

A Study on Promotional Strategies in Marketing of Life Insurance in India

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Abstract: *The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress. Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy. This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Service differs from product marketing due to the fact marketing that services are intangible and typically require personal interaction with the customer. The concept of services is complicated, as a service may encompass many features, ranging from a personal service involving a complex relationship to a service more like a commodity with a tangible product, and thus more easily comprehensible. Insurance and economic development in India exhibits a direct positive correlation on the growth path. Insurance companies, both life and non-life, have been playing the role of financial intermediaries and performing extremely useful functions in our economy. In India, insurance sector was opened for private participation with the enactment of the IDRA Act, 1999. Since then, 22 private companies have been established in life insurance sector. All these players are actively introducing innovative products to meet the specific needs of the prospective policyholders. However, life insurance companies, particularly private sector players, give more attention in selling unit linked plans that are not suited to the real needs of the insured. Of the various alternative distribution channels, agency is still dominating and the successful one. Given poor level of consumer awareness, strong customer education programs and promotional strategies are the immediate requirements. Exploring more distribution channels of micro-insurance for untapped rural market is extremely important. Further more customer service is the key for the success and life insurance companies therefore should give more attention in post-sales services rather than pre-sales services. Hence the paper focused on the existing promotional strategies of the life insurance services which are essential in the protection of the lives of human beings.*

I. Introduction

In India, the structure of economic development has undergone a considerable change in the last decade with the service sector becoming a major part of the economy contributing to more of real GDP in the last few years. Growth in the services sector has been substantive and has resulted in the emergence of a new breed of larger more refined service companies. Services cover a wide range of activities like trading, banking & finance, infotainment, real estate, transportation, security, management & technical consultancy among several others. Contribution of various sectors of services to our economy had been increasing for the last decade. Banking and insurance services contribute the major chunk of financial services in India. The insurance industry provides the impetus to achieve the economic goals of social security and welfare.

Social security is an essential requirement of social justice. It is expected that contribution of life insurance be expected to be considerably increasing in the future with enhancing level of insurance penetration and awareness among the general public about the need of insurance. Privatisation has brought in new players in the market with almost all having foreign partners. For the last one decade of this liberalized era, Indian life insurance industry has been witnessing tremendous changes with private players having reasonable growth rate and market share.

The emerging scenario provides the customers with choice of insurance, wider range of new and innovative products, competitive pricing of products and services. Insurance business falls under the ambit of services and is widely used as a method of risk transfer. Marketing of life insurance service is critical and complex compared to non-life insurance for various obvious reasons that include time span, periodicity and potentiality of claims and higher brand switching costs affecting the buying behaviour. In the present scenario, insurance companies are facing problem of transiting from a perceived selling activity to a structured-strategic marketing activity.

II. A Definition of Services

The concept of services is complicated, as a service may encompass many features, ranging from a personal service involving a complex relationship to a service more like a commodity with a tangible product, and thus more easily comprehensible. An example of the latter is car rental, where the customer drives the car — a very tangible and comprehensible result of the service offered — whereas in the case of the former, using insurance services as an example, the customer pays for something highly impalpable, namely risk reduction. The insurance company bears the risk, which the customer consumes all the time. Customers, however, do not really comprehend the total context of the service until a loss is experienced. Different levels of personal interaction are also exemplified in both cases. Car rental is often handled in a “standardised” manner, not necessarily entailing personal contact other than signing a contract and receiving a key, whereas an insurance contract requires a high level of personal interaction, albeit, at times, telephonically.

Christian Grönroos, a distinguished researcher in service management, made the following effort of compiling a definition of the phenomenon of services: “A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take (*sic*) place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.”

III. Components of Promotional strategies:

Pricing
Personal selling
Advertising
Word of mouth selling
Institutional image
Quality control
Marketing orientation

IV. New approaches to strategize the productization of life insurance services

Latest tools and techniques are used by marketers of life insurance products to boost the sales to ensure customer satisfaction and brand building. Some of the approaches to survive in this scenario are as under: **Innovation:** Innovation in the delivery system refers to the internal organizational arrangements that have to be managed to allow service workers to perform their job properly, and to develop and offer innovative services. All the insurance companies have a structured internal organization team with customer service teams for the delivery of the service. Extensive training is given to the service contact personnel who are called the financial consultants or Agent advisers. Service development, service design and delivery are intricately intertwined. All parties involved in any aspect of the new service must work together at this stage to delineate the details of the new service. The need and importance of the customer involvement in the service innovation process is considered to be of prime importance by all the life insurance companies as the current market for life insurance is customer centric. They also express their opinion that the new services developed currently are based on customer focus. The degree of involvement of the customer has gradually increased in the last five years. In the last two years customers are involved in the new service process as information providers.

Product/Service differentiation: In case of product differentiation, new products, customized products, tailored products, bundled products can be introduced and new target segments can be identified. For example, life, health and personal accident insurance can be bundled together. Similarly Home Loan and insurance covering fire and burglary can be put together. The life insurance companies provide only packaged policies whereas new players have been providing several Riders. Rider in insurance parlance is an option that gives the policyholder additional coverage without disturbing the fundamental risk coverage. The service in the field of life insurance has improved greatly with the entry of multinationals and rising competition. The customer should have the option to continue or to switch over or to come out of the given policy. The service in the field of life insurance has improved greatly with the entry of multinationals and rising competition. The customer should have the option to continue or to switch over or to come out of the given policy.

Advertising and sales promotion: Advertising and publicizing have a positive effect on the prospective customers as well as personal selling. Both the direct and indirect strategies have to be balanced and mixed well to get the desired result. Discounts and incentives promised along with the policy have to be presented in detail to the customers. The companies must provide a tangible and rational reason to the customers to buy a particular policy. Unity and honesty must be maintained by the company and the frontline executives at any cost to attract the customers in the long term. Various creative and innovative strategies should be developed to promote various different life insurance policies. Finding an ideal mix of customers with high disposable income and

targeting them with specific policies is another good promotional strategy. Life insurance may be one of the most difficult products to sell, but with an effective promotional strategy it can be sold easily.

Technology: Information Technology progress is a major driver behind the structural change in the Life insurance industry to enhance risk transfer efficiency. Ebusiness opens up new ways to reduce costs while lowering market entry barriers and facilitating the break-up of the traditional insurance value chain. Insurance clients will benefit from greater transparency, lower prices and improved services – not just in the sales area, but also in claims management. New information and communication technologies are making it easier for insurers to break up the value chain and outsource individual functions to specialized providers. In the long-term basis the information technology units control the potential for new service delivery since all new products represent a more sophisticated delivery of the service. Although it is argued that service innovations are often non technological, this is still the center of much analysis and debate (Kandampully, 2002).

Customer relationship management: Insurance companies experiencing competition from within and abroad. Making this problem-situation into an opportunity lies always on the prudent management adopting or adapting tactics and strategies. In line of this, customer relationship management is a measure of winning competitiveness as it is the information-driven approach to customer analysis and process automation; and thereon supplement customer-value proposition. An action on tangible services – prompt and accurate issue of document, prompt and fair settlement of claim ,good listening mechanism, better problem solving approach, reliable manner of service and meet requirement of customers on time every time - in lieu of intangible promises would give utmost satisfaction to customers, the customer relationship management provides better service to the insured protecting him against perils or risks and the insurer enabling to retain the existing customers and bringing in new customers in his ambit of business

Distribution channels: The distribution network is most important in insurance industry. Insurance is not a high cost industry like telecom sector. Therefore it is building its market on goodwill and access on distribution network. We cannot deny that insurance are not bought, it is sold. The market has a great scope to grow. This can be better done by more innovative channels like a super market, a bank, a post office, an ATM, departmental store etc. these could be used to increase channels of insurance. But such growth in channels shall increase with time. Till then agents seem to be the most important distribution channel in this industry. Agents connect with people and influence them to buy any insurance policy. For the same such agents charge commission on the policies they get for the company. There is a fixed percentage of commission for which these agents work. In the field of distribution channels, many innovative techniques can be adopted. For example, Banc assurance and selling through postal network will make a great deal of difference. In Europe 25 percent of insurance policies are sold through banks. Banc assurance, as a package of financial services that can fulfill both banking and insurance needs, if implemented correctly can bring vast benefits to stakeholders such as banks, insurance companies, shareholders and consumers. Banc assurance will facilitate mass selling of insurance products through banks. Banks can act as large financial supermarkets. Distribution of insurance will be smoother through wider number of branches of the banks. Customer database, personalized service, rural penetration, cross-selling of products (e.g. car loan along with car insurance), being cheaper than agents are some of the greatest advantages of Banc assurance.

At present the distribution channels that are available in the market are listed below:

- Direct selling
- Corporate agents
- Group selling
- Brokers and cooperative societies
- Banc assurance
- Mall assurance

V. Conclusion

Promotion has different aspects for different industries, products and services. Its final goal is to communicate positive word of mouth among existing and potential customers about the corporate, product and service. Life insurance industry requires new strategies in order to survive and survive successfully .To tap the insurance potential to maximum industry needs to frame such plans and strategies that will help to capture the market. Companies instead of focusing only on improving the variety of products needs to focus on targeting new segments and implement innovative strategies in order to achieve sustained growth and ensure profitability of business as well as growth of insurance coverage.