CHAPTER 2
REVIEW OF LITERATURE

All the relevant and available literature was scanned by the researcher to make a rich vocabulary about the concepts involved in the life insurance industry the worldwide. The studies relating to the impact and affect of GATS on financial services have also been scanned. This exercise has helped the researcher to properly understand the very concept of service, life insurance, marketing strategies and need and significance of GATS of WTO on the financial services. The studies on the above various concepts have helped the researcher to find out the gaps leading to getting a direction for the present study.

Review of literature undertaken by the researcher has been briefly described below under relevant headings.

2.1 Service: The Concept

The term ‘service’ is general in concept and it includes a wide variety of occupations. These are the business and professional services such as banking, insurance, legal and medical services. Then there are services, which are consumed in order to get leisure convenience and to satisfy psychological and emotional needs.

Robert Judd (1964) defined services as “a market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the, transfer of ownership of a tangible commodity”. The definition recognized three broad areas of services which are as follows:

- The right to possess and use a product (rented goods services);
- The custom creation, repair, or improvement of a product (owned goods services); and
- No product elements but rather an experience or what might be termed experiential possession (non-goods services).
Bessom (1973) proposed that “For the consumer, services are activities offered for sale that provide valuable benefits or satisfactions; activities that he cannot perform for himself or that he chooses not to perform for himself.

According to Blois (1974) “A service is an activity offered for sale which yields benefits and satisfactions without leading to a physical change in the form of a good”. Stanton, W. J. (1974) Services refer to service products, i.e. “separately identifiable, essentially intangible activities which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a (tangible) product or another service”.

In 1974, Rathmell suggested the exclusion of the following three activities from the scope of the term services:

- First, the non-economic transactions. These include the current wave of political, religious, social and ecological causes which the consumer is urged to accept, support or join.

- Secondly, the voluntary contributions. It is in sense market transactions, in that funds are transferred and presumably some service is purchased. Does the voluntary contribution to a political party mean purchase of their support? Does the voluntary contribution to a religious organization mean purchase of their blessings?

- Thirdly, those services which are supported exclusively through various forms of local, state and central taxation. The services of policemen, firemen, school teachers etc. are so categorized. Thus, any services offered by a public institution wherein there is no direct relationship between price paid and service rendered is excluded.

Berry (1980) described service as a “deed, act or performance”.

Lovelock (1983) observed some classes of service organization as providing tangible actions. Included are health care, passenger transportation, beauty salons, exercise clinics, restaurants, hair cutting.
Lehtinen (1983) services as an activity or a series of activities which take place in interactions with a contact person or a physical machine which provide consumer satisfaction.

Kotler and Bloom (1984) defined services as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”.

E. Gummesson (1987) highlighted the intangible nature of services by defining services as “something which can be bought and sold but which you cannot drop on your foot”.

Quinn, Baruch and Paquette (1987) broadly defines services to “include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort, or health) that are essentially intangible concerns of its first purchaser.”

In 1990, Gronroos defined services as “an activity or series of activities of more or less intangible nature that normally, not necessarily, take place in interactions between the customers and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solution to the customer problems”. Kotler and Armstrong (1991) define “Service as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”.

Kotler (1994) refers to “any act or performance that one party can offer to another that is essentially intangible, and does not result in the ownership of anything. Its production may not be tied to physical product”. He characterizes services as intangible, variable and perishable.

It has been argued that there are no major differences between services and goods, as a great deal of similarity has been found in the marketing of both goods and services. One can even think of it as a continuum that begins with 100% services at the other, with various combinations in between. Pictorially, it could be represented in Fig 1.1.
A broader definition of services is required, which not only reflects the diversity of activities within the sector but also captures the essence of services in dynamic way. Perhaps a broader and more appropriate definition is to say that services are activities that add value, either directly or indirectly, to another economic unit or to goods belonging to another economic unit. Services may be embodied in the form of transactions relating to consumption, production and distribution or embodied in the form of goods, human capital, and information. (Chanda, Rupa, 2002)

Zeithmal et.al (2005) defines services as “deed, processes and performances”. Here, deeds are actions of the service provider, processes are the steps in the provision of services, and performance is the customer’s understanding of how the service has been delivered.

A comprehensive definition of services must include the following elements:

1. Lack of physical output or construction
2. Benefit to the receiver from the service rather than the product offered
3. The intangible nature of services
4. The possible combination of a service with the production of goods
5. Marketing of an idea or concept.

2.2 World Trade Organization (WTO)

Chakaravarthi (1989) emphasized that it is the developed countries that will be the major beneficiaries due to their economic and technical strengths and thus will be in a bargaining position in the competition. The developing countries will face tough competition from these industrialized countries.

Jha (1994) critically examined the role of WTO in dispute management involving the more powerful economies treat the multilateral systems as an extension of bilateral
agreement already worked out at their own level and they do not treat the dispute settlement body in true spirit.

Badar (2002) endorsed the importance of WTO as a mile stone in the history of global trade. He further stated this as holistic in character and nature besides its role and importance in the governance of world trade.

Deardorff et. al. (2002) reviewed the essential of economic globalization, as well as the major institution i.e. World Trade Organization (WTO) that has recently got much of the credit and blame for it. He first defined globalization, which is just the increasing economic integration of the world economy. The paper points out gains and losses from globalization, drawing primarily upon economic theory to identify its benefits and costs, and who within among the world’s economies get these benefits and costs. This part of the discussion concludes by asking briefly what can and should be done about globalization. The second half of the paper discusses about WTO, which is the focus of so much negative attention at its Seattle meeting in December, 1999. The paper tries to clarify several misconceptions about what it does, and why. The paper suggests what might be done to change both WTO itself and the public’s perception of it.

2.3 Studies Related To General Agreement on Trade in Services (GATS) and Financial Services

Drake and Nicolaidis (1992) observed that service is traded when the supplier and the customer are from different countries, regardless of the location of the transactions. One of the barriers to multilateral agreement has been a lack of clarity about how services may be traded.

Altinger and Enders (1996) concluded that services are more complex in nature, because in many cases the supplier and the customer need to be in the same location. This means that there are four possibilities for movement: the service moves across the border, the customer moves across the border to receive the service, the producer moves across the border to provide the service through a commercial establishment, or the producer moves across the border only temporarily to provide the service. The results has been so-called ‘modes of supply’ definition of the service trade.
Eckert (1997) examined the inclusion of trade in services, including financial services, into the multilateral GATS Uruguay Round on trade liberalization stood for the official worldwide recognition of services as being internationally tradable and important for national economies. The establishment of a General Agreement on Trade in Services (GATS), as being an integral part of the new World Trade Organization (WTO), is the institutional manifestation of the increasing importance of the service industries in international trade.

Liberalization of international trade in financial services increases economic efficiency and the welfare of the consumer, but today liberal trade in financial services is still faced with various barriers. The GATS stand for the multilateral approach to overcoming the regulatory barriers to international trade in services.

Sorsa (1997) has analyzed the links between multilateral and unilateral financial liberalization, the former is represented by the General Agreements on Trade in Services (GATS). He has provided an overview of the main features of the GATS and the participants in banking and securities within its framework, and compared GATS liberalization with the actual state of liberalization of the participants’ financial sectors. The results suggest that in many countries multilaterally liberalized financial sector policies are more restrictive than the actual state of openness or development of financial sectors. Many emerging markets has liberalized little under the GATS despite often well-developed financial markets, while the opposite was true in some less developed/developing countries.

Katrishen & Scordis (1998) investigated whether multinational insurers achieve economies of scale. Using a time-series, cross-sectional design, it analyses the relationship between expenses and output of multinational insurers. The study finds that multinational insurers achieve economies of scale up to a point, and rather than benefiting from scale, the most internationally diverse insurers suffer diseconomies. The conclusion is that the benefits of extensive foreign acquisitions by insurers are questionable.

The report of United Nations, New York (2000) has concluded that the liberalization of trade in services, notably through commercial presence, can make a major contribution to the achievement of developments and social goals if certain prerequisites are met. Liberalization commitments have to be devised in clear
recognition of the specificities of the national service sector concerned and of the relationships between sectors. An adequate regulatory structure has to be in place prior to liberalization. Decisions as to where to make such commitments should take into account possible social and developmental impacts.

Woodrow (2000) has discussed that the WTO financial services negotiations have showcased the skills and strategies required on the part of countries involved and industries affected by them. The GATS framework of principles and rules to cover all services sectors has been created and, in the case of financial services, there has been sequential movement towards more substantive country commitments on market access and national treatment. Of great importance, however, is the fact that an agreement was eventually successfully concluded; leaving no country, industry or company to have to shoulder the blame for a failed result, and the outcome has been the establishment of at least an embryonic international regime for trade in insurance services.

Mattoo (2000) observed that in the post GATS era why countries have chosen to restrict new entry while allowing foreign capital to help strengthen weak domestic financial rather than to come in the form of highly competitive new banks and insurance companies which might drive their domestic rivals out of business. Secondly, foreign equity participation may serve as a vehicle for transferring technology and know-how. The benefits come not only in the form of technological innovations, such as new methods of electronic banking, but also in terms of improved management and credit assessment techniques, as well as higher standards of transparency and self-regulation.

Deardoff, Alan V. (2001) explored the idea using simple theoretical models to specify the relationships between services trade and goods trade. This paper also motes the role of services trade in a model of international industrial fragmentation, where production processes can be separated across locations but at some cost in terms of additional service inputs. The incentives for such fragmentation can be larger across countries than within countries, owing to the greater differences in factor prices and technologies available. However, the service costs of international fragmentation can also be larger, especially if regulations and restriction impede the international provision of services. As a result, trade liberalization in services can also stimulate
fragmentation of production of both goods and services, thus increasing international trade and the gains from trade even further.

Mattoo et al. (2001) have defined three purposes in their paper. Firstly, it explains how the impact of liberalization of service sectors on output growth differs from that of liberalization of trade in goods. Secondly, it suggests a policy-based rather than outcome-based measure of the openness of a country’s services regime. Such openness measures are constructed for two key service sectors, basic telecommunication and financial services. Finally, it provides some econometric evidence—relatively strong for the financial sector and less strong, but nevertheless statistically significant, for the telecommunication sector—that openness in services influences long run growth performance. Their estimates suggest that countries with fully open telecom and financial services sectors grow up to 1.5 percentage points faster than other countries.

Finger et al. (2002) observed that the General Agreement on Trade in Services (GATS) provides for step-by-step negotiation of market access commitments to foreign suppliers. It thus allows for continuous pressure from trading partners for opening to international competition, but allows for such opening to be coordinated with domestic reform. This is a central developmental characteristic of the GATS which parallels similar flexibility in the GATT.

Kwon, W. Jean (2002) highlighted that the insurance markets in Asia are now in the process of privatization, liberalization and deregulation. This process towards free trade in insurance services is not only in line with the reform of the economy, including other sectors in the financial services industry, but also in line with those governments’ efforts to meet international best practices in insurance regulation and supervision. Of course, the entire lines of insurance may not be deregulated for one reason or another and a perfectly competitive market would only be observed in theory. He suggested that the regulators must minimize, unless it can eliminate, any unnecessary constraints in the insurance market while closely monitors all the activities in the market, especially those related to financial stability of insurers for the development of a sound insurance industry. To create a more efficient market and a competitive market environment, all interested parties must be actively involved in it. The regulators should impose only those rules and regulations that promote fair
competition within the market and must not attempt to use the insurance industry as a simple means of supporting another industry or purely as a source of capital for economic development. Another prerequisite would be political stability in some of the countries. When these prerequisites are met, the insurance industry can further benefit the local economies in those countries and eventually help the economies to continue to advance.

Hibbert, Edgar (2003) is much concerned with the globalization of services and specifically the impact of the new regulatory framework set up under the 1995 General Agreement on Trade in Services (GATS). The article sets out the organization and protocols of GATS and their likely impact on global trade in services. The paper clarifies the role of GATS as not merely to regulate trade in services, but to foster the global expansion in services under a fair, transparent set of rules, within procedures for recourse by those governments and enterprises which claim to have been unfairly discriminated against in one or other service sector. The article concluded with some interim comments on the impact and effectiveness of GATS on the business community.

Economic Institute of Cambodia (2004) concluded that the liberalization of trade in services will drive down the price for two reasons. Firstly, GATS calls for a gradual reduction of tariff barriers and an elimination of the non-tariff barrier that is embedded in price of the services. Secondly, when the country is opening up, demand may remain constant while the supply increases as foreign suppliers enter the markets. This leads to a competition between the service suppliers, which should drive the price down. The price decrease will also occur for substitute services.

Belsky et al (2004) observed that negotiations by some 120 governments throughout the world resulted into the GATS, which came into force in 1995. Analogous to treaties that promote free trade in goods, the GATS aims to create a favorable climate for trade in services and thereby to promote efficiency and economic growth. The GATS contains two kinds of rules: conditional and unconditional. The conditional rules apply to a given service sector only if a country has formally and explicitly committed to maintaining a certain degree of openness to trade in that sector. The unconditional rules apply to all of a country’s services sectors, simply by virtue of its having signed the GATS.
Of the various unconditional rules that apply to all trade in services, two are most important. Firstly, members must not discriminate between supplies from different countries. Under the so-called Most-Favored-Nation (MFN) Treatment clause, a country must instead apply the same conditions and privileges to service suppliers from all countries. Secondly, countries must maintain transparency with regard to their trading practices. Specifically, they must inform other members and the Council for Trade in Services about any new laws or changes to existing laws and regulations that might substantially affect trade in services covered by their specific commitments under the GATS.

The GATS allows individual countries to decide which sectors, and which sub sectors within them, they want to commit to the conditional rules, which are more specific and demanding than the unconditional rules. This allows countries to decide what degree of openness to trade they wish to maintain in a particular service area. Countries vary both in the number and choice of sectors or sub sectors they have committed and in the degree of openness to trade they have agreed to maintain in committed sectors.

Young, Stewart M (2004) defined that the GATS is comprised of six parts and eight annexes and has been signed by 146 countries (as of April, 2003). The definition spelled out in GATS cover a broad spectrum of trade in services. It states that “services’ includes any service in any sector except services supplied in the exercise of governmental authority.” The WTO Secretariat explains that the objective of GATS includes “progressive liberalization of trade in services, promoting economic growth and development, and increasing participation of developing countries. One of the key aspects of GATS is that it seeks to create a “new definition of trade” covering “not only the supply of services across national borders but also transactions that involve the cross-border movement of factors of production (capital and labor).

Asthana, B.N. (2004) observed that Trade in Services was till recently considered as a less important aspect of international trade. However, over the years its significance has considerably increased. No due importance is given to this kind of trade where the human aspect is perhaps more pronounced than in the case of trade in goods. It is for this typically different nature of trade in services that specific provisions have to be made for, particularly at international levels. He classifies the domestic regulations for
services into four virtual coloured boxes. The red box contains NTBs like quantitative trade restrictions or price differentiation for domestic and foreign providers of services. These measures are obviously at odds with the WTO principle of non discrimination. Measures that do address domestic market failures, but have unintended and/or unnecessary trade-restring impacts, belong in the brown box. In these cases, adaptation of the measures is relatively easy and costless, if GATS creates an incentive for doing so. When considering positive domestic welfare effects of more foreign market access, the brown-box cases are potential win-win situations. The blue box contains more complicated NTBs in services industries. These measures address real market failures at a national basis, while the market failure has broadly shared international dimensions. This market barrier is a side – effect of intervention for an internationally shared problem. Finally, the green box includes those measures that repair domestic market failures, with unavoidable trade effects that a country wants to take for granted, because of strong national preferences in this particular policy domain. The green box in fact circumscribes the no-go area for GATS negotiations.

Whalley, John (2004) discussed the potential impacts of services trade liberalization on developing countries and reviews existing quantitative studies. Its purpose is to distill themes from studies rather than to advocate policy change. The author has also discussed the difficulties in and reviewed existing quantitative studies. One difficulty with existing studies is that the conceptual underpinnings of trade in services and how analytically this trade differs form trade in goods, if at all, needs to be sorted out before impacts on developing countries are discussed. Key here are mobility issues for service providers (both firms and workers), and the functional treatment of individual service items (banking, insurance, telecoms etc.). Recent analytical work suggests that liberalization in the service items need not always yield gains. The discussion and measurement of barriers to service trade is also problematic. The author suggests that Mode 3 GATS liberalization could be very important for developing countries.

Bhatia (2004) has identified the need to improve profitability in the Banking, Financial Services and Insurance. The author suggested the employment of technologies will reduce transaction costs and establish a more streamlined cost
structure along with global access and competitiveness. However, there is a need for the developed countries to reciprocate in the same way by liberalizing trade in services being provided by developing countries. In face of continued resistance by developed countries to import of services from less developed countries, not much success might be expected in liberalization of services and globalization process in the absence of firm bilateral, multilateral, regional and international commitments. Business managers of today have to be on continuous alert to take up the challenges and cash in on the opportunities coming up by inter government policy perceptions, inter-actions, understandings and commitments. This warrants an ongoing exercise in updating management techniques and training various levels of managerial workforce in corporate sector.

Cooke, John (2004) pointed out the importance of binding commitments under the GATS. Perhaps uniquely among financial services, the insurance sector provides products that may last as long as 40 years or more, particularly in the case of life and pension products. Insurers therefore need the guarantees of a stable environment that bindings in the GATS are designed to provide. That stable environment is an important feature of insurance companies’ individual decisions as to the markets in which they will make investments. To reach a decision to make such an investment, an insurer is helped if there are GATS commitments from the host country demonstrating that the regulatory environment has reached a particular level of liberalization and will remain stable at that level.

Raju, KD (2005) observed that the integration of the financial service sector into the GATS constitutes a significant achievement. This was the first agreement to regulate the trade in financial services all over the world. The disciplines are far-reaching and comprehensive in the developing countries. Most of the members are adhered to the core disciplines. But still many developing countries have fragile financial systems, and therefore need to implement regulatory measures to protect themselves from speculative capital and asymmetrical competition from foreign companies. For many decades the sector is planned in such a way to supplement and implement the government policies. The new regime should consider the developmental needs of the developing countries rather than based on market access to the developed countries.
Dey (2006) delineated the impact of World Trade Organization (WTO) on the world economies in the area of international trade and services. There is a shift in the trade scenario with the implementation of GATS (General Agreement on Trade in Services), which has brought the services sector under the trading system. GATS is the first multilateral trade agreement to cover trade in services like banking, insurance, information technology, health, education, etc. GATS architecture is built on the sovereign commitment made by the WTO members, and hence gained more credibility over pre-WTO agreement of GATT (General Agreement on Tariffs and Trade), which lacked the support of the developed economies. The WTO umbrella covering global trade in goods, services and intellectual property rights also proves freedom to members by way of progressive liberalization through the ‘request’ and ‘offer’ approach.

Velde et al. (2006) examined whether and how developing countries can use services trade negotiations to increase the amount of inward FDI conducive to development and how services trade rules can affect inward FDI.

Manduna, Calvin (2006) observed that over the last two decades, services have become tradable among the fastest growing economic activity. However, multilateral negotiations on services began only during the Uruguay round. The article lucidity highlights the problems that Lesotho faces in the GATS negotiations on services, and renders suggestions for elevating the profile of services, so as to generate much needed employment and income. The author urges the WTO member countries to be mindful in trying to develop the Least Developed Countries (LDC)’ services capacity.

Adlung, Rudolf (2007) observed that after the Uruguay Round, negotiations under the General Agreement on Trade in Services (GATS) continued in several rule-making areas, including emergency safeguards and subsidies. However, there has been little progress to date. The negotiations on safeguards appear to have suffered from a combination of high ambition, limited flexibility and, possibly, too much inspiration from the existing mechanism under the General Agreement on Tariff and Trade (GATT). Yet the GATS is different in at least two respects: its reach has been extended from cross-border trade to factor flows, and from an essentially tariff–only regime to a many more permissible restrictions, including import-displacing subsidies. The question arises, whether and where safeguards could still serve a useful
purpose. At the same time, with less enthusiasm, however, WTO Members have discussed the need for additional subsidy disciplines beyond current Most Favored Nation (MFN) and in scheduled sectors, national treatment obligations. A link between the two areas has not been established. The article thus seeks to identify and, as far as possible, tie up loose ends. While there appears to be a little scope for GATT-type safeguards in services, a transitory arrangement, which allows for suspensions of new commitments during an implementation phase, might encourage more ambitious liberalization under GATS.

Alexander (2007) analyzed the main provisions of the GATS that relate to regulatory transparency of trade in financial services. The GATS generally provides a flexible framework for states to negotiate liberalization commitments while providing WTO members with autonomy to promote their regulatory objectives. The extent to which states, however, must adhere to GATS disciplines regarding transparent regulatory practices has become a source of policy debate. Although the WTO has played no role in setting financial regulatory standards, the transparency obligations of the GATS have important implications for how financial regulators can achieve their objectives. Moreover, GATS transparency obligations can potentially create disproportionate administrative costs for developing countries and thus undermine their financial sector development. The paper argues that the principles of regulatory transparency in the GATS should be interpreted in a way that favors regulatory discretion to achieve financial stability and other prudential objectives. In the post-Doha era, WTO members should attempt to clarify GATS transparency obligations in a way that promotes financial development and regulatory autonomy.

2.4 Studies Related to Marketing
The new definition of marketing as released by the American Marketing Association in September 2004 reads as follows: ‘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’.
McCarthy (1960): “Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user in order to best satisfy consumers and accomplish the firm’s objectives”.

For Drucker (1965), business success is determined by marketing activities.

Appleby (1969) it is “the creative management function which promotes trade and employment by assessing consumer needs and initiating research and development to meet them. It coordinates resource of production and distribution of the goals and services to determine and direct the nature of the total effort acquired to sell profitably the maximum production to the ultimate user”.

Kotler (1980) “Marketing (is a) human activity directed at satisfying needs and wants through exchange processes” (p.19). “Marketing management is the analysis, planning, implementation and control of programs designed to create, build and maintain mutually beneficial exchanges and relationships with target markets for the purpose of achieving organizational objectives. It relies on a disciplined analysis of the needs, wants, perceptions and preferences of target and intermediary markets as the basis for effective product design, pricing communication and distribution”.

Kotler (1994) saw marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating, and exchanging products of value with others. Marketing consists of all activities by which a company adapts itself to its environment creatively and profitably.

Kotler (2006) “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.

2.5 Studies Related to Strategy

Schewe (1987), “a strategy provides some guidelines for competitive warfare that will direct the actual activities of the organization. It specifies a series of maneuvers designed to obtain a particular result; it is a blueprint for action”.

Fubara (1998) has observed that strategy involves “the determination of major outside interest, assessing organizational internal strength and weaknesses, weighing outside opportunities and threats, and in synthesis, crafting out organizational influences.”
Okwandu, Gabriel A. (2002) Strategy, on the other hand, indicates the patterns of activities or programmes to be adopted by an organization that will help to outclass its opponents in a warlike or competitive environment or situation.

2.6 Studies Related to Marketing strategy

Cherington and Roddick (1940) have observed that the introduction of new product in the market, the remaining market players should firstly take defensive measures by announcing that the new product was no better and in some respects was poorer than the standard one. The authors have further observed that the company would not make change until a genuine advance in operating effectiveness was achieved, which, of course, was not very impressive, although sensible. Finally a departure as radical as that made by competition was developed, that had equal or greater sales appeal and was a definite advance over the old and over the competitor’s previously introduced model.

Alfred (1958) has explained that Strategy in all dimensions of the marketing plan has been consciously integrated. The term “marketing mix” is frequently used to describe the state of these dimensions at any given point of time. Some believe that a marketing strategy consists of two parts: (1) operating objectives (called targets or goals), and (2) combination of instruments (called marketing mix or means).

Gerdes (1961) has mentioned in his paper that during the early period of insurance growth in the United States, companies often showed little interest in attaining broader distribution of insurance. Companies used to maintain meager sales forces, often poorly compensated and poorly trained and allocated only nominal sums to infrequent advertising in media of limited circulation. In contrast, now a days, insurers have full time sales staffs of aggressive producers placing strong emphasis on a person to person type of insurance selling, especially designed to meet the particular needs of different insurance prospects. Further advances in sales methods, product changes, packaging and servicing are even now taking place.

Harris, Kerr, Forster and Co. (1974) suggested that the first step in developing a marketing strategy is the selection of a target market and identification of that market’s needs. Then a plan including all the factors controllable by the management—particularly the four “Ps” – is developed. Uncontrollable factors in the environment
must be considered since a marketing strategy must be workable within this environment.

Hanna et.al. (1975) have sought to describe major changes that are likely to occur in the business environment as a result of conditions in economic scarcity. Such changes can be expected in government policy, consumer behaviour, competition and in the development of a psychology of scarcity. The study concluded that in order to survive in this new business environment, firms must develop new, responsive marketing strategies. Important among these are reconsideration of the product mix, modifications in price policy, and changes in promotional and advertising strategy, and development in channel management.

McCarthy (1978) Marketing strategy has also been defined to be consisting of two distinct but inter-related points:

(i) A target market- a fairly homogeneous group of customers to whom company wishes to appeal.

(ii) A marketing mix- the controllable variables which combines to satisfy this target group.

Gronroose (1982) argued that service marketing requires not only external marketing but internal as well as interactive marketing.

Kotler (1982) “A set of objectives, policies and rules that guides over time the firm’s marketing efforts- its level, mix and allocation- partly independently and partly in response to changing environmental and competitive conditions”.

Meidan (1982) attempted to bring into the limelight that every insurer must recognize that its strategic posture depends partly on the competitive environment and partly on its allocation of marketing resources. This posture should be determined in the light of the insurance firm’s strength, limitations and corporate objectives. This paper presents eight different marketing strategies for insurers into the two major groups

(a) Growth strategies include strategies of geographical expansion, market penetration, new market strategy, cost cutting strategy.

(b) Competitive marketing strategies include market leader strategy, market challenger strategy, market follower strategy and market niche strategy.
Cundiff, Still and Govoni (1985) “Marketing strategy is a plan that optimizes marketing inputs to achieve maximum profits. A company’s overall market strategy is its competitive posture in the market place”.

Chattopadhyay et.al. (1985) have mentioned that in a competitive market place, the market performance outcomes of a firm’s strategic marketing expenditure ambition will depend on the resilience of competitors and the likelihood that one or more competitors will retaliate against a change in the target firm’s marketing strategy. In mature markets where primary demand is limited, attempts to neutralize competitors’ differential advantages could result in vicious cycles of competitive spending and a scenario of chaos, much as a warfare model would predict. On the other hand, in new growing markets such increases in levels of competitive spending may stimulate primary demand, leaving all competing firms better off without drastic alterations in market share.

Doyle, P. Saunders, J. and Wong V. (1986) have compared the marketing strategies and organization characteristics of Japanese subsidiaries with local competitors in the British market. The British were not confident about their marketing strategies: two thirds of the Japanese compared to only one-third of the British felt that they were ‘good at efficient sales and marketing’. Japanese were more oriented to long term market share rather than short-term profits, to exploiting new environmental opportunities, to fast market focused. British companies were often financial or production-oriented rather than market focused. Too may sought short-term profits at the expense of longer term market position. The British strategies generally failed to reflect the basic dynamics of markets.

Savitt (1986) has attempted to lay the foundation of powerful theories in marketing, especially those dealing with the development of marketing strategy. The first marketing strategy is the capability strategy which is affecting the amounts of time-actual, potential or perceived – needed to complete the transaction and the following consumption process (for customers) or the production process (for those engaged in the creation of utilities. Such strategy is organized around the premises that disrupt the time relationships among market participants. The second strategy i.e. coupling strategy is based on the development of relationships in anticipation that the future will be less productive without such arrangements. It works because of the limited
knowledge about the state of future environments. The third strategy is the authority strategy; it focuses on the ways in which market participants organize space; primarily, who shall occupy and how it shall be occupied. The author concluded that in each of these strategy types, the underlying principles is that the environment can be affected rather than accepted as an element, which affects the strategy development process. The ability to affect the environment is based on the great desire for heterogeneity by market participants.

Ravi et.al (1988) observed that the entry of a new product (attacker) into a competitive market is likely to provoke responses from some or all of the existing products (defenders). This paper investigates the development of optimal defensive strategies based on an understanding of the possible reactions of all the defenders to an optimal attack. Following Lane (1980), the authors assume that N products each enter sequentially with perfect foresight on subsequent entry. Then, based on new technology, an unanticipated attacker enters. The N defenders respond in price but not position according to Lane’s model. Once this equilibrium is obtained, advertising and distribution response functions scale sales. The authors showed that under the decoupled response function models of advertising and distribution, uniformly-distributed tastes, and non increasing market size, the optimal defense for all existing brands is to decrease their respective prices, advertising and distribution.

Nicouland B. (1989) has mentioned in his research article that the marketing mix is an essential element of marketing strategy. The principles of mix management are the same in tangible product and service marketing. What differs is the composition of the mix. The composition of tangible products and services are as follows:

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Kotler (1994) it is the central instrument for directing and coordinating the marketing effort. Therefore, organizations that want to improve their marketing effectiveness and efficiency must learn how to create and implement sound marketing strategy.

Cavusgii and Zou (1994) have investigated the marketing strategy-performance relationship in the context of export ventures. The study differs from previous export marketing studies in that

1. a comprehensive set of potential determinants of export market performance is considered;
2. the unit of analysis is the individual product-market export venture, rather than the firm or a business division; and
3. the analysis is based on in-depth personal interviews.

The authors proposed a conceptual framework of export marketing strategy and performance and test it by path analysis. The result supports the contention that export marketing strategy, firm’s international competence, and managerial commitment are the key determinants of export performance. Export marketing strategy is influenced by internal (firm and product characteristics) and external factors (industry and export market characteristics).

Robert (1994) Marketing strategy strengthens an organization as it gives it clear vision for corporate thinking and better utilization of resources and increases probability of certainty of attaining marketing objectives. Marketing strategy are better organized and analyzed under the subheading: product strategy, price strategy, distribution strategy and promotional strategy.

Reddy (1997) Marketing strategy of a firm is the complete and unbeatable plan or instrument designed specifically for attaining the marketing objectives. The marketing objectives tell the firms where it wants to go; the marketing strategy provides the design for getting there.

Menon et. al. (1999) have keenly examined that there is a strong rekindling of academic and practitioner interest in the Marketing Strategy Making (MSM) process and its effect on firm performance. However, there is a dearth of research on process
issues in marketing strategy. This study attempts to fill this important gap in the marketing strategy literature by using a discovery-oriented approach to develop a

(1) multifaceted conceptualization of MSM,

(2) model of the antecedents and consequences of MSM, and

(3) test of this model using data on more than 200 marketing mix-related decisions.

After ruling out common method bias, the authors find that innovative culture is the fundamental antecedent of effective MSM. They also find that the components of MSM (situation analysis, comprehensiveness, emphasis on marketing assets and capabilities, cross-functional integration, communication quality, consensus commitment, and resource commitment) have differential effects on the outcomes measured, strategy creativity, organizational learning, and market performance. The authors find that strategy creativity affects market performance and organizational learning directly and as a mediator variable.

Noble et.al. (1999) attempted to derive a managerial model of factors that influence the implementation of marketing strategies. The results of the study are based on 500 mid-level marketing managers in two diverse organizations. The study showed that the achievement of organizational buy-in essential, both in enhancing the commitment of individual managers and as a direct influence on implementation success. The findings further stress the importance of engendering a sense of significance among managers charged with implementation responsibilities. Role significance was shown to influence commitment to the role, role performance and ultimately the overall success of the implementation effort.

Promotion is according to Brassington and Pettitt (2000) the direct way in which a organization communicates the product or service to its target audiences. Within the financial services industry, promotion is used in many different ways (Meidan, 1996). Brassington and Pettitt(2000) has categorized the promotional tools into five main elements;

❖ Advertising
❖ Sales Promotion
Brassington and Pettitt (2000) defined advertising as any paid form of non-personal communication directed towards target audiences and transmitted through various mass media in order to promote and present a product, service or idea. The key difference between advertising and the other promotional tools is that it is impersonal and communicates with a large number of people through paid media channels.

Brassington and Pettitt (2000) concluded that sales promotion is different tactical marketing techniques with mostly short-term incentives, which are designed to add value to the product or services, in order to achieve specific sales or marketing objectives. Furthermore, Meidan (1996) stated that it has two distinctive qualities. Firstly, it provides a “bargain chance”, since many sales promotion tools have an attention-gaining quality that communicates an offer that will not be available again to purchase something special. The disadvantage, however, is that although they appeal to a wide range of buyers, many customers tend to be less brand loyal in the long run. Secondly, if sales promotions are used too frequently and carelessly, it could lead to insecure customers, wondering whether the service is reliable or reasonably priced.

Brassington and Pettitt (2000) observed the essence of public relations (PR) is to look after the nature and quality of the relationship between the organization and its different publics, and to create a mutual understanding. PR covers a range of activities, for example the creation and maintenance of corporate identity and image; charitable involvement, such as sponsorship, and community initiatives; media relation for spreading of good news, as well as for crisis management, such as damage limitation. Moreover, an organization can attend trade exhibition to create stronger relationships with key suppliers and customers as well as enhancing the organization’s presence and reputation within the market.

According to Brassington and Pettitt (2000) explained direct marketing as an interactive system of marketing, using one or more advertising media to achieve measurable response anywhere, forming a basis for creating and further developing an on-going direct relationship between an organization and its customers. To be able to
create and sustain quality relationships with sometimes hundreds or even thousands of individual customers, an organization needs to have as much information as possible about each one, and needs to have as much information as possible about each one, and needs to be able to access, manipulate and analyze that information. Thus, the database is crucial to process of building the relationship.

Brassington and Pettitt (2000) defined personal selling to be a two-way communication tool between a representative of an organization and an individual or group, with the intention to inform, persuade or remind them, or sometimes serve them to take appropriate actions. Furthermore, personal selling is a crucial element in ensuring customers, post purchase satisfaction, and in building profitable long term buyer-seller relationships built on trust and understand.

Ortega (2004) analysed the impact of different direct-to-consumers marketing strategies on firm market value. To that end, we follow a micro econometric approach that consists of formulating a model whose dependent variable is an indicator of market value, that is to say, Tobin’s Q, whilst the independent variables take the form of a number of different marketing strategies. This model is estimated by using an unbiased survey carried out in the year 2000 to executive working in 405 North-American firms. The empirical results indicate that the most effective marketing strategies are, in this order, the ability to rapidly develop new products and services, the importance of both providing customized products and goods of high quality and finally, customer loyalty.

Mazanec (2006) has investigated combined segmentation/positioning strategies and their consequences for targeting and advertising content. Two basic types of such strategies are represented: mass marketing and selective operation.

While mass marketers are merely needed to guarantee competition in each niche or segment, the research focus here is on selective market operation. The strategies, of course, are dependent on an appropriate method of analysis. Given the severe restrictions on consumer rationality in the experimental scenarios, a parametric response model is unfeasible. There are no well-behaved utility functions, neither well defined clusters for conventional cluster analysis, nor retrievable mixtures for parametric mixture regression models (Kamakura and Russell, 1989; Wedel and
El-Ansary (2006) has tried to present taxonomy of marketing strategy concepts and integrative frameworks that differentiate and integrate its formulation and implementation processes. The paper is conceptual based on a review of academic literature on marketing strategy chronicled in major marketing journals from January, 1990 to April, 2006. The paper casts marketing strategy formulation and implementation in the context of achieving corporate financial objectives through the implementation of product, pricing, promotion, and place (distribution) programs. The focus of the marketing strategy process model is on the formulation of segmentation, targeting, differentiating and positioning strategies to create, communicate, and deliver the value to the customer resulting in gaining customer satisfaction and loyalty: i.e. marketing objectives.

Manoj (2006) mentioned that in a competitive and deregulated environment, success of any marketing effort depends largely on the ability to create and sustain products that offer ‘something extra’ to the customers. What is really important here is to understand what is important to customers. Marketing of bank products is going to be imperative for Indian banks to survive and prosper in the days to come. It has to be a very conscious activity undertaken through an ongoing analysis of ever-changing customer needs and preferences by market research, customer needs and preferences by market research, customer surveys, etc. New and innovative products need to be launched so that they fit into the expectation of the different market segments. Most importantly, customer centricity, cost management and technology adoption – all the three interrelated to a large extent are going to be the hallmarks of success in banking.

Jain (2007) has emphasized the famous ‘Blue Ocean’ strategy that enables to create a new market within the existing one. It has more to do with finding new customers rather than fighting with the competition. Redefining the business model has also helped many companies gain momentum. He doesn’t believe in emerging markets. He would like to address them as ‘economies in transition’. And yes, a country like India and other economies have benefited in two areas. First, the consumer in the markets such as the US, Europe and Japan is 65 years plus, whereas in India, Vietnam and Soviet Republic, the consumer is below the age of 35 years. So, even if we are
witnessing an era of healthy ageing, it is India that will supply talent to the world and thus the (need to) approach, retain and engage this workforce. India is one country which will get rich before it gets old. Secondly, it is easier for these economies to market the products because they start from the scratch.

2.7 Studies Relating to the Life Insurance Industry in India

Kumar (1984) felt that Indian rural social system is different from urban society and their insurance needs are also different. He expressed the need of collecting data for assessing the insurance needs of rural people so as to evolve proper plans and programs.

Meng (1995) has studied the role of the insurance industry of China in economic development, and provided policy recommendation for developing countries to promote insurance sector. It was argued that the institutional factors play an important role in insurance development during a country’s political and economic transition. He has expressed the necessity of a set of interactive government policies to develop insurance in an active and purposeful manner. It was concluded that there is unrealized potential in the insurance sector of China.

Boonyasai (2000) has attempted to study the effect of liberalization and deregulation on the efficiency of the Korean, Philippine, Taiwanese and Thai life insurance industries. It was seen that the liberalization and deregulation created more competitive markets. It was concluded that the Korean and Philippines life insurance industries have succeeded in improving the productivity but the Taiwanese and Thai life insurance business has little effect on increase and improvements in productivity.

Mallik (2001) has highlighted that the growth of Indian insurance industry has been rather slow for the last four decades under government control. The opening up of the sector has posed new challenges for the public sector insurance companies. The study concluded that the entry of the foreign players with more financial resources, better experience and lower operational costs in the insurance sector would have an advantage over the Indian insurance companies.

Marc (2001) in his study has revealed that the good faith is the lifeblood of insurance contract. Anything contrary to it makes the contract invalid. The bad faith is one of
the grounds on which the insurance claim will be denied. He had quoted number of
court judgments which revealed that the ‘genuine issue’ doctrine whereby an
insurance company may defeat the bad faith claim against it by showing that it denied
coverage on a basis constituting a genuine issue.

Vijayalakshmi (2002) in her work has identified that the numbers of cases repudiated
are small in number, though repudiation is very important to safeguard the interests
of honest policyholders. She also observed that the speed ratios of claim settlement in
all zones are quite satisfactory.

Scott (2004) describes insurance as a contract between insurer and insured and defines
various terms and conditions for payment of claim. The language used and terms
included in this contract play an important role in claim settlement operations.

Krishnamurthy (2005) has emphasized that the insurance in India was by and large
governed by the remuneration charges paid out to the agents until the liberalization of
the sector came about. It was concluded that the opening up of the sector was
essentially to provide the customer with customized protection and savings solutions
suited to his overall financial requirement. It was further concluded that the joint
venture partners have brought a huge value in terms of technical and financial
expertise.

Gidwani (2007) has pointed that the basic theory of insurance says that misfortunes of
few are to be shared by contributions from large number of people who face similar
misfortunes but are lucky not to have experienced them. The current picture of people
buying unit linked products paying single premium is the very antithesis of the
concept of insurance. The real theory of insurance is to pay small premium and to
ensure for large amount to protect your future earnings and capital assets. It allures
the society and if that happens it will be difficult to distinguish stock markets, mutual
funds and insurance. Perhaps this is already happening and the traditional concept of
insurance as a provision for the loved ones is fast changing due to perhaps decline in
love and ethics.
2.8 Studies Relating to Life Insurance Marketing

According to Julian and Ramaseshan (1994), the relationship between the salesperson and the customer is perceived as being of great importance for the marketing of financial services. Hence, the sales force within the financial services industry needs not only to be trained in the art of selling, but also to be aware of all the services available and be able to clearly explain what each service offers. Since customers’ needs and motivation are likely to be complex, and their ability to assess alternative courses of action without professional assistance is likely to be limited, it is of great significance for the sales force to know their customers, as well as their products.

Mishra and Das (1997) have discussed the need for and the problems and prospects of adopting the marketing approach by the Life Insurance Corporation of India. They suggested that despite the state patronage, the company should have the visionary approach. The work environment at all the levels of an organization has to be conducive for experimentation, creativity and innovative efforts. The empirical analysis was carried out to highlight the ways for the generation of marketing ideas. It was concluded that the customers and the employees must always be adequately informed and motivated to make the movement a success.

Gupta (2001) has conducted a survey on the various marketing strategies adopted by the Indian private insurers. The study was based on both secondary data and case studies of selected private insurers. He has found that the best opportunity lies in to remain loyal to the product’s core function – of providing a safety net for others.

Marc (2001) in his study revealed that good faith is the lifeblood of insurance contract. Anything contrary to it makes the contract invalid. The bad faith is one of the grounds on which the insurance claim will be denied. He had quoted number court judgments which revealed that the genuine issue doctrine whereby an insurance company may defeat the bad faith claim against it by showing that it denied coverage on a basis constituting a genuine issue as to coverage.

Nath Balakrishnan (2002) Riders are add-ons to the basic insurance policy to supplement the cover provided. One can also combine a set of riders and append it to the main policy. The premiums will, obviously, undergo an upward revision, depending on the rider or a combination of them chosen.
Economic Institute of Cambodia (2004) Liberalization of trade in services will drive down the price for two reasons. First, GATS calls for a gradual reduction of tariff barriers and an elimination of the non-tariff barrier that embedded in price of the services. Second, when the country is opening up, the demand may remain constant while the supply increases as foreign suppliers enter the markets. This will lead to a competition between the service suppliers, which should drive the price down. The price decrease will also occur for substitute services.

FORTE (2004) has conducted an intensive study that the insurance companies could find great business opportunities in rural India. The study is based on a relatively small sample size, from Muzaffarnagar, Etawah, Varanasi, Gonda districts in Uttar Pradesh, and East Godavari and Mahbubnagar from Andhra Pradesh. It has been seen that the rural folk across all income groups have remarkable inclination to save one third of their incomes. It was concluded that the rural folks are suspicious of ‘private’ players, and are unconvinced about their genuine intent. It was further concluded that all insurance firms—old and new—would have to use the existing commercial banks, post-offices, Kisan Credit card agencies, other micro-credit institutions as well as NGOs as platforms for sales and operations.

Bhan (2004) has examined that there is an upswing in the demand of trained insurance agents and the existing training infrastructure is not adequate to meet the increasing training needs of the insurance industry in India. There is potential for new institutions to fulfill these training needs. It was concluded that the right kind of training will play a key role in enabling insurance companies to become more competitive and provide better services to consumers, and those that have better-trained personnel will dominate the market. It was further concluded that some of the training can be provided in-house, but the more advanced training programs are best left to professional training agencies.

Vishwanadham P. (2005) has compared the performance of claim settlement operations of LIC of India from 1993-94 to 1998-99 and 1999-00 to 2003-04 to observe the changing efficiency levels of the corporation in view of the changing scenario of insurance sector. To ascertain the relation between the above two periods, compound growth factors are computed and compared. The data was collected from the annual reports of LIC of India and IRDA journals. He has developed the two
parameters to measure the functional efficiency of the insurance companies. One is its
internal growth measured in terms of new business performance, premiums collected
and return earned on their investment portfolios. Secondly, the speed and promptness
with which the claims are settled and paid within the framework of stipulated rules
and regulations of corporation. It was concluded that the LIC should strive to deal
with the claimants in an open and transparent manner by inclusion of corporate
governance norms in the grievance redressal procedures to create highest trust in the
minds of the policyholders towards the Corporation. It was further concluded that the
LIC should strive to achieve and excel the benchmarks set forth in the Citizen’s
Charter as displayed in Branch offices and those prescribed by the Central Office as
well as the Regulatory Authority in respect of policy servicing.

Sayulu and Sardar (2005) attempted to study the customer satisfaction with regard to
LIC Policies. The study was based on both secondary and primary data. Secondary
data was collected from annual reports, manuals and unpublished records of L.I.C. of
India. The primary data was generated by administering questionnaire to the sample
policyholders. Then the statistical tools such as averages, ratios, etc., are used. Since
this study involves measurement of satisfaction, three point, five point scales are also
used. It was concluded that the corporation needs to take special care in sending
intimation cards to the policyholders promptly and regularly with regard to payment
of premia etc. It was further concluded that the agents have to be properly guided and
trained by the LIC to make them more responsible and accountable to the
policyholders.

Ahmed et.al. (2006) observed said that in India, even after six years of global markets
agents continues to drive the lion’s share of insurance products. The distribution by
way of agents is gradually getting supplemented by other channels. Even
‘Bancassurance’ (distribution of insurance products through banks) has seen a very
significant growth across the globe over the last decade. It was observed that it’s time
to overhaul the Insurance Act to accelerate pace of insurance reforms. Increase in FDI
limit and lowering of capital requirement will not only increase the number of players,
but also incentivize companies to expand their operations.

Chuganee (2006) examined the growing economy and increasing per capita income
has expanded the size of the life insurance market. The data was taken from the office
records of the life insurance companies and IRDA reports. It was argued that the insurance penetration has increased with the opening up of the sector. The private players have launched attractive advertising campaigns and with tailor-made products have increased the insurance awareness. It was concluded that the customer satisfaction is enhanced through various confidence building measures aimed at protecting the interest of policyholders.

Murugan, Bala (2006) concluded that LIC has overstaffing and with the introduction of full computerization, a large number of the employees will be surplus. However they cannot be retrenched. Hence the operating costs of LIC will not be reduced. This will be a disadvantage in the competitive market, as the new insurers will operate with lean office and high technology to reduce the operating costs.

ICMR (2006) carried out the study, which shows that the most reliable company in the life insurance segment was TATA AIG. Companies like TATA AIG and Bajaj Allianz pulled by the thrust of the engine of powerful brand names, in which target customers place massive amount of trust.

Gayathri et.al. (2006) conducted the study to compare the service quality and its dimensions for insurance service providers in India. The SERVQUAL instrument developed by Parasuraman et.al with some modification is used to elicit information from customers situated in the city of Mysore of Karnataka. Then the multiple regression and statistical tests of significance were applied on this data. It was concluded that the time based competition, quality, product range and service creates competitive advantage, but decisive test comes in how these are used by the players to differentiate themselves. It was further concluded that the service quality dimensions provided could be a basis for differentiation for the players, which could be developed into a Sustainable Competitive Advantage in the long run. These Non-price instruments usually ascribed more potency than price changes, because they are hard to match. Any reaction from the competitors to match any of these may require a change in the entire service strategy

Nargundkar (2006) concluded that a service marketer may tempt to target all available segments, all at once. But usually, this is not a good way to begin. It is usually prudent for a service provider to choose one or few of all possible target segments. He
may, after gaining confidence in serving that segment, expand into serving the same type of customers elsewhere, or even try entering different segments.

Doraszelski et.al. (2006) examined a competitive environment in which each firm can either offer a general purpose product or segment the market by offering products that are tailored to consumers’ needs. While a consumer *ceteris paribus* prefers a product that is targeted at her own segment, she would rather buy a general purpose product than a product that is targeted at another segment. Segmenting the market therefore has two effects. First, if a consumers’ preferred product is offered, she is better off because she is able to buy a product that exactly fits her needs. The authors called this positive aspect of market segmentation *fit.* Second, if the consumers’ preferred product is not offered, she is worse off because she ends up with a product that does not satisfy her needs at all. This negative aspect of market segmentation is denoted as *misfit.*

The Economic Times (2006) examined that the life insurance policy is a blend of protection and investment, particularly in unit-linked options. One of the key advantages of buying units within an insurance policy is that insurance provides a life cover in the unfortunate event of death. Moreover it is also more tax efficient as life insurance gets the tax benefits under section 10(10D) and Section 80C. Unit-Linked funds are transparent in nature as one can track the net asset value (NAV) of the fund. Also, servicing and good set of business ethics are key factors while choosing insurance company. Insurance also permits access through more manageable regular premium payments.

Nargundkar (2006) explained positioning as a mental image or picture that a service provider would like to have about itself in the consumers’ mind. It is a deliberate attempt at building an identity of a certain kind for the service.

Balasubramanian, P.A. (2006) examined that pricing involves making assumptions in order to assess the eventual costs of liabilities (under insurance contacts) of a life insurer. The actuary draws on several principles in setting assumptions for pricing insurance contract, having regard to the management of risk and the return on capital. The assumptions broadly relate to the following elements: demographic assumptions, investment return, expenses and commission, inflation of expenses. Withdrawals, bonus (for participating policy contracts), profit and other contingency margins.
The Economics Times (2006) explained that every insurance company in India needs to have a minimum paid up capital of Rs 100 crore, this act as a safety net. Further, insurance companies are also required to maintain their solvency margins depending upon their volume of business.

Guria, R.C. (2006) observed that the root of success and survival of insurance industry lies in its skill and capability to rate the risks right. He further says that freedom to fix price for the risk gives the real strength of the foundation and autonomy of the industry. The author defines the following pricing objectives-(1) regulatory objectives includes rating adequately, no excessive rate, no discriminatory rates (2) business objectives includes simplicity, stability (with product, price, terms and conditions), responsiveness, encouragement of loss control measures (3) social objectives includes availability of insurance to the larger section of the society.

Jawaharlal U. (2006) explained that in order that the distributor is well-equipped in the need-identification of the client, it is essential that he or she is well-trained. Towards ensuring this, certain norms have been stipulated about the basic requirements of training for distribution personnel or agencies. These requirements should be adopted by the players in their spirit and not merely fulfilled on paper. In the life insurance domain, with the huge success of the market-related products, the distributor has got to be updated with the latest developments so that there is a proper match between the needs and service delivery.

Ramesh D.V.S. (2006) said that, though, opening up of insurance sector has introduced multilayer distribution network, the traditional individual agency Channel is still ruling the roost with 88.65% of new life business underwritten for the year 2004-05. However, the gains of other institutional channels are quite remarkable for the same period with 8.77% while direct business done is only 2.58% of new life business underwritten. The development of alternate channels like direct marketing, work site marketing etc. will create awareness about an insurance product which in turn may help the individual agents as a prospecting tool.

Viswanathan S. (2006) said that today the customers have multiplicity of choices of service providers; of products and services; distribution channels etc. Besides the tied agency channel, the distribution channel matrix comprises of other entities like corporate Agents, brokers, Bancasurance channel, Direct Marketing, Tele Marketing.
Net Marketing, worksite marketing etc. Other than tied agency channel, all other constituents go by the generic name of Alternate (Alternative) Distribution Channels. The new companies which have come into India are drawing their strength on alternative channels of distribution as compared to tied agency channels. Mainly the emphasis revolves around developing the Bancassurance channels by tying the knot with banks either through a corporate agency or referral arrangements.

Jawaharlal U (2006) pointed out that in the area of life insurance, the first and the predominant factor that goes into pricing is mortality. To the extent that all the insurers are guided by the same mortality factors, there should not be a great deal of difference between the premium charged by different life insurers. Further, looking at it from the other side, if it is the mortality rates that decide the main component of insurance premium, it needs no emphasis that the tables used by the insurers should be updated from time to time. Some aspects where the efficiency of the insurers can play a role are the management of a) investments and b) expenses. In a competitive regime, however, it is an accepted fact that premium charge is objective; otherwise, the product would not stand the rigours of competition. With the huge success of unit-linked insurance policies, of late, the efficiency of the insurers in the area of investments also assumes great importance. An insurer’s acumen would certainly matter a great deal in pricing the products, particularly in such a volatile interest rate scenario.

The Economics Times (2007) highlighted that management consultancy firm McKinsey has forecasted that India’s life insurance industry will double in the next five years from $40 billion to $80-100 billion in 2012. The Indian life insurance industry could witness a rise in the insurance sector premiums between 5.1% and 6.2% of GDP in 2012, from the current 4.1%. Total market premiums are likely to more than double during this period, from about $40 billion to $80-100 billion. This implies a higher annual growth equivalent (APE) of 19% to 23% from 2007 to 2012.

Jawaharlal U. (2008) pointed out that in India, historically, life insurance has not been given the due importance and it has been even dubbed as ‘widow’s money’ that is paid only when the head of the family is no more. Thus it has been associated with an inauspicious event and hence looked sown upon. Besides, the joint family system which had strong roots in India was also partially responsible for life insurance not
being successful. A significant development in the more recent times is the genesis and evolution of market-related products in life insurance. The endowment products have been very dominant in Life Insurance Marketing, owing to the psychology of the average Indian. More recent trends indicate that there is a better balance in insurers’ portfolio but there still is a certain tilt towards the savings component in Life Insurance Products’. The rapid growth of riders has been another major development in product designing in life insurance. Although a few of the riders existed even before the market was opened up, the real utility of these add-on came to be experienced in the liberalized regime. By providing the possibility of mixing up a few options with a base product, these riders have come to be seen as customized product.

Lepaud (2008) opined that the entire insurance industry has benefited from the opening up of the market. Indian life insurance market is moving much faster than any other life insurance market in the world which means more and more Indians have now access to insurance products through different distribution channels. While there is huge potential for growth in the Indian domain, there must be clear distinction between traditional products and market linked products; and align them accordingly. Competition, periodic product benchmarking by journalists, along with customer awareness are sufficient to dissuade companies to provide heavily loaded products. Brushing up the regulation will help insurance companies to design attractive products with innovative features. It is however important that regulations in place should not be amended too frequently to avoid feelings of uncertainty regarding rules applicable.

Tumicki (2008) observed that the consumers are busier than ever. The number of dual income households has increased. Managing jobs and children leaves less time for meeting with agents about life insurance. Some may view that second income as a form of “insurance” and perceive less need for life insurance. Many working individuals have group life insurance through their employer and may view this as sufficient. Still LIMRA research shows, many people recognize that they need more life insurance. So why haven’t they bought it? The report, appropriately titled “Every Excuse in the Book, outlines the reason why consumers who say they need more life insurance haven’t bought it. Among the top reasons:
• Consumers dread the “high pressure sales tactics” that they associate with life insurance agents and other salespeople.

• They have other financial priorities.

• Life insurance is complicated and consumers don’t know what type of insurance to buy.

• They don’t know how much life insurance they need.

• And so, they procrastinate.

International Business Times (2008) concluded that the financial security is an essential element of inclusive growth. In a more dynamic labor market and in the absence of established state-provided mechanisms of social security, households in India increasingly need to look to financial instruments to meet their asset accumulation and old-age goals," said Suman Bery, Director-General, NCAER. "Yet the pattern of financial asset accumulation is relatively primitive indicating a need for much greater awareness of the role that specific financial instruments can play in reducing financial vulnerability and enhancing financial security." "There is an urgent need for a financial literacy program to make people understand their options and financial needs at different life stages," said Analjit Singh, Chairman, Max India Ltd, commenting on the solutions for financial protection to meet both long-term financial needs and loss of main source of income. "Life insurance is one of the most important financial instruments for financial security. In the rapidly changing Indian economic and social environment, life insurance products sold appropriately to the consumers not only create awareness of the changing reality but also help reduce their vulnerability and overall improve the long-term financial security of the individual, the family and thereby the nation."

Dhall et.al. (2008) explained that since every investor is unique in terms of his risk profile-life’s priorities, financial needs, preferences, investment style and habits-financial planners say that a unique set of requirement needs a unique solution. This can be done with the help of a tailor made product, which, in turn, can be combination of two or more sub-products. The authors said that one should buy customized...
insurance policies since the twin benefits of life insurance policies and financial planning in a single product.

The Economic Times (2008) pointed out that as per National Council for Applied Economic Research, India, with over 11% of world population, has world’s largest rural market. About 50% of national GDP comes from the rural India and out of which 25% comes from the agricultural sector alone.

Insurance companies are all to set to enhance their presence in the North. Punjab region (Punjab, Haryana, Himachal, and J&K) is turning to be the favorite market for the insurance companies. ICICI Prudential Life Insurance business from Punjab has grown by 80%. ICICI Prudential Life Insurance Company limited has grown by 80% in Punjab. The company has one of the highest returns from this part of the country. Similar way SBI Life Insurance garnered a total premium of Rs 323 crore as compared to Rs. 96 crore during corresponding period last year. Thus posting a record growth of over 200 percent in the total premium collection. In 2007-08, there is increase in distribution network and strengthening of service infrastructure and continued to introduce innovative products in health, retirement and wealth creation space. This strategy helped them to maintain them leadership position in the market and also enhance customer experience in distinct ways. As compared to 2006-07, the company tripled its branch network to 1950 branches in 1665 cities across the country included over 1000 branches in rural segments in 2007-08.

Ghosh, Aniruddha (2008) observed that insurance firms are losing over Rs 9000 crore of annual premium because of lapsing or non-renewal of policies after a year of two. Though insurance firms do not release their exact lapse ratios, industry estimated peg the figure at 25-30%. The problem of lapsed policies is a serious concern for IRDA also, which feels certain amendments need to be made to the commission structure which agents get. Typically, the commission that agents get from new policies is much higher than what they get for renewals. Non-renewal of insurance policies happens because of a number of reasons. The customer could have forgotten to pay his premium or may be even list interest in the policy because there is a gap between what he is getting from the policy and what he initially expected. Due to large churn in insurance agents and advisers, there are a large number of policies that are orphaned.
The Economics Times (2008) that the percentage of rejected claims to total claims is much higher for private life insurance companies compared with state owned Life insurance Corporation. According to IRDA, private life insurers received 13,139 individual death claims in 2006-07 compared with 6.02 lakh claims recorded by LIC. Of the total number of claims received, private life insurance companies settled 72.7% of the claims while LIC managed to settle 96.94% of claims.

The number of claims rejected by private insurers as a percentage of claims booked was 13.98% in 2006-07, while the claims rejected by LIC were .43%. Claims pending with private insurers as on March 31, 2007 stood at 13.32 % of total claims received against 1.63% for LIC. LIC paid Rs 4289.28 crore as death claim benefits against 155.46 crore paid by private life insurers.

Life insurers receive two types of claim, the first are the maturity claims where the policy holder get the savings that accrue under his policy at the end of the term. Bulk of the claims comes under this category, and usually there is no dispute on maturity claims, as these payments are akin to repayment of a maturity bond. The second set of claims, which are far fewer, are death claims. Section 45 IA of the insurance Act 1938 allows insurers to reject claims if there is suppression of material fact by the insured. In life insurance, any information that has bearing on the mortality of the proposer is considered to be a material fact. So, if a proposer suffers fro, a serious ailment which is not disclosed, the insurer can reject his claims.

Meswani, Pooja, (2008), reported Zindagi ke saath bhi, zindagi ke baad bhi campaign of LIC. But that’s not how every employee of Life Insurance Corporation thinks! The country’s biggest and oldest life insurer LIC is fast losing its staff to private sector insurance firms that pay higher salary. LIC employs 1.20,000 people across the country and the rate of attrition is as much as 5 to 40% across various departments. The reason is LIC pays upto Rs1.8 lakh. For marketing positions, LIC pays maximum salary of Rs 4.8 lakh while other private players offer anywhere between Rs 25-60 lakhs. Actuaries and investment analysts earn up to Rs 6 lakh at LIC as against Rs 30-60 lakh in the private sector.
2.9 **Summing Up**

The various authors have discussed varying aspects of life insurance sector which in totality covers a vast number of issues concerning this sector. It is also evident from the above review of literature that there is a gap in the various studies as no comprehensive study has been undertaken exclusively with regard to the 'Impact of General Agreement on Trade in Services (GATS) on marketing strategies of selected life insurance companies in India'. Bearing this idea in mind, the researcher has undertaken the present study.