
(b) Emphasize the benefits of services.
(c) Promise only that which can be delivered and do not exaggerate claims.
(d) Build on word-of-mouth communication by using testimony of actual Consumers in advertising.
(e) Provide tangible clues to services by using well known personalities or Objects to help customers identify the service.

One other aspect, which is used in designing an appropriate advertising strategy, is the high level of consumer-organization interaction required in certain type of services (beauty parlors, saloons, management consultants, doctors etc). In these types of services, the objectives of advertising have been identified as:

- Creating an understanding of the company in the customers' minds by describing the company's services, activities and its areas of expertise.
- Creating a positive image for the company.
- Building a strong sense of identification with the customer by running his needs, values and attitudes.
• Creating a positive background for the sales people to sell the service
• by providing all relevant information about the company.

Personal selling
The problem with using personal selling to promote services is that in certain kind of services, the service cannot be separated from the performer. Moreover, it is not a homogeneous service in which exact amount of performance can be specified. In such situations, personal selling implies using an actual professional rather than a salesman to sell the service. A firm of management consultants may send one of its consultants for soliciting new business. This kind of personal selling is certainly effective but also very expensive. One way of making personal selling most cost effective is to create a delivered demand by tying up with associated products and service. A management consultant may associate with a bank so that the bank recommends his name as a consultant to any new entrepreneur coming for a loan. A chain of hotels may team up with an airline to offer a concessional package tour. The other way is to maintain high visibility in professional and social originations, getting involved in community affairs and cultivating other professionals so as to maximize personal exposure and the opportunities for getting work from new services.

Publicity
Publicity is unpaid for the exposure, which is derived by getting coverage as a new or editorial is possible to get publicity when the service offered is unique, and newsworthy. The important point about publicity is that the choice of the newspaper, magazine and journal should be correct. The vehicle chosen must be credible and enjoy a reputation of being trustworthy.
Sales promotion In the case of services, the sales promotion technique, which are used, are varied and various in number. A doctor may charge lesser Amount as fee on subsequent visits to encourage the patient's loyalty, a pediatrician may send reminder cards to parents about their children's pending inoculations, a car
mechanic may offer a guarantee for repairs undertaken up to three months, and a charted accountant may offer his service free for the first two visits to allow the customer to evaluate his work.

(E) The fifth P - People and Internal marketing
Many services depend on direct personal interactions between customers and firm's employees (such as getting a haircut or eating at a restaurant) .. The nature of these interactions strongly influences the customer's perception of the service quality. Customers will often judge the quality of the service they receive based on their assessment of the people providing that service. They may also make judgments about other customers they encounter. Successful service firms devote significant effort to recruiting, training and motivating their personnel. Firms often seek to manage customer behaviour. Lastly we can say that to realize its potential in internal marketing - the attraction, development, motivation, and retention of qualified employees-customers through need-meeting job products. Internal marketing paves the way for external marketing of services and the essentials for internal marketing.

(F) The sixth P - Physical evidence
The appearance of buildings, landscaping, vehicles, interior furnishing, equipment, staff members, signs, painted materials and other variable cues, provide tangible evidence of a firm's service quality. Service firms need to manage physical evidence carefully, because it can have a profound impact on customer's impressions. In services with few tangible elements, such as insurance, advertising is often employed to create meaningful symbols. For instance, an umbrella may symbolize protection and a fortress security. There may be two kinds of physical evidence –

1. Peripheral evidence - Peripheral evidence is actually possessed as a part of the purchase of service but by itself is of no value, e.g. an airline ticket, cheque book etc. Peripheral evidence 'adds on' to the value of essential evidence. Such
evidence must be designed keeping in mind the overall image that the organization wishes to project and the reminder value of the evidence in its ability to remind the Customer About organization.

(2) Essential evidence - Whereas peripheral evidence is possessed and taken away by the customer, the customer cannot possess the essential evidence. The building, its size and design, interior layout and decoration etc. are constituents of the essential evidence. The essential evidence is a very critical input in determining the atmosphere and physical evidence, thus play very important role in the service sector, as shown in the diagram –

**Figure-3.2**

![Diagram showing the role of evidence with sections for: Smoothing Employees, Creating the Image, Managing Trust, Improving Quality of Service, Providing Sensory Stimuli, and Shaping first impression.]

Source: "Services Marketing: The Indian Experience" by Ravi Shankar, South Asia Publication, Delhi.
Creating and delivering product elements to customers requires the design and implementation of effective processes that describe the method and sequence of actions in which service operating system work. Badly designed processes are likely to annoy customers when the later experience slow, bureaucratic and ineffective service delivery. Similarly a poor process makes it difficult for frontline staff to do their jobs well, results in low productivity, and increases the likelihood of service failures.

Services can be described on the basis of the types of processes used in the delivery of the services. The three kinds of delivery processes that are applicable case of service products are line operations, job shop operations, and intermittent operations. Self service restaurants and shops are example of line operations. The consumer moves through logically arranged operations, which are arranged in a sequence. In a self-service departmental stores, the consumer starts picking up the items he needs and pays for them near the exit. This kind of delivery process is relevant when the service you are providing is fairly standard and the consumer's requirement is routine nature.

When the consumers require a combination of services, the job shop type of operation is more useful. Hospitals,' restaurants, and educational institutions usually have this type of delivery process. In a hospital, some patients need only consultation in the out patient department; some others may need consultation as well as medication or X-ray; some patients require hospitalization for surgery, medication or investigations. All these categories of consumers require a different combination of dishes. A college may offer courses for full time students, as well as for working people through correspondence. Intermittent operations are useful when the type of service is rarely repeated. Firms offering consultancy for projects use this kind of delivery system since each advertising campaign requires a unique set of input factors. Thus the marketing of services
requires an extended marketing mix comprising production, pricing, promotion and distribution as well as people, physical evidence, and process. The marketer has to lay great stress on the last three elements of the marketing strategy and combine them to achieve the first four to achieve a harmonious blend, which fulfills the customers' want-satisfaction. In recent time, productivity and quality is also included in the services marketing mix, and now we have the eight components of Integrated Service management as shown in the

![Figure 3.3](image)

Source: "Services Marketing" by Christopher Lovelock, Pearson Education Asia.

3.2.2.1 Some of the recent trends in the distribution of services

In case of certain services, actual product is not transferable and therefore tangible representations are created and transferred. This type of channel is used for marketing insurance services, where a contact document exists as a physical and tangible representation of the services.
(a) Leasing
India has witnessed a boom in the leasing business since 1982. Leasing or rental offers an easy solution for companies which want to expand and diversify but do not have the necessary resources to buy the required plant and machinery. Today we have, the concept of time-sharing for holiday resorts. By making a one-time payment or by paying an annual rental you become eligible to use accommodation facilities for a holiday in the place of your choice. Some holiday resort companies offer you the facility forever, while others offer it for limited time duration. Sterling resorts, MS resorts, Punjab tourism resorts and Dalmia resorts are some of the companies offering this service.

(b) Franchising
The other recent trend is distribution of services is that of franchising. Franchising is the granting of rights to another person or institution to exploit a trade name, trademark, or product in return for a lump-sum. Payment or royalty. In service industries franchises operate in the area of hotels, restaurants, car rentals, pest control, travel agencies, office services, packers and, movers, couriers, business centers etc.

(c) Wireless or cable
Wireless and cable linkages with the Client/subscriber/customer have been used for the distribution of entertainment services. Cinematographic films, video and audio disks, audio cassettes, radio broadcast, television, and cable television etc. are also in use for the distribution of entertainment services.

(d) Integrated services
Recent times have also witnessed the growth of an integrated service system. Hotels may also offer local tours. India Tourism Development Corporation (ITDC), which offers to its clients conducted tours to important tourist spots besides the hotel facility, does this. This facility is offered under the name of Ashoka travels and tours. Hotels chain such as Taj, Oberoi, Welcome group and many others offer the facility of making reservations in any of their associate
hotel in the chain. Travel agencies offer 'package tours' in which they take care of all formalities such as visa, foreign exchange, reservations, local travel etc.

Lastly, we can say that because of intangibility, services cannot be stored, transported, and inventoried and because of inseparability, services cannot be separated from selling. Thus, we have to use innovative methods to overcome the inherent characteristics of service products, which make their distribution a complex affair.

3.3 BENCH MARK FOR SUCCESSFUL MARKETING IN INSURANCE INDUSTRY

3.3.1 Strategies
The global business environment is buzzing with the single most important issue of building a competitive edge by creating and retaining a larger number of customers than their competitors by offering them the necessary satisfaction through their goods and services. Every organization is, therefore, seized of the task of establishing & sustaining its worth to the customer, who has been rendered unpredictable by competition. The customer, through the ages, has been an essential component in any business process, whether it is a monopoly or open market. In a monopolistic condition, however, the customer is at the receiving end, while in a competitive environment he is at the giving end & pursued by everyone to give out his favour. Monopoly business houses have been dictating their terms to the customer in the form of charging their own chosen price and delivering their own defined quality. Competition, however, has opened a new vista to the customer, offering him increasing opportunities in asserting his terms in the matter of product, price, service etc.

To compete and survive in this highly competitive environment, insurers are choosing different strategies. "In the insurance sector distribution strength is the key to success. And the new insurers are finding new ways to reach their
prospects. All the players are trying to build their distribution channels, for example, insurers tied up with banks (SSI Life and ING Vysya Life insurance) are using the bancassurance to reach the customers. Some insurers like ICICI Prudential Life and HDFC Standard Life are tying to reach prospective customers through the development of field network on the lines of L1C. The various players are also adopting different strategies on the service front by setting up national level call centers, interactive voice response systems and websites that provide interactive tools and are helping customers to plan their needs, to beat the competition. Some companies have adopted the principle of customization and flexibility to market their products. They are banking on the fact that each individual's needs are different and insurance solutions have to customize to match those needs.

Product innovation: customers are now looking at insurance as complete financial solutions offering stable returns coupled with total protection. Companies will need to constantly innovate in terms of product development to meet ever changing consumer needs. Understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability. In this context, Management guru, Peter Drucker has rightly said "Markets are changing from cost leas pricing to price lead costing. It is already a buyers market now. He can benefit by new customized products to match his needs, better service and of course he will be able to get the value for the money spent, both in terms of insurance coverage and returns. The most important change would be that his claims will be settled faster. In fact, it is true that competition has brought cheers for the customers. Today the customers are offered products to meet his individual needs rather than mass customized products. For instance, a customer who had opted to go for life coverage had limited choice with only one player offering the one player offering the services. But now with more players in the market his choice is unlimited.
3.3.2 Distribution network

TIME WAS, IF YOU WANTED to buy a life insurance policy, you called a life Insurance Corporation agent referred to you by a friend or a relative. And as you sat him down in your drawing room one Sunday morning (and your wife went away to make him some tea), he would pull out a sheaf of papers, rattle off details for a variety of schemes, and calculate the premium from a small white book. And since that's the way the whole country bought insurance, you bought one too.

These days, you don’t have to go in search of an agent. He comes after you. Shopped at any of the Westside stores recently or stopped by at Bharat Petroleum to tank up? If yes, expect a call from one of the direct marketers selling ICICI prudential life insurance pension policy or child solution. Using that it calls "alliance marketing" ICICI PRU mines databases or retail chains and credit card companies to identify potential customers. Such aggressive selling strategies are beginning to payoff for 15 other new private life insurers.

Traditional distribution channels of insurance companies are fast becoming costly and obsolete. This has made insurance companies to rethink their strategy about relying on traditional distribution channels of agents. If on one hand, the productivity of agents is a concern, then heating competition is a major concern. With the sudden spurt in globalization and liberalization among the developing and developed countries, majorities of insurers are finding it difficult to maintain their market share. On an equal note is the increasing commission paid to the agents on sales eating up a major portion of the premiums. Typically, the commissions paid to agents ranges between 5 to 10 percent of annual premium throughout the length of the underlying policy. In contrast, by offering insurance products through a bank will cost around 20 percent for one time. This will reduce the burden on premiums for the insurance companies. In the Indian market, where insurance is sold after considerable persuasion, the selling over the net would take some more time. Also insurers need to design products where auto underwriting is feasible. Certain products like term insurance, vehicle insurances,
medi-claim and other can be sold through internet. But a pure e-commerce model may not be possible for the insurance sector where customer need analysis, capital -need-analysis and other factor go into determining the exact customer solution. But even then, selling on internet is very attractive because of low distribution costs. It makes sense for the insurance companies to supplement their traditional sales channels with internet.

3.3.3 Customer services

Customer service always remains at the top of an organization's agendas. But in reality, not many organizations are able to deliver real customer service. While the constraints are many, is it not possible to accomplish delivering what we promise?(Jawaharlal, 2003). While the competition has sent strong signals to the state-owned enterprises, L1C still seems to control the market. The insurers in non-life segment are finding it difficult to compete with the new private players and have lost a considerable market share to the new entrants. On the other hand, customers are going to benefit immensely from the competition in the industry. Customers have become the main focus of the business. As far as the state enterprises are concerned they have to realize the importance of customer and change their mindset to become more customer focused. In the present competitive scenario, a key differentiator would be professional customer service in terms of quality of advice on product choice along with policy servicing. Servicing should focus on enhancing the customer experience and maximizing customer convenience. This calls for an effective CRM system which would eventually create a sustainable competitive advantage and build a long-lasting relationship.

3.3.4 Quality of services

Service has very different characteristics from products. Intangibility demands greater trust and reliability. Customer expectations are rising with time. Success of business depends on the kind of quality service delivered to the prospect or client. The aspirations of the customer should ideally be at the core of any
insurance sector reform. In addition to a good product, the customer expects good service, a competitive price, and that the company will meet its commitments when the time arrives.

3.3.5 Customer Education

Insurance, particularly life insurance, is never bought but sold. To convince a large population, which is comparatively not well informed about the intangible benefits of life insurance, is indeed onerous task. This apart, the task would be to position insurance as a risk planning tool rather than a tax saving and investment tool.

The success of marketing insurance depends on understanding the social and cultural needs of the target population and matching the market segment with the suitable intermediary segment. In addition, a major segment of the Indian population has low disposable income, meaning that every penny won will be obtained after a lot of persuasion and the expected value for money is high. All intermediaries can't sell all lines of business profitably in all markets. There should be clear demarcation in the marketing strategies of the company from this perspective. Clients should also receive price differentials from using different channels. The channel composition should not be homogeneous but should reflect the larger society.

3.3.6. A Buyer's Market

Being a government monopoly, the products offered by L1C were based on its perception of customer needs and the buyers of policies could influence neither the price nor the product attributes. The opening up of the sector and consequent market dynamics would transfer bargaining power to the buyer of Insurance policies. Higher level of competition would compel the players to enhance product innovation to acquire new customer and maintain existing policy holders. "Product development would be an on going process. The shelf life or product will be increasingly getting shorter in the Indian Insurance Market" says Praveen
Vashishtha, Managing Director, Zurick Risk Management services. Thus insurance is a buyer's market. With the introduction of customized products, there would be a clear demarcation between purely risk-cover products and saving linked products.

3.3.7 A Matter of Choice
The products offered by the incumbent are predefined and off the shelf. Although they offer several benefits, they have not found favor, with most customers and most of L1C's premiums originate from a few of its products in its huge products mix put players are likely to offer unpackaged products where the proposed policyholder would have the option to choose from various benefits and premium to suit the specific needs.

3.3.8 Pricing Issues
"Initially, there is a risk of inaccurate pricing of new products because of lack of adequate statistics", say Roy, Dean, Managing Director, General Cologne Re, Asia. Hence, in the initial phase, pricing of new products could be bench marked against the existing products in the market. But as the competitive pressures build up in the market, more price differentiation could be seen.

3.3.9 Web Power
Web sites are available on the internet, which operate as catalogues to assist potential customer in evaluating competing products offered by difference insurance companies.