CHAPTER V

MARKETING STRATEGIES OF INSURANCE COMPANIES
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5.1 INTRODUCTION:

"Marketing", the word when comes to mind, suddenly thinking process gets started. Many concepts and thoughts such as Products, Price, Place, Promotion, Advertisement, Schemes, Discounts, Offers, Availability, Other competitor brands, Substitute products, Channels of distribution, Profit of Margin, Advantages of the products, Sales Executives, Companies, Brand name, Quality etc. all starts crowding in the human mind and then the “Customer” starts many processes performing at a time. These processes are 1. Thinking, 2. Visualizing 3. Analyzing, 4. Targeting 5. Decision making 6. Comparing.

Lot of academic and practical research work and experiments have been done for understanding and upgrading the concept of marketing, and it is still continued, because marketing is a continuous process and its fuel is continuous changing needs, wants, and expectations of the customers.

“Marketing is defined as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others” Philip Kotler.

The American Marketing Association defines marketing as “Marketing is the performance of the business activities that directs the flow of goods and services from producer to customer or user.”

The new version of definition of marketing is “Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.” Philip Kotler

“The American Marketing Association in its new version defines marketing as “Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.”

The evolution of marketing basically starts when the “Need” arises in human mind and felt by the human beings. The need arises when some process, activity remains incomplete, or fails because of unavailability of something. In simple words, it is human nature that, unless the human beings do not see, feel, think, lose something, find
something better with others and feel miserable of not having it for them, they do not
develop the need in mind.

"Wants" is the next modified version of need which takes birth in human mind due
to some additional factors such as awareness, education, training, information, and choices
available for comparison. For example, a lower middle class person will prefer economy
range low priced shoe rather than preferring high priced branded shoe. Where as the
person from economically higher class will do exactly opposite to the preference shown by
earlier economically poor class person. Simply, the wants of both the persons differ based
on their economic status.

"Demand" arises when the particular product, is frequently required and demanded
by the customer due to various reasons such as good quality, from a reputed company,
brand loyalty, price, advertisement, availability, multiple benefits, monopoly, unique
features, symbol of social status, etc.

Maslow has presented a hierarchy of needs in ascending form such as¹

1. Physiological needs [Hunger, Thirst, and Shelter]
2. Safety needs [Security, Protection]
3. Social needs [Sense of belonging, love]
4. Esteem needs [Self-esteem, Recognition, and Status]
5. Self actualization needs [Self-development and realization]

After defining marketing and identifying factors involved in entire marketing
managements, each important subject is discussed as follows.

First, let it get cleared what is the difference between Selling and Marketing. Selling is a
process, a process in which one entity (Seller) offers product (one product either in the
form of service or in physical evidence form), to other entity (Buyer), who is in need of
that product, and offers money in exchange for accepting that product. It is as simple as
Take and Give Process.

Where as, in actual marketing process, the sales process is the last but one stage.
There are many other important factors involved in marketing process, such as
1. Identifying what product or service customer is in need, want.

2. Identifying what product or service the organization is interested to provide to the customer.

3. Finding and developing the perfect blend of expectations of both customer and the organization.

4. Designing the exact product, and designing exact product launch strategy focusing on important points such as consumer behaviour pattern, demographic factors such as social needs, culture of that region, literacy pattern, economic status, languages used, Price, Quality, competitors strategy.

5. Designing and developing effective promotional strategy based on above mentioned points. Here the cost of promotion and media used for promotion are very important factors while designing the promotional strategy. Other factors like Price, Discounts, Schemes, Lucky Draw, Offers, Buzz Marketing pattern, meeting demand and supply ratio, availability of products and services, transportation, stocking etc. points also play an important role in designing promotional strategy.

6. Deciding product distribution channels and their profit of margin for promoting the product.

7. Training and development the sales staff of the organization on product, and sales techniques, and most important sales skills is another important factor needs to be considered.

8. Continuous market research for identifying frequent changer in consumer behaviour, perceptions, expectations, due to competition, always attraction for new things, products, behaviour pattern blessed by the nature to everybody quality blessed by the nature. New products, schemes, promotional strategies launched by the competitors.

9. Continuous upgradation in strategies for identifying and adding new customers, converting competitors to our brand, and retaining existing customers, and inviting reference customers from them.

10. Ensuring strong ratio of demand and supply, availability of products and services, and ensuring punctual, transparent pre, during, and post sales services.
As discussed earlier, the main commodity exchanged in marketing process is “Product”.

5.1.1 Life Insurance Products:

“A product is anything that can be offered to make a market for attention, acquisition, use, or consumption and might satisfy a want or need” (Philip Kotler).

The new product development process:

There are many stages on which dedicated efforts need to be taken while developing and launching new products. These stages are discussed in brief as follows.

1. Idea generation:

First of all the top management has to set specific objectives regarding new product, such as should it be price oriented, need oriented, quality oriented, monopoly product, uniqueness in comparison with competitor products, or to grab market share, export oriented, luxury oriented, etc, after completely understanding the objectives the product management will start on thinking process on it and may generate many ideas as out com of the process.

There are many sources which can generate ideas, such as customers, scientists, competitors, sales staff, dealers, and more importantly staff involved in product development that are very expert and very keen in monitoring the market changes on daily basis.

Some of the usual practices followed for idea generation are like Attribute listening, Forced relationship, Morphological Analysis, Problem Analysis, Brainstorming, Exhibitions, etc.

The phenomena of Idea generation in insurance basically arises from different subjects such as protection, security, need, savings, old age domestic life problems, health, facing financial crisis, dreams and future plans, investment, avoiding Income-tax, predicting various risks and doing alternative arrangements to face the consequences, Inflation and growth of investment, safety of earnings with multiple benefits, etc.

a) Security:

Entire insurance is based on the foundation of security concept. Every creature on this earth has fear of risks and its consequences and after effects. Everybody wants to avoid risks and put himself in safe and comfortable position. Human beings are always
running and facing various risks and achieving or losing something. As human life is uncertain, natural calamities, disasters, unfortunate events such as death of young person due to ill health, road accident, etc. are beyond control of human being. At the most the dependents of can not be helped by offering financial support by providing insurance claim. Insurance in this way offers social and financial security.

For providing such type of social and financial security insurance companies have designed products like Term Assurance Plan, Endowment Plan, Money back Plan, Whole Life Insurance Plan, Joint Life Insurance Plan, Annuities, Group Insurance Plans, Salary Savings Plan, and various Unit-linked plans, along with such plans the insured/policyholder can also take additional insurance by taking various rider benefits by paying additional nominal premium amount.

b) Savings:

Human beings have got ability to think, plan and take action and perform. Irrespective of his or her birth in any class of the family, everybody has some dream in his or her life. For example, a lower middle class family also dreams that their beloved daughter should become renowned Doctor of the country. But, this is going to be very costly affair, considering the competition today, and requires lot of financial support and investment. Certainly, managing this for a lower middle class family this is almost impossible task. But if the main bread earner plans his earnings, and expenses and start saving a certain amount for long term in a professional way and wisely by using sources like insurance, mutual funds and other sources of investments, right from first year of his daughter’s age, by age of his daughter becomes 16 year old, and eligible for admission to medical course, he can have handsome amount to meet out the expected expenses and fulfill dream of his daughter and his family. Not only this, dreams can be of child’s marriage, personal home for the family, having own four wheeler vehicles, starting an industry or business etc.

To arrange big amount of money for meeting such dreams in future, insurance companies have designed special savings products such as Children Plan, Pension Plans, etc. Various Unit-linked plans from many insurance companies also provide specially designed saving plans for all age group and variable income group and as per the need and affordability of the people.
2. Idea Screening:

All the ideas generated are tested for various parameters such as coverage of target market, strength to face the competition, product price, development time, manufacturing cost, promotion cost, rate of returns, distribution pattern, expected group size of customers, objections that may come from customers, quality, durability, needs of the customers, etc. those ideas which fits best after satisfactorily clearing all such parameters are chosen for development.

Society of actuaries of insurance companies, study and analyze the primary and secondary data received from various sources, such as feedback from customers, feedback from field and sales staff of insurance companies, annual performance figures of the insurance company, existing customer retention ratio, addition of new customers, loss of old customers, lapsation rate of insurance policies, revival ratio of policies, claims settled, employee turnover in the organization, new products launched, non-moving products withdrawn, Product Promotion strategy, etc. and the authentic valid satisfactory reasons for growth and de-growth of the organization. This marathon exercise enables the actuaries performing screening the ideas generated in their mind.

Based on the findings of the detail data analysis based on the above mentioned factors, society of actuaries come to some conclusion to launch new products with some unique and special products with additional features and benefits.

3. Concept development and Testing:

A product concept is an extended and elaborated version of the idea finalized after screening. Each concept requires concept positioning so that its real competition would be understood, when compared to existing brands or substitutes. The concepts have to be tested with an appropriate group of target consumers. The concepts may be presented symbolically or physically. The consumers are asked to react to each concept with some standard questions. The consumers will help the company determine which concept has the strongest appeal.

Usually the trend in all the insurance companies is that for testing purpose, some insurance products are launched for a specific period only with decided terms and conditions. It is assumed that a select group of customers may give response to these
products. If the insurance companies get positive response and ensure handsome sales, then such products are continued for some more period for sales. If the performance of the newly launched insurance products is not encouraging, then insurance companies take decision of withdrawing such products. Of course, the insurance companies have to take such launching and withdrawing of products decisions with the due approval from Insurance Regulatory and Development Authority of India [IRDA].

4. Marketing strategy development:

The marketing strategy should be based on three parts A) Size, structure and behaviour of the target market, the planned product positioning, the sales, market share and profit goals sought in the first few years. B) Product’s planned price, distribution strategy, and marketing budget, and C) Planned long run sales and profit goals and marketing mix strategy over the time.

As it is applicable to other sectors in the marketing, the same principle is applicable to insurance sector also. Insurance companies study and analyze the performance in past years, and the way the competition is changing and the new trend, regulations are coming, changing consumer behaviour, Changes in promotion strategies, etc, insurance companies do prepare fresh marketing strategy considering all marketing aspects.

5. Business Analysis:

The business earned by the product in primary stage needs to be closely monitored and tested for the parameters such as 1) Whether the product has been appreciated by the customer in the form of heavy purchase 2) Has the product yielded decided profit for the company 3) Is the cost structure being maintained with regards to manufacturing, promotion, distribution, availability, timely service etc. 4) Has it been satisfactorily fulfilling all the objectives set by the company before launch of the product. 5) Will it be in the affordability, and feasibility range to apply new changes after first review of launch of the product?

This analysis is usually done by the actuaries of the company and authorities from the product department.
6. **Product development:**

The fresh suggestions and ideas obtained various above mentioned departments are further studied and best of them are taken into consideration for change or development of the product, this gives second birth to the old product.

Based on the study and analysis of performance old products and application of old marketing strategies, the new products are developed with the idea in mind, of providing benefits, features, etc., as per the need of the situation and expectations and demand of the market.

7. **Commercialization of the product:**

For commercialization process, the company has to design the perfect marketing strategy considering following basic points.

a. **When:** Whether is it right time to introduce the product?

b. **Where:** The size, type, economic capacity, acceptance possibility, cultural factors, social factors, customers expectations, competitor products availability, etc, should be taken into consideration and then the region, area, size of the area should be decided where to launch the product?

c. **To whom:** The targeting of the customers should be very perfect. Usually companies focus on early adopters, heavy users, and opinion leaders and so on.

d. **How:** The Company must develop and action plan for introducing the new product into9 the rollout markets targeted. It must allocate the marketing budget among the marketing mix elements and sequence the various activities.

All the insurance companies draw a perfect action addressing all the above mentioned questions and perfect focused training is provided to all the staff of the companies so that the goals and objectives, plans, strategies, can be mentally engramed in their mind.

The strategy implementation, and outcome, results are reviewed on periodic basis in order to make necessary changes to ensure the achievement of set goals.
Product is defined as the exact thing or service, or concept presumed by the customer that fulfills his/her expectations and needs, wants, requirements, and gives the satisfaction. The product can be any thing, either in the form physical commodity or in the form of service. The products can be tangible or intangible. Some products can be personally, physically handled by the customers, while some products like services can be physically handled by the customer, but they get satisfaction of paying for something they were in need.

As the thesis is on insurance marketing, it is quite clear that the products discussed in the thesis are insurance product only. Basically, Insurance is a subject that comes under “Service” category, an intangible product for which the purchaser can not claim ownership of the product. The products served offer social security, financial security, financial aid, products covering mass of people.

While designing insurance products, many criteria are taken into consideration. Need based Product designing is the usual methodology followed by all life insurance companies. Different insurance products are designed with different terms and conditions and benefits. Insurance products are quite easy to understand if tried and given enough time to understand.

Having reasonably good knowledge of finance and the existing marketing scenario and economy of the country and if one obtains command on defining his/her needs, wants, luxuries, current income, income in future, current expenses and future expenses, liabilities, responsibilities, then it definitely help for proper financial planning.

Life insurance products are basically divided in two different categories

1. Traditional or Conventional Products: These are also called as bundled products:

These products are also called as participative products because the investment made by the policyholders in such products is further invested by the insurer in other market sources for the growth of the money. But in such investment, the total risk is beard by the insurer and not by the policyholder. The growth obtained is extended to the policyholders in the form of bonus declared at end of every financial year and added to policyholder’s sum assured and given along with sum assured at the time of maturity of
the policy or if death claim arises, or if the policy holder surrenders the policy after
decided period based on certain terms and conditions.

2. **Unit-linked Products:**

These products are also called as non-participative products. The investment made
by the policy holders in these products is further invested in money market, and
Government sources for growth. Here the risk of such investment is totally beard by the
policyholder and not by the insurer. Some part of the amount invested by the policyholder
is divided into small units and further these units invested in money market and various
private funds. The funds may grow or de-grow, the risk is there, but the policyholders are
made aware of this fact in writing in the beginning itself and their consent is also obtained
in writing while filling the proposal form.

Both Traditional and Unit-linked Life Insurance Products are further divided into
four different categories.

1. Protection 2. Investment 3. Pension 4. Savings. All these products have already
been discussed earlier in this thesis in chapter one.

**Protection Products:**

Protection Products are designed anticipating uncertainties and calamities and
various types of risks carried by individuals and may cause loss of life of the person or
may give a disability which may prevent the policy holder from working and earning
income.

In case the main bread earner of the family suffers disability or death, the
dependent family members also get suffered financially; in such case such protection
products offer financial help protection to dependent family members of the policyholder.

**Investment Products:**

These products are specifically designed keeping in mind the growth of the money
invested by the policyholder. There are many options available in financial market for the
growth of investment, but life insurance investment products not only offer growth to
policyholder's investment but at the same time these products offer insurance benefits also
to the policyholders, which other investment options available in financial market do not
offer. The new trend of Unit-linked products, are chosen as the best options available as investment products.

**Pension Products:**

These products are designed with a social intention of helping people in their old age; when they become dependent on their kids and others, and many of them do not remain physically, mentally fit enough to earn money for continuation of their life. To have some permanent income source till the last breath of life, these pension products make policyholder independent, and offer peace of mind. Not only this, if policyholders wish to sell out their pension product or obtain some loan using these products, the facility is made available by all life insurance companies. These products also offer the facility of appointing nominee or appointee, beneficiary also in case the policy holder wish to extend the benefits to his near and dear after his/her death.

**Savings Products:**

As the title itself makes it clear, that such products are designed encouraging customers to develop habit of savings which will help them in their crisis or achieving major tasks planned in their life. Child education, Child marriage, expensive health treatment, purchasing a house or other property, such many other responsibilities can be completed comfortably if financial planning is made proper by investing in saving products of life insurance. These products also offer growth of the investment by the policyholder and simultaneously offer insurance benefit without charging any extra premium amount.

All the products coming under above mentioned categories offers exemption in income tax benefit under section 80 C. and the amount received under maturity amount/ sum assured/ Fund value amount, accident benefit, is also totally income tax free under section 10 (10) D, of income tax Act.

Rider benefit is a different concept and is offered with many of the life insurance products. Various rider benefits are discussed in detail as follows.

**Riders:**

A rider is a condition or clause that is added to the base plan by paying extra premium. Additional benefit = additional premium principle.
1. **Double accident benefit:**

   This is a special kind of rider designed and approved by IRDA. This rider provides the policy holder the total sum assured in case the nominee policy holder/insured meets with an accident and loses his life before completion of the decided term of policy term, and the life insurance still remains in continuation up to decided term. The nominee will have to keep policy in force by premiums regularly. At the end of the decided policy term the nominee once again gets the decided sum assured.

2. **Permanent or partial disability benefit:**

   This rider offers the sum assured plus equal amount of the sum assured, in the form of rider benefit, in case the policy holder meets with an accident and becomes before the completion of the policy term as decided and becomes permanent or partially disable to continue his earning.

3. **Accident Death benefit:**

   This rider provides the sum assured plus equal amount of sum assured, in case, the policyholder dies in an accident before the completion of the policy term.

4. **Waiver of Premium Benefit:**

   This offers the facility that, in case if the policyholder meets with an accident and becomes permanent or partially disable or dies before the completion of the policy term, then the sum assured is given either to policyholder if surviving or to the nominee if the policyholder has died in the event or even by natural death. The policy is further continued till the completion of the decided term and policyholder’s life insurance is continued further till the completion of the term and on completion once again the sum assured and other benefits are given to the policyholder if surviving or to the nominee of the policyholder. During the second phase of continuation of policy, all the premiums are paid by the insurer, and the policyholder or the nominee need not have to pay any premium till the completion of the policy term.
5. **Term Rider:**

This rider can be used to enhance the death cover amount in a policy at a nominal cost.

6. **Critical Illness Rider:**


These all products are available for people from all economic levels and the terms and conditions for purchase, withdrawal, and surrender are same for everybody. Some of the products can be converted into another product and such products are called as convertible products.

The research and development in product is majoritily done by society of actuaries appointed by respective insurers. These are persons with thorough knowledge of insurance, finance, money market, real estate market, banking sector share market at country and global level, and complete study of rules, acts and Government regulations regarding taxation, and exemptions, legal aspects regarding investment and disinvestment etc.

The new products are designed on the basis of studying the results obtained from primary and secondary data collected from various authentic sources, competition within and outside the country, economic status of the country, inflation, competition, new entrants, changes in Government policy, and regulation, growing or de-growing income and investment level of people from all classes of society, needs and wants of the customer, changing perceptions and awareness of the customers etc.

5.1.2 **Place:**

The important and significantly contributing factor in marketing is place. It certainly matters a lot. Since insurance is a concept and provided in the form of service, it do not need a specific premises, or special environment, equipment, platform, region, cultural limitations, social limitations, special class of select customers etc. Insurance can

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be explained and served to anybody anywhere anytime. Still it involves a very strong aspect of communication and creating awareness and importance of insurance. Since communication is required, the best communication practices such as advertisement through using information and technology, electronic media, printed literature, displaying printed hoardings, distribution of pamphlets, are followed.

For mass communication, group seminars, training programs, special awareness campaigns, insurance revival campaigns, new product launch campaigns are conducted. For such conducting such special type of promotional activities, certainly appropriate places are chosen, where expected class of customers may turn up for expected response. Places like, insurance company’s branch office, any big auditorium, theatre in the city, common sports clubs, hotels, academies, etc. are preferred by insurance companies for mass communication.

5.1.3 Price:

Price is a sensitive and delicate factor in designing marketing strategy of any organization from any sector. As far insurance sector is concerned, price factor is not that delicate as for the other sectors. The very reason for this is, the price of insurance products is regulated by the single and apex authority, Insurance Regulatory & Development Authority of India [IRDA] appointed by government of India. For all the insurance companies, all the products have to be approved by IRDA, as per the norms decided by IRDA. Practically insurance companies do not have much liberty in deciding price of their insurance products. At the most insurance companies can certainly make changes in benefits offered, and some of the terms and conditions to certain extent, but for that also these insurance companies have to seek approval from IRDA.

Pricing strategy for insurance products is basically depending on various charges deducted by insurance companies. Various charges such as, mortality charges, policy servicing charges, revival charges, medical underwriting charges, financial underwriting charges, administration charges, asset allocation charges, fund management charges, etc. are considered while deciding the price of the insurance plan meant for sales.

Another important factors which decides price of the insurance products are, age, health status, and health history of the family, paying capacity and mode of payment of
premiums, term of insurance taken, the decided sum assured, the other benefits chosen such as riders chosen, by the proposed customer,

IRDA have prescribed norms for all above mentioned factors, and they are equally applicable to all the insurance companies. No insurance company can make any kind of changes in these norms.

The higher is the age of the proposed customer, higher will be the price he will have to pay for the insurance product his is planning to purchase. The reason is, he will be carrying more risks as compared to a customer of younger in age than him. The equation is simple higher age carries higher risks. When a insurance customer purchases an insurance product means, he or she is actually transferring all his/ her risks to insurance companies to take care of.

Another variable area for deciding price of insurance product is premium paying frequency. If the customer pays the premium in one stroke on annual basis, the insurance company offers some marginal discount to him, because the insurance company gets comparatively more amount of money for rotation. In this way proportionate concession is offered for the frequency of half yearly and quarterly frequency of premium paying mode.

Price certainly gets changed in proportion with the quality and quantity of the products. This is applicable for all other sectors, but not for insurance sector. Because, here the question of quality does not arise because it is a concept or service which can not be physically handled or tested or graded by anybody for discrimination, and comparison. The service quality certainly plays a vital role in insurance sector. As far as product quality is concerned, in insurance only there is scope for providing best competitive features and benefits.

5.1.4 Promotion:

It is a proven fact that promotion of the products, concepts, services, commodities, etc. is the basic foundation of marketing. Promotion strategies and process have been changing frequently as the situations are changing and new innovations are being added. Promoting the right product, to right customer, in right way, at right time and right place is the key point to design appropriate effective promotional strategy.

For promotion of products, concepts various points needs to be addressed while designing the promotional strategy. Insurance companies promote their products to
specific target group of customers. Though it is the requirement of every human being, but due to unawareness, unaffordability, poor penetration, Insurance Companies not so interested in covering rural areas and rural population, poor network, unhealthy employee turn over disturbing quality of services, are some of the reasons that compel insurance companies to limit their focus on select group of target customers.

Some of the promotional tools used by insurance companies are discussed as bellow.

a) Promotion through printed material:

This is most commonly used promotion technique by majority of sectors involved in marketing. Insurance is not an exception of this type of promotional activity. Insurance companies also promote their products through printed brochures, pamphlets, displaying big hoardings, and glow sign boards, etc. public places, so that the message can be forwards to mass people.

The product brochures are specifically designed in such a way that there should be total and simplicity and transparency for a layman also to understand easily and trust the fact mentioned in the brochure. The product features, benefits, procedures, terms and conditions, legal aspects, answers to all those questions [frequently asked questions (FAQs)] which may come to a layman’s mind after going through the brochure, are mentioned in the brochure, pamphlet.

Big banners, display hoardings, glow sign boards etc. placed at common public places explain limited but vital information. The main intention of these types of promotional tools is to create awareness about insurance and educate people to understand its importance.

The group of customers covered by this promotional tool is definitely big as compared to group covered by distribution pamphlet and other printed material, as those who give a look at the board or banner definitely makes a positive attempt to read and remember the matter. Where as in case of printed pamphlet and brochures there are chances that everybody may not necessarily read the complete brochure or even may not open it also.
The perception varies from person to person. It depends on literacy, education, experience, knowledge, culture and environment in which the person has grown up and developed and worked or working, etc.

b) Promotion through electronic media and using Information and Technology:

This is the most modern technique and media used by all sectors for marketing the products, and services etc. Insurance sector has also adopted the best of information and technology usage, and this has certainly helped in penetrating the insurance and its benefits among the people. This has also increased the speed of spread of insurance and earns maximum business making insurance se tor a major contributing sector to Indian Economy.

All Insurance Companies today carry out their all kind sales, administrative, and other communication, etc, transactions by using online facility with the help of information and technology. Now it has been made compulsory by all the insurance companies, that at least administrative staff should be computer savvy ensuring speedy working and punctuality in providing services. For any service sector this is a necessary factor for building trust and rapport among the customers. All branch offices of insurance companies are well equipped with highly up-graded electronic systems and facilities. The staff is also upgraded regularly for any new software, program launched in the company.

In olden days, the calculation of figures of Premium amount, sum assured, charges to be deducted, claim amount, rate of interest etc. used to be calculated manually. But now, special software have been developed and used in insurance company offices, which after providing the needful correct data, generates the exact illustration for the proposed customer. It takes hardly five minutes on computer system.

Sales staff has been provided with ready-made soft copies [electronic version] of promotional programs, for promoting the products in the field work. These programs highlight the details such as information about various products, their benefits, features, how these products will help customers to do perfect financial planning land calculate risks and take appropriate measures to safeguard themselves by taking life insurance.

Customers are also habituated to seek only to the point information such as how much exemption they will get in paying income-tax by investing in life insurance, with what rate their investment will grow faster compared to other sources of investment, how
safe will be their investment, and what way life insurance is different and better in this competition?

All such questions and queries are answered to the utmost of satisfaction of the customers by using lap-top, that too at customer’s choice place. It is now not necessary for customers to compromise their works and spare their time for attending insurance meetings and promotional programs.

Other way of promoting insurance and its products is displaying advertisements on electronic media such Television through various channels, on internet pages, through messages on mobile phone, digital boards at common places such as airports, railway stations, picnic points, travel points, sports clubs, etc.

Insurance companies have special marketing department handling the task of advertising and promoting the insurance company and its products. Some of the advertisements appearing on Television channels do convey the exact awareness and importance of insurance. For example, the advertisement of Life Insurance corporation of India stating their mission statement as “Zindagi ke saath bhi, Zindagi ke baad bhi”, “Karo zyada ka Irada” from Max Life, and “Sar Utha ke Jiyo” from HDFC, life, “Peace of mind guaranteed” from Met life Insurance.

Other promotional tools used by life insurance companies are internal target oriented competition among sales staff and proportionate motivation and rewarding in the form of money, medals, felicitation and honour at public places and providing needful training and development to achieve the set goals. Insurance companies sets different targets based on net premium earned, net revival premium earned, number of new policies sold, number of lapsed policies renewed, number of new customers added, number of new sales agents recruited, number of new products sold, etc. Achievements are classified on different levels or clubs such as Branch level, District level, Divisional level, Regional level, Zonal level, Inter-Zone level, Country level, Million Dollar Round Table [MDRT – International level] eligibility and finally TOT level.

Arranging special motivational seminars of successful career anchors, special awards such as exclusive tour and stay at popular tourist places, religious places and pilgrim places etc. are also used for promotion of life insurance.
Other way of promoting life insurance is through celebrities, appointing brand ambassador, etc. Conducting special policy revival campaigns for lapsed insurance policies by offering special discounts, completely waiving or decreasing rate of interest for revival, conducting social, free health check up camps, blood donation camps, and participating and sponsoring social and cultural programs, sports events, competitions, educational programs are also some of the vital media used by life insurance companies to promote their products and marketing.

5.1.5 Process:

Process can be defined as the series of events right from idea or concept generation to the final product or service provided to the consumer. Different sectors have different processes. Usually the process of marketing runs in the sequence as follows.

1. Generation of idea or concept of producing product or service.
2. Designing strategy and action plan for designing the actual product.
3. Designing the product with features, benefits, considering other factors such as, competition, price, consumer expectations, buyer behaviour, market demand, transportation, storage, quality, durability, life of the product, other substitute products available in the market, packaging etc.
4. Identifying the right market.
5. Identifying the right customer.
6. Designing the effective marketing strategy. Segmenting the market as per the situation.
7. Arranging the distribution channels.
8. Maintaining demand and supply ratio.
10. Diversifying the product range and marketing strategy.
12. Retaining existing customer base and adding new customers.
13. Considering growth aspects of the organization, merger or acquisition policies needs to be formed.

14. Research and Development in product, marketing strategy, training of staff, distribution strategy, etc.

15. Ensuring achievement of set objectives and planning for future growth and strategy.

In life insurance also the same pattern is followed by all the life insurance companies. Here the variable factors are customer expectations, arrival of new competitors, new products with exceptional features and benefits, money market fluctuations, Government regulations and changes in Government’s policies, economy of the country, inflation in the country and at global level, new directives by IRDA, Employee turnover, customer turnover, product turnover, etc.

In insurance companies the ideas are generated by society of actuaries, who are expertise in different subjects such as finance, marketing, banking, legal services, tax studies, government policies, money market, fund performance, other growing sectors as infra structure development, real estate development, etc.

Based on the primary and secondary data received from various sources, these actuaries discuss the ideas with other respective and deserving staff who can add stuff and invention to the ideas. Over the period some ideas are generated and after due thought some ideas are filtered and select ideas are considered for conversion in product. Then product development process starts and followed as discussed earlier.

The marketing chain in insurance is spread from bottom to top. At grass root level, sales agents, financial advisers are appointed. They are provided with needful training and inputs required to explain to customers. These agents have to clear satisfactorily one written [now a days it is an on-line exam on computer systems] examination based on insurance subject covering all basics of insurance and marketing.

The insurance companies appoint sales executives at various levels such as Branch, Division, Region, Zone, National level and International level. These sales authorities have their own respective team of sales executives well trained and equipped with required knowledge and skills. These entire tem is now responsible for implementing the marketing strategy designed by the insurance company and achieve the targeted objectives in all the
areas such as retaining the existing customers and adding new customers, earning new business, recruitment of new agents sales force, and promoting the concept and products in different segments designed by the authorities.

The business brought by sales staff is in the form of a proposal form filled by the new customer willing to purchase life insurance. This proposal form is to be submitted to administration department for further scrutiny and processing, such as medical underwriting, financial underwriting, verification of various documents, etc. After satisfactory completion of this procedure the customer is instructed to pay the due premium amount for purchase of life insurance and after receiving that amount only the final documents, first premium receipt and policy document are issued to the customer.

For earning new business on daily basis, the sales team has to be always on hunt of new customers and at the same time they have to ensure punctual and satisfactory services to old and existing customers. Marketing business majoritily works on the capital of healthy relations and trust. Then name of organization, quality, brand name, price, promotion strategy, after sales service, offers, discounts, schemes, etc. plays a vital role in completion of the process.

Insurance involves some of the technical and legal, financial aspects which are not easy for a customer who is poor in understanding such things tries to avoid insurance or strongly depends on the promoter of insurance, in such cases mis-selling also takes place and in future may cause permanent damage of losing the customer for ever. So insurance selling involves ethical practice for healthy business growth.

5.1.6 Physical Evidence:

Physical evidence refers to exact product for which the customer has invested his money. In case of sectors like fast moving consumer goods, agricultural product marketing, cloth marketing, automobile marketing, etc. the customer can physically get a product in his possession for use. But in case of service marketing sectors, such as insurance, banking, share market investment, tele-marketing, hospitality industry, aviation industry etc. customer get only service and not any product to use.

In insurance the customer at the most can get a physical paper document in the form of policy document assuring financial compensation in case of happening the situations described in the insurance contract.
Marketing is bit easy for products which can be proved as physical evidence compared to service marketing. Unless the customer personally uses the services, customer shows reluctance to believe the claims made by the promoter about the services tried to be promoted. Insurance marketing involves lot of such points which makes it difficult to earn faith of the customers. While promoting product, the customer identification process should be done very carefully. Though insurance is a necessary and useful for everybody, but because of various reasons, such as, illiteracy, unawareness, poor economic background, other sources of investment giving fast and multiple returns, legal procedures to be completed, long term waiting period, etc. generally people hesitate to invest in insurance for long term.

Generally the layman, who does not have much information, awareness, and importance of insurance, perceives insurance as a negative concept. Reasons for these perceptions can be different, such as mis-selling, promoting the concept by informing that in case of your unfortunate and untimely death, your family members will be helped by insurance company, if you purchase life insurance. Though this is a fact, but promoting insurance by starting sales communication process with this type of explanation certainly gives chance to the customer, to get deviated from his decision of purchasing insurance.

In the other positive way of promoting insurance can be presented by proving examples of people who have availed other benefits of insurance such as, vehicle loan, home loan, loan for children education, financial help for marriage of children etc. Insurance companies can highlight the achievements in the areas of maturity claims settled speedily, how health insurance plans have helped the deceased insured patients in their critical health and financial situation.

The other way of promotion is by assuring that though insurance appears as a long term process and do not offer speedy returns as compared to other investment options available in the market, but insurance is the only concept, where the customers get life insurance cover and also the other money growth opportunities, both at a time. Other sources do not offer any such facility to customers.

Service marketing though can not be physically handled but it is also a sector, which needs to be attended and developed professionally, because here also the quality of services is directly responsible for the growth of the sector.
5.1.7 Personnel:

For achieving the objectives of any organization, it is clear that it needs all dedicated efforts from all the staff from all the departments. It is a teamwork that makes the organization successful in its endeavor. As the thesis is about insurance marketing, the effort is made to elaborate the structure of personnel department of Life Insurance companies only.

The Life Insurance Companies have following various departments and their respective responsibilities are also different.

1. Administration department:

As usual in other organizations of other sectors, and also defined by many of management thinkers, this department controls and supervises the internal office administration activities such as attendance of employees, salaries, deduction of wages, provident fund, employees insurance schemes, stationary stocking and purchasing, accounts department activities, forwarding daily reports, maintaining communication [written and oral] with the respective officials of various departments, providing the data to various departments, arranging meetings of officials and outsider guests, visitors, higher authorities as the need arises, conducting review meetings on general employer-employee related administrative subjects and implementing the action plan decided. Maintaining the database required by all the departments of the organization.

In Life Insurance companies the administrative work is distributed among other specific departments such as

a) Sales Department:

The staff of this department has to keep updates of the existing sales, addition of new sales generated, keep informing the status life insurance policies, to their respective policyholder, communicating information about due premium, due date of payment of premium, and other life insurance policy related matter. Provide the performance status of each sales staff employed on roll of the organization and also of their off roll outsider team members [Sales Agents]. Preparing the appraisal of all the employees of the organization, distributing the promotional material, and ensuring the implementation of promotional activities such as display of banners, hoardings, digital boards, glow sign boards, at proper decided places, distribution of year diary and calendars, gifts, vouchers etc.
b) New business department:

This department has to accept all the new business proposals deposited by their respective sales staff, and ensure satisfactory check up the details on the basis of parameters, guidelines, rules, regulations, legal aspects as decided by IRDA. This department has to carry out underwriting of document, which means, medical underwriting and financial writing, confirming that the information provided by the proposed customer in the proposal form, about his health status, and financial is existing in reality as mentioned the proposal form. Then to generate illustration providing details of how much premium amount the customer will have to pay till the end of the term decided, and also the frequency and mode of payment of premium, other benefits availed by the customer, various charges to be deducted, depending upon the type of the plan, how much bonus will be issued etc.

c) Policy servicing department:

This department has a special task, of offering punctual services to all the policy holders, who approach for revival of existing of polices, revival of lapsed policies, conversion of one plan into another plan, withdrawal of policies, surrender of policies, providing guidelines about a disputed policy and transaction, scrutinizing and forwarding the policies for surrender, withdrawal, lapsation certification, mortgaging, assigning, appointing an appointee, beneficiary, trustee etc.

d) Claims department:

This department specifically handles issues related to claims of the insured only. Whenever a claim is deposited it needs to be accepted for scrutiny, required investigations, and the settlement of claims as per the regulations. It is the regulation of IRDA that, any valid claim [unless notified as disputed for various reasons such as insufficient documentation, no physical evidence, no eyewitness, legal dispute related pending matter, etc] should be settled within thirty days from the date of deposition of the claim by the insured or his/her nominee, beneficiary, appointee, assignee, trustee, etc.
e) **Loan Department:**

Only big business life insurance companies have this special department, as various life insurance products also offer loan or partial withdrawal facility to its customers. Customers have been found taking benefit of this facility, since the administrative procedure is hassle free as compared to loan availment process from other organizations such as Banks, Provident fund etc. More importantly, the rate of interest charged is also less compared to other financial organizations offering loan facility in the market. Insurance companies also offer loan facility for purchasing home, renovation of old house, purchase of vehicle, child education and marriage, medical treatment, and for other valid domestic reasons but on certain predefined terms and conditions only.

f) **Human Resources Department:**

The prime responsibility of this department is same in insurance companies also as it is in other organizations. The responsibilities of this department are to maintain cordial relations and harmony in the organization and outside the organization also as insurance companies are involved in a very delicate and sensitive service of selling insurance. Then, to ensure implementation of organizational policies and rules, regulation, and discipline, programs, meetings, training and developing the staff of the organization on various aspects in the best interest of the organization, preparing appraisal and motivating the employees for producing best results ensuring growth of the entire organization. Recruitment of employees is also an important task performed by this department.

g) **Marketing Department:**

This is another very important and key department, which decides the future of the organization. The main responsibilities of this department is to set objectives on common basis and also on individual marketing employee basis, decide the action plan and strategy for achievement of these objectives, and all other marketing functions such as, market research product designing and development, promotional strategy, price of the products, deciding place for sales to be done and customer selection, providing sales training to its sales people, and arranging sales review meetings and motivating the performers, and guiding the underperformers. Providing needful assistance to its sales staff, performing
joint field work by authorities with root level sales staff for business purpose and making its staff aware about competition in the sector etc.

This department also works on product development process, sales promotion process such as advertising the products and organization, customer relation management, customer retention and addition of new customers, etc.

With the help of human resources department, this marketing department performs the responsibility of recruiting sales executives for the organizations in various cadres, and providing them needful training and assistance in achieving the set objectives.

5.2 STRATEGIC MARKETING OF LIFE INSURANCE:

Marketing has been defined by many eminent thinkers, authorities, industrialists, successful anchors in marketing. In general marketing is defined as an activity where a seller wishes to sell his/her product, concept, service to a needy purchaser, and in exchange of purchasing the product the purchaser pays, the money for it. Marketing does not stop here only; it involves many other important functions such as idea generation of product/service, product development, its promotion, pricing, channels of distribution, places of distribution, and sales, identifying right customers and their needs and wants, designing perfect strategy to sustain in the competition, creating brand image and brand loyalty, continuous up-gradation in product quality, and service quality by continuous process of market research, retaining existing customers and adding new customers.

Studying Marketing techniques and applying them are practiced by many reputed organizations in very systematic and professional way by dividing the total subjects as mentioned above. Marketing segmentation is one of the important areas where strategies are prepared and applied on various parameters which are described below.

5.2.1 Importance of Market segmentation:

Market segmentation technique helps for more focused working on targeted customer group in order to get the desired results with efficiency and in economic way. A market segmentation criterion differs from sector to sector depending on organization type, whether it is sales, service, production, distribution, etc.

Insurance comes under service sector and many factors are involved in it. Insurance involves Insurance Companies, Customers, regulatory system for addressing
customer issues, insurance products, promotion of products, pricing of products, place for
distribution and sales, post sales service, identifying needs and wants of customer, income
levels of customers, preference by customers, competition in the sector, regional
restrictions, social restrictions, etc.

For insurance sales and servicing huge group of customers are to be covered. A
very large area has also to be covered. The needs and wants of customers from different
region are different and continuously changing. The customer behaviour also differs from
region to region and their perceptions. Generally market segmentation is done on the basis
of Geographic factors, Demographic factors, Psychographic factors, consumer behaviour
pattern factors, current market trend factors, etc. In Life Insurance demographic,
geographic, and psychographic factor for insurance market segmentation do play any vital
role, because irrespective of region, cast, creed, religion, everybody is at various risks, and
needs life to be insured.

a) Segmentation in Life Insurance Market:

Insurance companies follow different segmentation practices based on various
factors. Some of the usual practices followed are discussed below.

b) Need based segmentation:

Insurance is now not only providing insurance cover but also providing other many
benefits such as growth of money, loan facility for child education and marriage,
purchasing house, starting a business, attending health problems, exemption in income tax,
income in old age after retirement from job, business to live routine domestic life, saving
options, and secured investment option.

Insurance companies have special plans and products which are designed keeping
in mind such specific needs of various customers. Plans like Term assurance, Endowment,
Endowment plus, Whole Life Policy, Money Back Policy, Joint Life Policy etc. products
fulfill the needs mentioned above.

Products such as Unit-linked insurance plans, fulfills the need of growth of money
invested. These products offer insurance cover also to the customers, at the same time.
Various advantages of all the insurance products have all ready been discussed earlier.
Old age, and persons retired from job, business, usually prefer to opt for pension plans for continuous monthly income when they are not in job and no income from any other sources. Pension plans are generally promoted to young employees, at their age of 25 years plus, for taking a pension plan for another 25 years of future, so that when they get retired from the job, immediately from very next month of their retirement they will continue to have definite monthly income as what they were having it, when they were in job.

There are various health insurance plans covering major illnesses such as stroke, cancer, heart attack, paralysis, Kidney problem, major organ transplant, etc. which costs heavily for everybody, and that too for a layman from lower income group who can't afford treatment so such problems. Health insurance plans is the best option for making provision in advance anticipating such health problems in future. All insurance companies do focus on such needs of the customer and focus for business keeping this area as a separate segment for business.

c) Price Based Segmentation:

Insurance companies have products for customers from all age groups and their affordability range. As the price of insurance product is regulated by IRDA, so the question of variance does not arise and there is no scope for bargaining as the rules and regulations regarding price and other terms and conditions have already been set by IRDA.

The price factor in insurance products depends on factors such as age of the customer, the plan chosen, the term of plan chosen, frequency of payment of premium chosen, other extra benefits, such as riders, and top-up of premium payment, etc.

As per the income range and affordability capacity of customers, they have complete scope for choosing the plan suitable to their requirements and paying capacity, term etc. Persons like sportsmen, artists, actors, writers, poets, literature authorities, etc. whose income is not certain, and many times it becomes difficult for them to continue their insurance plan due to uncertain income, in such case these type of customers can opt for short term insurance plans, or plans such as money back plan, or term assurance plan, etc.
As already mentioned in chapter one of this thesis, insurance companies have segmented their sales business by segmenting their products in four main categories such as 1. Protection needs 2. Investment needs 3. Pension needs, and 4. Savings needs.

d) **Product based segmentation:**

As wide and different type of insurance products with multiple benefits are made available by insurance companies, which has enabled them to target specific group of customers by closely studying and identifying their needs, likings, affordability, age, and income range. This provides scope for saving time and energy, and to the point communication.

e) **Customer Age based Segmentation:**

This factor can be taken as additional benefit blessed for insurance sector, because insurance have products to fulfill needs and wants of all age group customers. The age eligibility criteria for purchasing life insurance or getting insured are minimum 1 year and maximum 65 years for all products. The benefit is that all products are being long term products, if life insurance is purchased for a child of 2 years age for maximum 25 years term, the premium to be paid is calculated on the basis of 2 years of age of the life to be insured, the amount comes to very nominal range, but the same amount is to be paid till completion of 25 years of term, irrespective of growing age of the child. So, the early age if life is insured for long term, the more it is beneficial.

Requirements of different age group are different and keep changing in proportion. Only life insurance offers this facility. So it becomes helping factor to focus on select age group of customers, and life insurance companies bring down their heavy dependence on other products.

f) **Customer’s profession and income based Segmentation:**

The wide range of life insurance products with varied multiple benefits and features provide scope to fulfill the needs and wants of customers segmented on this basis. Life insurance has products even products for people below poverty line also.
g) **Gender based segmentation:**

Some of the life insurance companies have products which are specially designed with special features and benefits for females only. This is certainly an opportunity to perform a focused task of marketing.

### 5.2.2 Targeting:

Once the final segmentation of markets is completed, then the strategy and schedule for targeting these segments is to be framed. This allows insurance companies to perform in a focused and efficient way which also helps to avoid confusion that may occur due handling many tasks and segments at a time. Though it is usual practice followed that all insurance products are always available all throughout the year for sales, but sometimes it becomes necessary to launch special activity, campaign, looking into the current market situations and competition in the sector, and comparative study of competitor’s aggressive performance in market with a special campaign run with special objectives, and chances of grabbing the market share.

In such situations, insurance companies implement a special campaign targeting segment chosen for chosen customer group, and majority of company’s sales staff has been provided with special campaign target with certain norms, terms and conditions and of course, the proportionate motivation and needful assistance in all respects also.

Target oriented working in respect of specific customer group, or segment, product etc. also helps to keep reviewing the performance at early frequency intervals so that improvement areas can be diagnosed and required measures taken can be taken in order not to miss the opportunity.

Based on individual expertise in knowledge, skills, relations, abilities, approach, experience, network, relations, etc. the target oriented distribution of different responsibilities also helps to balance the total target among the staff with expertise in different aspects.

Some sales executives may have excellent command in selling conventional plans only and not unit-linked plans. Some of the sales executives may be expert only in selling unit-linked plans and not expert in selling conventional products. So, based on their
respective expertise areas they will be given special target oriented task and reward for achievement.

Whenever the insurance companies launch some special new products, such pattern of sales techniques is followed rigorously.

Targeting could product oriented, customer class oriented, customer behaviour and liking oriented, need oriented, situational incidental change oriented, product demand oriented, etc.

5.2.3 Positioning:

Once the specific target is finalized in respect of product, customer group, etc. now the major responsibility is to identify the right customer for the select target and ensure that the objective of selling that particular product, grabbing that particular customer group, etc is to be achieved. This is possible only when the sales executives of the insurance company are successful in positioning their in customer’s mind. For example, proposing a pension product to a middle aged employee from private sector whose job is uncertain and current income is at low level. If these types of customers have been considered as a segment to be covered for life insurance business, then the insurance companies target such group only for a particular period by making it a time bound target oriented campaign.

For positioning the importance and benefits pension plan in such group customers, the facts like, uncertainty of their job, no guarantee of getting other income source immediately and uncertainty of that job also will be continued, his immediate liabilities and future responsibilities and no plan to fulfill them, not having any previous financial arrangement to take care of his and his dependent family members future, in addition all risks and unfortunate events that may occur which may occur with anybody in this world, even if he retires successfully, but in his old age the body may not allow him to work with full strength with which he is working now, and not have job so may not have regular monthly income, and rising inflation will also not spare him.

All such factual points do help to position the concept and importance of pension plan into such targeted customer, emphasizing that his small investment in pension plan today will help him in his old age, when he will be living a jobless and retired life. He will
continue to have a feeling of still he is on the job and receiving regular monthly income as was receiving earlier.

Positioning the right product at right place in right customer’s mind is a skill and art as well. But perfect segmentation and targeting is absolutely necessary for it. Some of the clicking advertisements and features of the products mentioned are really proven examples and yield positive results quickly. Rather, after coming across such advertisements and features of the products, the customers voluntarily positions himself and makes his mind to purchase that particular product. Basically life insurance itself is such a concept, that once the customer becomes aware of risks he or she is facing every moment and visualizing unfortunate events and losses, not necessarily only negative thoughts, but also some positive points such as benefits offered by life insurance, over the time after learning from the unfortunate events that happen around us, and how the deceased family has received the loss and they way it got financial relief at least in the form of life insurance in their badly needed crisis time. This definitely creates a right position in other person’s mind to understand importance and need of having life insurance for him and his family members also. There are many such different key and factual points which differ from product to product in life insurance.

5.4 MARKETING RESEARCH IN LIFE INSURANCE:

"Marketing research is the systematic design, collection, analysis and reporting of data relevant to specific marketing situation an organization is facing" – Philip Kotler,

Marketing is a never ending process and is applicable for all sectors those who are in the business of sales, may be of product, commodity, or service etc. Marketing research is necessary and will continue till the customers will be available in the market and needing something every moment. Awareness, education, addition of information, technology, invention, innovation, improvement, new products with new features, new price structures and benefits, offers, schemes, discounts, advertisements, promotional activities, etc. are the important factors that always keeps customers alert and attentive to get attracted to new things, changes and comparison.

This leads to changes in consumer behaviour and perceptions, causing shifting of their focus and choice from one brand to other brand, company, etc. due to various reasons as mentioned above. To stay ahead in the main stream in this competition, every
organization, company has to upgrade on regular basis. The areas of up-gradation are many.

There are special techniques and professional methods applied to carry out market research by the companies. As far as life insurance is concerned, usually the information is scrutinized from primary and secondary sources.

Market research on the basis of sales figures available in company records. These figures help find out which product was sold more or less, strength of customer’s positive or negative response, to certain extent reasons also for this type of response, comparative study of these figures in different region’s performance and performance of competitors in the same discipline, subject.

In brief the basic objectives of marketing research are listed as follows.

1. To assess market potential and market share of the organization
2. To understand customer satisfaction and purchase behaviour
3. To measure the effectiveness of pricing, product, distribution and promotion activities in specific market.
4. To find out new customers and segments, and places for marketing
5. To know customers needs, competition in the market,

Market research is usually followed in following stages

1. Problem formulation
2. Selection of research methodology
3. Developing research methodology
4. Selection of data collection techniques
5. Actual data collection
6. Analysis and interpretation of collected data
7. Preparation of market research report
There are three different types of research are followed.

1. **Exploratory research** – The objective of exploratory research is to gather preliminary information that will help define problems and suggest hypotheses. This type of research is conducted because a problem has not been clearly defined. This helps in determining the best research design, data collection method and selection of subject.

2. **Descriptive research** – The objective of descriptive research is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who buy the product.

   This type of research is also known as statistical research as it describes data and characteristics about the population or phenomenon being studied. Descriptive research answers the questions who, what, where, when, and how.

3. **Causal research** – The objective of causal research is to test hypotheses about cause and effect relationships. In this type of research marketer tries to determine if the manipulation of one variable, called the independent variable, affects another variable, called the dependent variable.

There are various Market research techniques used by Life Insurance Companies. Some of them are mentioned as below.

1. **Market research**

   By using well defined questionnaire. In such questionnaire, different questions are designed intending to collect information about product quality, service quality, pricing, presentation, packing, distribution, promotion, etc.

   The printed questionnaires are distributed and answers are collected from the customers. The collected data is analyzed and interpreted and necessary problems are addressed by providing viable solutions. This homework definitely helps designing marketing strategies.

2. **Conducting special seminars and workshops**

   Educational programs, intending promoting awareness about life insurance and its importance. The experienced authorities address the audience with the help of printed literature, audio-video techniques and provide needful information. After the session detail
feedback is collected by providing printed questionnaire in which the questions are printed on the subject just delivered in the seminar. Answers / feedback are collected in writing from the audience on those questions. This is also a useful tool for designing the competent marketing strategy.

5.5 BUYER BEHAVIOUR IN LIFE INSURANCE:

Behaviour is defined as method of giving response to certain action from the other end. Behavioural changes occur due to various reasons, such as superiority complex, inferiority complex, temptation, insure feeling, domination, cheating, deceiving, breach of trust, emotional reasons, emotional break down, professional achievements and failures, changes informed on short notice or without notice, accountability, lack of knowledge, lack of communication, misunderstandings, false information, demographic reasons, economic affordability reasons, educational level, social reasons, cultural reasons and so on.

Consumer behaviour can never be taken as final; it keeps on changing in different situations and with different persons, organizations, subjects, intentions, purposes, sources available, etc. human beings on routine basis come across many changes, attractions, temptations, offers, opportunities, experiences, Learnings, innovations, inventions, benefits, losses, etc. these all factors are responsible for developing different types of behaviours.

As far as life insurance is concerned, it is a service marketing sector. Many factors are involved in life insurance such as, Life Insurance Company, its customers, its promoters, its regulators, its products, its benefits, its marketing aspects, competition, etc.

Life insurance is basically promoted as a useful financial tool offering financial protection, savings option, pension option, and investment option. Different people have different perceptions about life insurance. Irrespective of people's perceptions, punctual and transparent service is the key factor for success of life insurance companies. Customer's behaviour majoritily depends on following factors in life insurance.

Customer behaviour based on features and benefits of Life Insurance Products:

As mentioned earlier life insurance products are categorized in four different essential categories 1. Protection needs 2 Investment needs 3. Pension needs 4 Savings needs. Life insurance companies today have products in which more than two needs are
clubbed in one single product. Obviously customers prefer such products. But there are customers who prefer one single product which offer one single option of completion of one need only but with exclusive and unique benefits.

**Customer behaviour based on promotion strategy of life insurance products:**

Promotional techniques and methods play a very vital role in creating impact in the mind of customers. This is undoubtedly applicable to life insurance sector also. Many life insurance companies have very catchy and clicking advertisements, which in very short time explain the importance and need of having life insurance and loss if not having life insurance.

Frequent tele calling and messaging and mailing is another practice followed by life insurance companies. Many times it has been proved to be irritating to customers and changing their behaviour and developing negativity, or ignorant attitude towards life insurance concept and life insurance companies also.

Mounting continuous pressure by sales agents, sales executives of life insurance companies also caused the same effect.

**Customer behaviour based on Service Quality in life insurance:**

This is the most delicate and important area which either makes or brakes the insurance company. Basically customer purchases life insurance for fulfilling his needs and wants to take care of his delicate and crisis moments of life. The customers expect immediate and punctual service from companies in such situations. The customer definitely carries thankful regards for the company if the services are provided punctually, immediately as promised and expected. But in case may be due to various reasons, there is delay, injustice, ambiguity, legal complication issues, in providing the needful services, the customers develop the feeling in mind that “Justice delayed is injustice” and carries and forwards the same message to the community, which ultimately harms insurance companies. Which result in cautious decision making or hesitation to purchase life insurance from that particular life insurance company.

The very proven example of such case is mis-selling of unit-linked life insurance products, stating multiple growth of investment of customer’s money in private money market in the form of units made out of unit-linked product purchased by them from the life insurance company. The unit-linked products have been sold assuring orally the
growth at the rate of 35 to 40% per annum, and at the end of the term of 10 to 20 years, customers will get handsome amount. Along with this benefit, unit-linked products also offer the insurance cover also.

But in reality when customers tried to withdraw, or surrender or get total expected amount on maturity of the given unit-linked life insurance product, the amount paid by the life insurance company was very less and was no where near to the amount promised in the beginning of the agreement. The reasons stated for this were fluctuation in money market was beyond control of life insurance companies, global recession, Government policy, mergers and acquisitions in the industry and corporate world, de-growth of finance sector, etc. In what way the customer was responsible for this failure? This resulted in customers developed a feeling of being cheated by life insurance companies.

This compelled Securities Exchange Board of India to intervene in the matter and raise objections and approach Government of India, Supreme Court, IRDA, and other authorities to resolve the issue and clarify the terms and conditions and imposing new and strict regulations by IRDA.

But now customers have learnt lesson from this situation and have developed inhibition for unit-linked life insurance products and companies. This has slowed down speed of growth of life insurance industry.

**Customer behaviour based on place of the business:**

The penetration of Life insurance in India is not as good as it is in European and Western countries. Except Life Insurance Corporation of India [LIC of India], no other private life insurance companies have their branch sales and service offices in rural parts of India. So the customers from rural areas are deprived of life insurance benefits and life insurance companies are also losing the opportunities.

Those customers from rural areas, who have taken life insurance, from private life insurance companies, have to approach every time at their offices situated in big cities only. This becomes costly and tedious exercise for the customers, which gives them a lesson to divert their focus towards Life Insurance Corporation of India or invest their money in other sources yielding speedy and multiple and more results and benefits, profits.
Life Insurance companies have made available life insurance by using on-line facility. Now customers can purchase life insurance without investing more time and documentation. This is definitely a good step taken by life insurance companies and proved to be a healthy contributing factor in the growth of life insurance business. This has developed a new behavioural factor among the people and life insurance companies also.

By and large customers prefer life insurance company office place for discussing life insurance deal. The intention behind is that they get an opportunity to physically see and feel, that they are involved in something valid and useful, trustworthy task of their benefit, their decision of investment will be wise as they develop a feeling of security by looking at environment in the life insurance company office. But if the same deal is to be conducted at customer’s or sales executive’s residence or work place, or at any other common place, such as sports club, hotel, auditorium, etc. it takes time for customer to develop trust in the deal and sales executive and life insurance company. This results in change in approach of customer.

Customer buying behaviour based on approach of sales executive of Life Insurance Company:

Many times professionally trained employees take appointment of probable customers through telephone or through e-mail. But for finalizing the deal different person approaches. Many times customers experience lot of difference between the first person who has taken appointment and the second person who has physically approached for finalizing the deal. The difference is found in total approach, language and behaviour. This also diverts the decision of the customer. If the difference inclines towards negativity, the customer may reject or delay the proposal.

5.6 MARKETING STRATEGIES:

a) **Life Insurance Corporation of India:**

Life Insurance Corporation of India [LIC] is the biggest and Government owned life insurance Company of India. As of today it holds the highest market share in the life insurance market. After passing a resolution by Government of India on 19 Th January 1956, nationalizing the insurance sector, LIC of India came into existence by merger of
that time existing many other small size life insurance companies and other financial organizations.

Today LIC of India has wide spread network all over the country, and few more countries of the world. LIC of India today has 8- Zonal Offices, 109- Divisional Offices, 2048 – Branch Offices, 992 satellite offices and 10,02,149 Agents working for it. Since it is the oldest and only one Government owned life insurance company, it is trusted and respected by people of India. The name, popularity, and image of LIC of India is so deeply engraved in the minds of the people that, even, when a probable illiterate or poor educated probable customer approaches a private life insurance company, he expresses the desire saying that “I want to purchase LIC Policy” for me.

This is really a commendable achievement in marketing. But, this has not happened in one overnight. People have devoted their best to make it happen. The fundamentals of marketing have been honestly and punctually followed by LIC of India, respecting the customer at first place in the organization. This proves the importance of customer for any organization.

Till the year 2000 LIC of India has enjoyed monopoly life insurance business. From the year 2000, onwards foreign direct investment was made in insurance sector and that had given birth of private life insurance companies. Some of the life insurance companies from foreign countries such as U.K, U.S.A. France. Japan, have started life insurance business in India with the help of Indian subsidiary group. This now really made thing really though for LIC of India as the competition started.

Then LIC of India started realizing other essential fundamentals of marketing and started gearing up. Lot of changes in LIC’s business strategy has been experienced by generations, observing that LIC of India has now started preparing the competition.

Though LIC of India was already having many life insurance products, but due to awareness created by private life insurance companies by launching new life insurance products such as Unit-linked products, people started preferring such products with multiple benefits. This compelled LIC to redesign their marketing strategy and LIC of India also started launching such products in order to stay ahead in the competition.
1. **Products of LIC of India:**

LIC of India has products in various categories such as

1. Insurance plans [Total 44 different plans]
2. Pension plans [Only one plan]
3. Unit plans [Only one plan]
4. Special plans [Total six plans]
5. Health plans [Two plans]
6. Group schemes [Total ten plans]

All the products are developed by product development team consisting of Actuaries and experienced, authorities who have spent enough number of years in market for field work, and having adequate knowledge about customer expectations, customer behaviour, competition in the market, and command for forecasting the future needs and demands, and all other important aspects from marketing point of view. LIC of India have products for people from all walks of life.

2. **Training and development:**

Whenever new products are launched or some strategic changes are done, the respective responsible staff is trained for it before going to the actual market. LIC of India has special training and development cell for it equipped with efficient and eminent trainers and all other facilities. Attendants of trainings are examined after receiving the trainings.

**Promotion of Life Insurance Products of LIC of India:**

As life insurance is operated as a service sector, LIC of India also has to ensure better quality and punctual service to its customers. From marketing point of view LIC of India also uses various media for promotion such as 1. Printed brochures, pamphlets, literature, magazines, 2. Banners and hoardings displayed at public places 3. Digital board 4. Telecommunication 5 Electronic media such as T.V., Internet, mobile phones etc. 6. Personal one to one communication 7. Conducting seminars and workshops special campaigns, road shows, rally 8. Conducting internal competitions 9. Sponsoring various
social functions and private programs, sports events, health programs, arranging blood donation camps, etc. 10. Through appointing brand ambassador.

LIC of India has huge sales staff divided in various cadres and responsibilities, in order for better focused marketing and reviewing the performance. LIC of India have a chain of sales staff in the order as Agents - Development officers - Branch Managers - Divisional Managers - Regional Managers - Sonal Managers - Sales Manager - Vice President – President - Chairman.

The sales targets and other responsibilities are distributed to each of them and the performance is reviewed on periodic basis by conducting review meeting. As and when required needful help, assistance such as advertizing material, promotional material such as year diaries, calendars, gifts, etc. are provided to generate business.

Achievers are motivated by honours, publically felicitation, offering performance based incentives, promoting them to shoulder higher responsibilities in the organization, offering foreign country trip, status in the increasing higher order of Divisional club member - Regional club member - Zonal club member - Million Dollar Round Table conference.

LIC of India has also made parallel sales generating arrangement by forming tie-up with nationalized and local cooperative banks using their staff for selling life insurance to the customers of respective banks. This arrangement is defined as life insurance business through bancassurance.

High authorities of the organization also join for joint field work with grass root level sales staff such as agents and development officers and branch managers to generate maximum business.

3. Place:

Insurance is sold anywhere because it is a concept which can be explained anywhere. So place of selling insurance does not matter much. Still it has been now made professional because of changing needs, and growing standard of people from awareness and education, behaviour from point of view, insurance sales deal is usually discussed at places like customer’s residence or work place or insurance company office, or sales agent’s residence or work place, or at other common places of adequate standard such as sports club, restaurants, educational institutes etc.
Now a days on-line insurance is also getting more popular as more and more people are getting perfect in handling computer and internet facilities. This is certainly a good move in insurance sales which has been proved to be time saver, paper saver, and expenses saver.

Apart from this to encourage customer participation and arrest and reduce lapsation rate of life insurance policies LIC of India arranges special policy revival campaigns with special discounts or by waving rate of interest accumulated on lapsed policy premium payment.

4. Personnel:

To provide prompt and punctual service to its customers LIC of India have wide spread network of branch offices and newly opened satellite offices at district places and major Taluka places. This helps customers to get their queries, objections, claims, and other service related issues resolved at the earliest. All offices are connected with modern IT facilities and interconnected with every office in the organization including head office, this helps to make fast decision making and approving the things and settling the issues quickly and hasslefree.

b) Marketing Strategies of HDFC Life:

HDFC Standard life is the first private life insurance company in India to obtain the license for performing life insurance business in tie-up arrangement with Standard group of U.K. HDFC Standard Life was granted license in the year 2000. During these 12 years HDFC standard life has achieved many milestones and reputation in the country by offering versatile product range.

In the year 2011, name of HDFC Life has been changed as HDFC Life, without any change in the tie-up terms and conditions. The new name of the company now is HDFC Life.

1. Product range of HDFC Life:

HDFC Life also has products fulfilling needs of people from all class of the society. Products are divided in the category of 1. Protection 2 Investment 3. Pension and 4 Savings [PIPS]. Specific categorization or products is as follows.

1. Term plans [Total 5 plans]
2. Children’s plans [Total 3 plans]

3. Women’s plans [Total 2 plans]

4. Saving s and Investment plans [Total 14 plans]

5. Health plans [Total 2 plans]

6. Pension plans [Total 4 plans]

7. Group Plans [Total 7 plans]

All these products offer different benefits and fulfill various needs of customers of different class.

2. **Promotion of the products:**

HDFC life also promotes their business in the same way as mentioned earlier. Rest of the functioning points and marketing aspects are same for HDFC life also as mentioned above.

3. **Professional Training [“DISHA”] at HDFC life:**

   At HDFC Life, Sales executives and training faculties are professionally trained a special training program called as “DISHA”.

   It is a systematically designed training program in which sales executives are trained on domain subjects, and other skills such as what is marketing of goods and marketing of concepts, types of consumers, identifying needs and wants of customer, what is need based selling, what is want based selling, how to find out right prospect, how to approach, what to talk, how to ask questions, how to make customers know and understand his needs and priorities, what is his present status of income and expenses, expected expenses in future and how he is going meet those tasks, how can HDFC Life Sales Executive help him for it, etc.

   How to find out right prospect, and open the call, run the call, and close the call, it is taught by the process of role play and skits. The page added here explains in short the points on which efforts are taken in DISHA Training.

C) **Marketing Strategies of Max Life:**

Max NewYork Life Insurance Company was launched in India in the year 2001. Since then it has progressed like any thing and as of today ranks among first five top life
insurance companies in India. In the year it has been renamed as Max Life Insurance Company Limited, without making any changes in tie-up terms and conditions.

The product range of Max Life Insurance Company Limited is as follows.

1. Protection plans [Total 2 plans]
2. Child plans [Total 2 plans]
3. Retirement plans [total 2 plans]
4. Growth plans [Total 4 plans]
5. Savings plans [Total 15 plans]
6. Health plans [Total 5 plans]
7. Group plans [total 6 plans]

Sales staff and administration staff at Max Life is provided the needful training and development as and when needed on periodic basis and in situations such as launch of new product or special campaign etc events.

Max Life specifically focuses on High Net worth Individuals [HNI] customers, in order to avoid lapsation of policies and litigation of legal matters and early surrender, withdrawal, etc. aspects.

The theme of Max Life is “Your Partner for Life, The Most Admired Life Insurance Company in India”

Sales staff is well upgraded with recent knowledge, information and regulations and by offering professional trainings on marketing skills and behavioural aspects.

The promotion policy of Max Life is same as followed by all other life insurance companies in India.

1. Marketing Tools used at Max Life Insurance:

At Max Life Insurance customers are identified on Need, Opportunity, Physical Fitness and Paying Capacity [NOPP Basis]. For performing this identification process sales executives are well equipped with relevant documents and point questions in the questionnaire provided to them.
Max Life Insurance believes in focusing majoritily on probable customers who have consistent capacity to pay minimum Rs. 10,000 per annum for more than 10 years. The reason behind is that organization can save time, energy, expenses, and follow up efforts in reminding such customers.

Instead of focusing housewives, Max Life prefers to focus on working women who is at more risk and have good awareness about life insurance. The organization also promotes parallel asset creation concept informing the prospect, that it is not necessary that the son of a Doctor must become Doctor only. In case in old age of the Doctor, if his son refuses to opt the medical profession then the investment made by a reputed Doctor for developing his hospital and providing services will go waste, and may stop his regular income also which is badly needed in his post retirement life. In such situations the wise investment made by Doctor in retirement plans of Max Life Insurance Company will rescue him from frustration and meeting needs.

The logic followed by Max Life Insurance Company for focusing more on retirement plans is that is that Government employees or any other working person now days do not prefer to invest huge amount in Government Funds because of low rate of interest. Where as if the same investment is made with Max Life Insurance, the customer gets multiple benefits along with life insurance cover for long term.

Max Life Insurance emphasizes to offer life insurance to people aged between 20 years to 30 years because more number of years are available to utilize their investment. The companies do not believe launching new products with great speed, instead it believes in great spread of existing products. Organizations do not withdraw non-moving products because some non-moving products do good performance in some select areas.

Whenever company launches new products, special campaigns with defined objectives, special trainings are conducted for all those who will be responsible and answerable for productivity regarding this special task. All the media are used aggressively for promoting products and company.

For launching new products, and designing new products, root level field staff is very rarely consulted for suggestions and feedback. Major decisions for this task are taken by society of actuaries of the company at Head Office.
When customers express doubt about the stability, economic position, trust, attending customer problems and grievances, raising that Max Life Insurance is a private organization and not an Government organization, so the future of the organization is uncertain, customers are asked a question, if such is the logic, then why don’t you prefer going to Government Hospitals for major surgeries and treatment for major diseases. Why do you prefer Private sophisticated hospitals? Why do you prefer travelling by Private Luxury Buses and not by Government Buses?

Max life Insurance sales staff focuses on explaining in simple way how their company deducts various charges and how their competitors deduct various charges. For example, LIC of India deducts service charge for every transaction, where as Max Life Insurance never charges any service tax amount. If he selects customer refuses for investment, he requested for providing some of his valid and potential references.

Max Life has been running a special campaign of conducting knowledge based test, quiz of school students dividing them in various categories and offers handsome amount ranging between Rs. 10, 000 to Rs. 20, 00,000 lakh per year. No parents or school staff is compelled for purchasing life insurance from the company for conducting and participating this activity of the company.

Max People opens the call by saying that he or she is not here to sell anything to you [customer], but just wish to explain his profession and tell something about his organization, and know about needs, wants, dreams, liabilities of the customer. Max Sales staff has been provided a specially designed questionnaire called as “Fact Finder” for extracting the needful information from the customer. This tool finds out the exact gap between customers probable income in future, and his needs and tasks, liabilities to be completed in future.

This exercise gives opportunity to open the call more widely and then convincing in a professional way.

To carry out market research in all the subjects, Max life has special task force specially trained and developed for that purpose only. This cell even keeps monitoring competitor’s activities also. Root level staff is never involved for all such research and monitoring activities.
Some eye opener and mind blowing observations from Philip Kotler – The father of marketing management.

1. “The future is not ahead of us. It has already happened. Unfortunately it is unequally distributed among companies, industries and nations”

2. “It is no longer enough to satisfy customer. You have to delight them.”

3. “It is more importantly to do what is strategically right than what is immediately profitable.”

4. “Marketing is becoming a battle based more on information than on Sales power.”

5. “The most important thing is to forecast where customers are moving and be in front of them.”

6. “Poor firms ignore their competitors, Average firms copy their competitors, and Winning Firms lead their competitors.”

7. “Don’t buy market share, figure out how to earn it.”

8. “Watch the product life cycle, but important, watch the market life cycle.”

9. “Who should ultimately design the product? The customer, of course.”

10. “The best way to hold customers is to figure out how to give them more for less?”

11. “Every business is a service business. Does your service put a smile on the customer’s Face”

12. “Sell value, not price.”

13. “Integrated marketing communication is a way of looking at the whole marketing process from the view point of the customer.”

14. “The best advertisement is done by satisfied customers.”

15. “The successful sales person first cares for the customer and second for the product.”

5.7 CONCLUSION:

Marketing will exist till there is customer exists on the earth. Marketing will keep on changing and upgraded on regular basis in proportion with change and progress in research, invention of new products, services, new techniques, knowledge, information, people, rules and regulations, and all other new marketing aspects launched by variety of organizations and persons.
It was said by scientist Charles Darwin that “Fittest will survive”. Looking into the speed and changes taking place around in the world of competition, there is addition to this to this true theme that “Fast will Eat the Slow”. Indicating that every body must have to change as per the market is changing, surrounding is changing, world is changing. Those who are rigid and refuse to change, will be thrown out of the race and stream.

Life Insurance can not be an exception to this fact. It has been very well realized by all the Life Insurance Companies and by respective Governments of the countries of the world. This is proven by observing and analyzing the history of life insurance and the present scenario of life insurance.

Tremendous changes have been brought in and implemented right from change in basic concept of insurance to promotion and selling of life insurance. Well organized efforts have been taken in order to make the life insurance sector more contributing and offering maximum benefits to maximum people in the world. Still looking into the speed of penetration, density, spread, coverage, growth, product range, marketing aspects and strategies, methodologies, regulations, Government’s participation and support, people awareness, etc, points, there is lot of scope for bringing more innovations and trend setting fundamentals in life insurance.

As of today only 20 % of Indian population has been covered with life insurance cover, there is lot of scope for more life insurance companies to come and get the business opportunity. As of today for covering 125 crore people of India there are only 24 Life Insurance Companies are operating in India. The ratio is no where near to countries like U.K., U.S.A., Japan, China, etc.

Quality research work has been done in this regard, but the implementation part is facing drastic problems because of poor awareness, poverty, lack of proper education, ignorant attitude, more preference to immediate domestic needs than future needs, rising inflation, Government policies, cautious approach of regulating authorities, uncertain income, poor penetration by companies due to scanty response, fluctuation in the money market due to global recession and so on.

The fact is that there is no substitute to money and richness. Whatever magical changes one may bring in basic concepts, products, marketing strategies, persons offering handling the tasks, training and developing etc. the actual expected goal or dream will be
fulfilled only when the country will overcome skyrocketing inflation, corruption, and poor planning, no coordination, and internal politics. Marketing management has got its limits to bring in reforms in any sector. Basic requirement is of funds and healthy attitude of growth and mutual prosperity in a disciplined manner.

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