

Influences of online marketing in the prospective Indian Insurance Industry

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Abstract: *E-commerce is the part of Internet marketing. The advent of the Internet made the world so simple and dynamic in all the areas. Internet is the growing business because the people in the world are using day to day in their life. The conventional model of purchasing goods in our society is replaced by the contemporary mode of satisfying the needs of the consumers. E-commerce is attractive and efficient way for both buyers and sellers as it reduces search costs, time, energy and psychic for buyers and inventory costs for sellers. In this paper the researcher investigate the influence of online marketing on the insurance industry in India. The recent growth of Internet infrastructure and introduction of economic reforms in the insurance sector have opened up the monopolistic Indian insurance market to competition from foreign alliances. We study the recent scenario in the insurance industry in India and identify the characteristic of online insurance that improve the conventional insurance model and thus, makes it more attractive for the Indian insurance industry to go online.*

Keywords: *on-line marketing, Indian insurance industry, customer satisfaction, economic development*

I. INTRODUCTION

Drastic development in the software industry, penetration of internet in the people lives leads to become the connection of the medium for the web world. Computers from locations that are geographically dispersed can talk with each other through the Internet. The wired connections of computer have been emerged as wireless and fastest network of computers throughout the world. The growth of 2G, 3G and 4G made the global as a small village. Markets can able communicate their products through online with constraint free method.

The connectedness and dynamicity of Internet processes is revolutionizing the traditional models of our society, from technology to academics to administration to entertainment. It is the way the internet is ruling the world.

Still, the internet is considered as a source of information gathering for the majority of your customers. Many people are there who still prefer the live interaction when they buy. This may deter customers from buying if you have a small business with one location. Over 50% of households shop online and this number is continued to grow, are reaching less than two out of three households.

The penetration of the internet, e-commerce and online marketing has become the most popular application—earning large revenues and forging a rapid growth in related technology. It is indicated in a report that [Holzhey, Trauth and Birkmaier, 14] around 300 million people all over the world use the Internet and about 15–20 percent of them use the Internet for e-commerce. At present, south-east Asian countries exhibit the highest rate of Internet growth. India has been one of the key players in the information technology sector over the past few years. Internet access in India has doubled every year over the last five years and predicts this will increase still further in future years.

E-commerce has been mainly on business to consumer (B2C) applications, focusing on to know the needs and wants of the consumers and try to fulfill those requirements through the product development process. Insurance is the industry initially struggled much to bring their products to the customers due to the lack of knowledge about insurance aspects. More over convincing the customer is difficult task to the sales force; it is believed that the insurance policies have been taken for the people who are likely to die. Many of the sales force are reluctant to meet even the educated potential customers. After the continuous effort taken by the insurance industry especially Insurance Regulatory Development Authority of India (IRDA) has developed lot of policies to educate the potential customers about the necessity of insurance and well defined objectives framed for

themselves to market the industry. Still there is a revolution in the technology; at the same time, the insurance industry has been reluctant to adapt to e-business due to factors such as lack of essential software facilities, non-awareness among customers and security concerns.

Continuous effort made the industry to adopt the internet technology in insurance business. Through the internet the advertisement has been promoted in the insurance industry to create awareness about the product, price and reason to buy to the customers.

The rapid growth of information technology infrastructure and radical economic reforms, online insurance offers the greatest scope in India. Thus it makes sense to analyze the impact of the recent reforms introduced in the Indian insurance industry and how they can affect the future of online insurance in India. In this paper we discuss the influences of online marketing in insurance industry and the prospects and challenges in the industry contemporary world. Moreover the study identifies how online insurance can be used to achieve greater market penetration for the Indian insurance industry.

The online buying behavior process influences the customers' decision making process. Especially the personal factors, psychological factors, cultural factors and the marketing efforts have been influencing the customer's decision making process of searching, procuring and purchasing goods over the Internet. A typical e-commerce transaction can be divided into the following five phases:

1.1 Need recognition

It is the phase that the customers have to aware about the need. The customer requires the insurance policy or not identified.

1.2 Information search

In this phase, a consumer searches for items from different online sellers about various insurance companies.

1.3 Evaluation of alternatives

The consumer compares offers from different sellers to select the item that best matches his needs.

1.4 Purchase decision

This is the stage the customers decide to purchase the insurance policy from any one of the insurance company.

1.5 Post purchase behavior

In this phase, sellers provide services related to the product item after it has been sold. This might involve setup of the item at the consumer's location, or repair or replacement of a defective item. This phase is sometimes based on goodwill and often overlooked and neglected in both traditional and e-commerce. Online insurance requires the traditional methods of insurance to be replaced by online processes analogous to those in e-commerce. With the support of internet, the online insurance marketing companies have to identify the problems and to maintain the relationship with the customers for the prolonged profit.

1.6 Penetration of e-commerce in the Indian Insurance Industry

The first stage of buying decision making process in online industry is too aware about the requirement of purchasing the insurance policy through online. Consumers search from different insurance companies for products that they are willing to purchase. They evaluate the various products from different companies to determine the one that best suits their needs. The insurance company then conveys the terms and conditions of the insurance policy to the customer and the customer responds with details including a description of the entity being insured, the terms and the duration of the insurance policy. When both the customer and insurance company agree to go ahead with the transaction, the buyer pays the initial premium to the insurance company and the policy certificate is sent to the buyer.

The post-sales phase of e-insurance is however considerably different from e-commerce. In e-commerce, human intervention is required for activities in the post-sales phase such as repair or replacement of parts. However, a major interaction between an insurer and the insurance company occurs in the post-sales phase if the insurer submits a claim for the amount insured. Online claim settlement involves complex

interactions between the insurer, the insurance company and possibly legal and judicial authorities and, in an automated environment, requires close interactions between humans and automated agents. This phase is therefore the most difficult to implement over the Internet and online insurance sites mostly rely on human intervention for this phase.

1.7 Technological expansion

The Internet has changed consumer behavior and marketing channels in a lot of ways. Over the last 10 years, insurance industry has actively developed online channels and offers a wide variety of web-based services to their customers to reduce the operating costs and increase the service efficiency (Chang, 2002). More and more investors are using the web to get financial information for knowing the current status. Hoffman et al. (1999) indicate that most people have yet to shop online is due to a fundamental lack of faith existing among vendors and consumers on the web. The insurance marketplace is undergoing a transformation that may eventually lead to significant changes in how consumers purchase insurance products. At the same time, the insurance industry, has so far achieved relatively little success offering its products and services online. It is important for companies to find why the adoption of online insurance is not as popular as other e-finance service. Trust, and the lack of it, is a critical impediment for the consumers to shop online (Salam et al., 2005).

A variety of distribution channels are currently used in this market place and some insurers utilize a combination of distribution channels. These include the Internet-led channels, company-led channels, bank-led channels, and agent-led channels. Of these distribution channels, the most discussed and anticipated channel is the internet-led channel. The widespread diffusion of the internet has created an explosion in the growth of electronic channels, including direct channels (that is, individual company web sites), electronic markets, or "electronic intermediaries over which multiple buyers and sellers do business" (Malone et al., 1987) and other cyber-mediaries (Sarkar et al., 1995).

The ability to reduce the transactions costs of interaction between buyers and sellers has always been acknowledged as a central motivation for the use of the web (Birkhofer et al., 2000) Predictions of disintermediation and cyber mediation are typically based on the reduced transaction costs of electronic interaction between sellers and buyers; (Hong, 2000). Trust is another factor that drives or affects the adoption of the Internet-led channel. Gefen (2000) and others examined privacy and security as it relates to choosing an Internet channel. The widespread popularity of online stores (e.g., Amazon.com) or online auctions (e.g., Ebay) provide some indication that consumers trust the channel sufficiently to provide personal and financial information via a secure part of the channel. To reach out to the consumers, the companies in the industry today have widened their distribution channels by approaching prospective customers through agents, brokers and banc assurance. With Information Technology revolutionizing the financial sector, another channel has been made available for selling which is the internet.

1.8 Delighted customers promotes business

For more than two decades, customer satisfaction has been an intensively discussed subject in the areas of consumer and marketing research. This is not surprising as measuring customers' satisfaction has become an important issue in an effort to promote quality and ensure a more competitive economy (Fornell, 1992). A highly satisfied customer will become a delighted customer who put platform marching towards the success in the business. It can be assumed that satisfied customers can only be achieved when the management regards the process of achieving customer satisfaction as their overall goal. As stated by various authors (Ballantayne *et al.* 1996; Berry, 1986) it is easier - and much cheaper - to retain existing customers than to get new ones. Additionally, another benefit from achieving satisfied customers is the fact that the willingness to repurchase is much higher for satisfied customers than for dissatisfied and indifferent ones. Despite this awareness concerning the importance of customer satisfaction, it is beyond the ability of many of today's service companies to maintain satisfied customers.

Customer attitudes about services are intrinsically related. In a dynamic framework, the customer's satisfaction with a specific service encounter depends on pre-existing or contemporaneous attitudes about service quality (Anderson & Sullivan, 1992, Cronin & Taylor, 1992).

Customer satisfaction is highly based on the concept of customer value. Companies have to, in one way or the other, deliver value to the customer; either by expanding the amount of product attributes, or by fulfilling

other customer needs. Customer value creation is at the heart of relationships between services recipients and service providers (Batiz-Lazo, 2001).

In order to build up a lasting and successful customer relationship the provider needs to have a deep understanding of the customer's business activities in which the customer creates value for himself (Helander and Hirvonen, 2001).

The satisfaction of insured customer requires building relationship of confidence and trust between the buyer and seller. It is essential to build trust so that the intentions of both the parties are clearly understood by each other e.g. if an insured has paid premium against a proposal, mere issue of receipt without any narration (cover note/ certificate of insurance) as to the specifications of the product intended to be sold, would not render satisfaction, prompt issue of the policy document and quick and adequate settlement of claim, would only create confidence in buyer about the product bought by him (Govind Johri 2009).

1.9 Insurance companies offering e-services can be classified into the following categories:

1.9.1 Webpage

The insurance companies have a separate web page for promoting their online insurance services. The webpage will provide almost all the details about the products and the features, reason to buy, duration of the policies, sum assured and assumed bonus, etc., this online facility will maximize the strength of the company to move further in the minds of the customers. LIC is a public sector company provides all the details about the products to the customers.

1.9.2 Power shifts from seller to buyer

Unlike traditional marketing, the power has been transferred to the buyer, will help them to know, analyze, and make decisions based on the alternatives of policies.

1.9.3 Greater transparency

Companies are maintaining greater transparency can be maintained in disseminating product details through the websites. Customers will know about the new arrivals of products and the changes in the policies time to time.

1.9.4 Middlemen

Middlemen are intermediaries who do not sell the insurance policies directly but they help the potential customers of the insurance companies for choosing the products.

1.9.5 Aggregators

Aggregators have own sites that will help the clients to know the variations between the policies will be given. Moreover they will give some additional information about the products.

The company's success in promoting the products depends on understanding the needs and wants of the customers. There must be compatibility between the products and the requirements of the insurers. A decade back, penetration of products have been made through excessive promotional strategies especially advertisement. Even those advertisements can have broadcasted less frequent and time bound. Advertisements are made either through passive channels like newspapers, magazines, billboards, radio and television, or, through active channels like human insurance agents. At present the policy is tailor-made to the needs of the buyer. E-insurance employs the Internet to reach customers through advertisements more effectively. Lot of advertisement banners, pop-ups and road blocks occupied significant portion in the online marketing to grasp the mind of the customers. Companies and insurance agent can contact the clients through email to answer the queries about the products. The home page of the company provides company's profile which facilitates the customers to make decisions.

1.9.6 Customer value and satisfaction

The customer perceived value of a product is the difference between the prospective customer's evaluation of all the benefits & all the cost of an offering & the perceived alternatives. Customers get

satisfaction when the perceived value of the product meets expected value so the insurance companies have to make a policy to meet the expectancy of the customers.

1.9.7 Niche marketing

Companies' success depends on not only focusing on large customers and trying to compete with the market leader and the challenger. But at the same time, few companies focus on niche customers to earn continuous profitability in the organization. Niche creation is evidently one of the most important factors in the insurance industry.

Insurance providers in India like General Insurance Corporation and Life Insurance Corporation already have a solid customer base and years of reputation. These companies thus have established niches. To ensure that these niches continue to exist in the online insurance industry, value added services like recommendations of policies to possible buyers, easy and fast policy purchase and prompt and hassle-free claim settlement should be provided to customers.

II. THE HISTORY OF INDIAN INSURANCE AND THE IRDA BILL

The first major step in the insurance industry was taken in India in 1956 when the Indian government nationalized private insurance companies and created the Life Insurance Corporation.

In 1972, non-life insurance business was also nationalized by creating the General Insurance Corporation. Both LIC and GIC are public sector undertakings and have been holding a monopoly and in the insurance industry in India. In order to restructure the insurance sector and end the monopoly of these companies in the wake of liberalization of the Indian economy, a high power committee was set up in 1993. The research findings and recommendations made by this committee have been summarized in the Insurance Regulatory and Development Authority (IRDA) bill.

The IRDA bill comprises the reforms introduced by the Indian government to open up the insurance sector to participation by private and foreign companies. IRDA was itself established as a corporate body to regulate insurance in the country. The key functions of IRDA include:

- Establishment of insurance advisory committee with not more than 25 members.
- Charter rules and guidelines for the insurance sector.
- Ensure the smooth entry of private companies by granting licenses to new companies to operate in the insurance sector.

2.1 Indian company foreign collaborator

- Alpico Finance Allianz Holding Co., Germany
- Aditya Birla Group Sun Life Venture, Canada
- Bombay Dyeing Group CGU General Insurance, UK
- Centurion Bank Canada Life, UK
- Hindustan Times CGU Life Insurance, UK
- M.A. Chidambaram Group Metlife, UK
- Godrej Group J. Rothschild, UK
- Housing Development and Finance Corporation (HDFC) Ltd. Standard Life, UK
- ICICI Group Prudential, UK
- Dabur All State Insurance, USA
- Max India New York Life, USA
- Kotak mahindra Chubb Corporation, UK
- Sanmar Group GIP, Australia
- Cholamandalam Group AXA, France
- Oriental Bank of Commerce Zurich Insurance, Switzerland
- Tata Group American Insurance Group, USA
- Vyasa Bank ING Insurance, Holland
- Sundaram Group Royal Sun Alliance, UK

- IFFCO Tokyo Fire and Marine, Japan

Attracting the market through internet is very complex and tedious task to the marketers to attract. An illiterate with computer knowledge can collect information from internet. Moreover insurance in internet will not be the attractive site to refer and suggest. Educating the people through the site can be little possible until they are interested. At the same time certain procedures can be done through a personal interaction with the employees of the insurance companies such as surrender of policy and claim settlement.

Tax benefits from the insurance industry will be the additional reasons for surplus income of the people. It has to be can be clearly communicated to the customers, will help them to retain in the business. But these areas cannot be doing better through online insurance services. That is why, still insurance companies are depending the agents to generate the sources of income.

Consumers attitude is keep on changing every day and learn new products not only from the membership groups such as family members, relatives, friends and other opinion leaders. They learn new things and concepts from the aggressive media of television advertisement. To attract the customers companies use different varieties of advertisement using various celebrities to position the product in the minds of the customers. Multiple channels of advertisement over the Internet provide a possible way to reach insurance customers more effectively.

At the same time, after sales service are not fulfill the requirements of the insurance customers. Majority of the works has been done after purchase of the insurance policy. Post purchase satisfactions alone make the customers delight. But through online insurance the post purchase satisfaction cannot be done effectively. It can be done only through effective employee interactions with the customers. So the organization has to maintain good employee morale, motivation and mood to provide the best service to the customers.

III. CONCLUSION

In this paper, the researcher identified that the insurance companies offers the value to the customers through on-line marketing. Unlike conventional marketing, Customers learn about the product details, special features, market conditions, competitive products, vision, mission, goal of the company can be understand. Customer delivered value should be done better by the company in online insurance marketing. E-insurance stimulates the customers to create need and to recognize those needs, search for alternative information about insurance industry, evaluation those alternatives from the digital information has given in the insurance websites, making decisions to purchase and providing the post purchase support to the customers. Companies have to educate the customers about the usage of online insurance by effective means of communication. They should insist the customers to learn the usage of online insurance and if possible nationwide campaigns have to be arranged through IRDA in all the states and the districts and encourage the customers to use e-insurance for the faster and better communication. Finally the online insurance marketing creates new path to the companies to yield greater profits.

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