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MARKETING STRATEGIES IN LIFE INSURANCE SERVICES

BEENISH SHAMEEM *; DR SAMEER GUPTA **

* RESEARCH SCHOLAR,
THE BUSINESS SCHOOL, UNIVERSITY OF JAMMU

** ASSOCIATE PROFESSOR,
THE BUSINESS SCHOOL, UNIVERSITY OF JAMMU

ABSTRACT

The study is designed to evaluate the marketing strategies in life insurance service sector & how these strategies boost sales & marketability of a product which ultimately lead to customer satisfaction. The insurance scenario faces multiple challenges such as increased costs of operation, regulatory pressures, and inflexible technology infrastructure. These pressures are compounded by low to moderate premium growth & the increasing burdens of regulatory compliance. Keeping all the above problems around the study would attempt to study all the factors that contributed to the effective marketing strategies. This paper presents different marketing strategies that are taken up in life insurance services keeping in view external and internal environment of the firm. Marketing strategy is the basic approach that the business units will use to achieve its objectives, and it consists of broad decisions on target markets, market positioning and mix, and marketing expenditure levels. As the financial services sector has become more competitive, financial institutions need to consider ,ways of developing relationships with their existing customers in order to defend their market share. Strategic dimension of marketing should focus on the direction that an organization would take in relation to a specific market or set of markets in order to achieve a specified set of objectives. Every insurer must recognize that its "strategic posture" depends partly on the competitive environment, partly on its allocation of marketing resources. An insurance firm strategy is a plan for action that determines how an insurer can best achieve its goals and objectives in the light of the existing pressures exerted by competition, on the one hand, and its limited resources on the other hand.

KEYWORDS: Customer satisfaction, Insurance, Innovation, Marketing Strategies, Services.

INTRODUCTION

In today's economy, the financial services industry is exposed to increasing performance pressures and competitive forces (Goergen, 2001). Modern media, such as the internet, have created new challenges for this industry (Fuchs, 2001).New business concepts, a change in client sophistication (Davis, 2006), and anincreasing number of new competitors entering into the market, such as independent financial consultants, have changed the business models and the competitive forces that established financial services organizations are facing today worldwide.A **marketing strategy** serves as the foundation of a marketing plan. A marketing plan contains a list of specific actions required to successfully implement a specific marketing strategy. A strategy is different than a tactic. While it is possible to write a tactical marketing plan without a sound, well-considered strategy, it is not recommended. Without a sound marketing strategy, a marketing plan has no foundation. **Marketing strategies** serve as the fundamental underpinning of marketing plans designed to reach marketing objectives. It is important that these objectives have measurable results.A good marketing strategy should integrate an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. The objective of a marketing strategy is to provide a foundation from which a tactical plan is developed. This allows the organization to carry out its mission effectively and efficiently.

The following techniques are implemented to device the Marketing Strategy for the product/service:

- Segmentation
- Targeting
- Positioning

Market segmentation is the process in marketing of grouping a market (i.e. customers) into smaller subgroups. This is not something that is arbitrarily imposed on society: it is derived from the recognition that the total market is often made up of submarkets (called 'segments'). These segments are homogeneous within (i.e. people in the segment are similar to each other in their attitudes about certain variables). Because of this intra-group similarity, they are likely to respond somewhat similarly to a given marketing strategy. That is, they are likely to have similar feeling and ideas about a marketing mix comprised of a given product or service, sold at a given price, distributed in a certain way, and promoted in a certain way.

Segmentation:

Market segmentation is widely defined as being a complex process consisting in two main phases:

- identification of broad, large markets
- Segmentation of these markets in order to select the most appropriate target markets and develop marketing mixes accordingly.

Positioning:

Simply, positioning is how your target market defines you in relation to your competitors.

A good position is:

1. What makes you unique?

2. This is considered a benefit by your target market

Positioning is important because you are competing with all the noise out there competing for your potential fans attention. If you can stand out with a unique benefit, you have a chance at getting their attention. It is important to understand your product from the customer's point of view relative to the competition.

Targeting:

Targeting involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments. Target marketing can be the key to a small business's success. The beauty of target marketing is that it makes the promotion, pricing and distribution of your products and/or services easier and more cost-effective. Target marketing provides a focus to all of your marketing activities.

Marketing Mix:

Marketing professionals and specialist use many tactics to attract and retain their customers. These activities comprise of different concepts, the most important one being the marketing mix. There are two concepts for marketing mix: 4P and 7P.

It is essential to balance the 4Ps or the 7Ps of the marketing mix. The concept of 4Ps has been long used for the product industry while the latter has emerged as a successful proposition for the services industry.

The 7Ps of the marketing mix that are used to frame marketing strategies of life insurance companies can be discussed as:

Product - It must provide value to a customer but does not have to be tangible at the same time. Basically, it involves introducing new products or improvising the existing products. A product means what we produce. If we produce goods, it means tangible product & when we produce & generate services, it means intangible service product. A product is both what a seller has to sell & buyer has to buy. So, insurance companies sell services &services are their products. Apart from life insurance as product, customer not only buys product but also services in the form of assistance & advice of agent. It is natural that customers expect reasonable returns for their investments & insurance companies want to maximize their profitability. Hence while deciding the product mix services or schemes should be motivational.

Price - Pricing must be competitive and must entail profit. The pricing strategy can comprise discounts, offers and the like. The pricing of insurance products not only affects the sales volume and profitability but also influences the perceived quality in the minds of the consumers. There are several different methods for pricing insurance, based on the insurance marketer's corporate objectives. They are the survival approach, the sales maximization approach, and the profit maximization approach. To determine the insurance premium, marketers consider various factors such as mortality rate, investment earnings, and expenses, in addition to the individual risk profile based on age, health, etc., and the time period/ frequency of payment. In insurance business the pricing decisions are concerned with:

-The premium charged against policies

-The interest charged for defaulting the payment of premium & credit facility.

-Commission charged for underwriting & consultancy activities.

The pricing decisions may be high or low keeping in view the level or standard of customers or the policyholders. Mainly, pricing of insurance is in the form of premium rates. The three main factors used for determining the premium rates under a life insurance plan are mortality, expense & interest. The pricing of insurance is in form of premium rates. The three main factors for determining the premium rates under life insurance plan are:

Mortality: Average death rates in a particular area.

Expenses: The cost of processing, commission to agents, registration is all incorporated into the cost of installments & premium sum & forms the integral part of pricing strategy.

Interest: The rate of interest is one of the major factors which determine people's willingness to invest in insurance. People would not be willing to put their funds to invest in insurance business if the interest rates provided by other financial instruments are higher than the perceived returns from the insurance premiums.

Place - It refers to the place where the customers can buy the product and how the product reaches out to that place. This is done through different channels, like Internet, wholesalers and retailers. This component of marketing mix is related to two important facets-

-Managing the insurance personnel

-Locating a branch

The management of insurance personal should be done in such a way that gap between the services promises-services offered is bridged over. In a majority of service generating organizations, such a gap is found existent which has been instrumental in making down the image problem .The insurance personnel if not managed properly would make all efforts insensitive. They are required to be given adequate incentives to show their excellence. They should be provided intensive trainings to focus mainly on behavioral management.

Another important dimension to the place mix is related to the location of insurance branches. While locating branches, branch manager needs to consider the number of factors such as smooth accessibility, availability of infrastructural facilities and management of branch offices and premises.

Thus place management of insurance premises needs a new vision, distinct approach & an innovative style. The branch managers need professional excellence to make place decisions productive.

Promotion - It includes the various ways of communicating to the customers of what the company has to offer. It is about communicating about the benefits of using a particular product or service rather than just talking about its features. The insurance services depend on effective promotional measures, so as to create impulsive buying. Promotion comprises of advertising & other publicity tactics. The promotion is a fight not only for market share, but also for mind share. The insurance services depend on effective promotional measures, so as to create impulsive buying. Promotion comprises of advertising & other publicity tactics. Due attention should be given in selecting the promotional tools. Personnel should be given adequate training for creating impulsive buying.

People - People refer to the customers, employees, management and everybody else involved in it. It is essential for everyone to realize that the reputation of the brand that you are involved with is in the people's hands. Understanding the customer better allows to design appropriate products. Being a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers.Training, development &strong relationships with intermediaries are the key areas to be kept under consideration.

Process - It refers to the methods and process of providing a service and is hence essential to have a thorough knowledge on whether the services are helpful to the customers, if they are provided in time, if the customers are informed in hand about the services and many such things. The process should be customer friendly in insurance industry. The speed & accuracy of payment is of immense importance. The processing method should be easy to& convenient to the customers. Installment schemes should be streamlined to cater to the ever growing demands of the customers. IT & Data warehousing will smoothen the process flow. IT will help in servicing the large no. of customers efficiently and bring down overheads. Technology can either complement or supplement the channels of distribution cost effectively. It also helps to improve customer service levels & helps to find out profitability & potential of various customers product segments.

Physical (evidence) - It refers to the experience of using a product or service. When a service goes out to the customer, it is essential that you help him see what he is buying or not. For example- brochures, pamphlets etc serve this purpose. Evidence is a key element of success for all insurance companies. Physical evidence can be provided to insurance customers in the form of policy certificate and premium payment receipts. The office building, the ambience, the service personnel etc. of the insurance company and their logo and brand name in advertisements also add to the physical evidence. To reach a profitable mass of customers, then new distribution avenues & alliances will be necessary.Initally insurance was looked upon as a complex product with a high advice & service component. Buyers prefer a face to face interaction & they place a high premium on brand names & reliability.

Review of literature: Sankaran M (1999) studied the measures that would help domestic players in financial services sector to improve their competitive efficiency, and thereby to reduce the transaction costs. The study found that the specific set of sources of sustainable competitive advantage relevant for Financial Service Industry are: product and process innovations, brand equity, positive influences of 'Communication Goods ' ,corporate culture, experience effects, scale effects, and information technology. Trevor Watkins (1989) while studying the current state of the financial services industry worldwide identified four major trends: the trend towards financial conglomeration, globalization , information technology in service marketing; and new approaches to financial services marketing. These trends, it was concluded, will affect the marketing of banks and other financial services in the 1990s. Marisa Maio Mackay (2001) examined whether differences exist between service and product markets, which warrant different marketing practices by applying ten existing consumer based measures of brand equity to a financial services market. The results found that most measures were convergent and correlated highly with market share in the predicted direction, where market share was used as an indicator of brand equity. Brand recall and familiarity, however, were found to be the best estimators of brand equity in the financial services market. P. Kotler rightly states that a company's marketing strategy depends on many factors, one of which is its size and position in the market. From this assertion he suggests that one method of classifying marketing strategies is to place the firm in accordance with its competitive position; namely as to whether they are market leaders, challengers, followers, or nichers. In effect these are behavioural strategies ordered in relation to the company's market share.

Impetus for marketing strategy: India is a jumbo-sized opportunity for life insurance need hardly belaboured. Here is a nation of a billion people, of whom merely 100 million people are insured. And, significantly, even those who do have insurance are grossly underinsured. The emerging middle class population, growing affluence and the absence of a social security system combine to make India one of the world’s most attractive life insurance markets. No matter how you look at it – whether in terms of life insurance premiums as a percentage of GDP or premium per capita – the market is under penetrated and people are under-insured. In a country where there is high unemployment and where social security systems are absent, life insurance offers the basic cover against life’s uncertainties. India has traditionally been a savings-oriented country and insurance plays a critical role in the development of the Indian economy. The role of insurance in the economy is vital as it able to mobilize premium payments into long-term investible funds. As such, it is a key sector for development. So marketing strategies are important and inevitable phenomenon to tap huge untapped potential. Effective selling of insurance policies depends to a large extent on the marketing strategies selected. As the market for insurance is dynamic and accompanied by rapid changes in the environment due to advancements in technology and uncertain economic conditions, coupled with inflation, increased attention must be given in the future to the selection of marketing strategies.

Components of marketing strategies:

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

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 are 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. (Valarie A Zeithmal and Mary Jo Bitner, 2003). The need and importance of the customers 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 provides 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, Bancassurance and selling through postal network will make a great deal of difference. In Europe 25 percent of insurance policies are sold through banks. Bancassurance, 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.Bancassurance 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 Bancassurance. At present the distribution channels that are available in the market are listed below:

- Direct selling
- Corporate agents
- Group selling
- Brokers and cooperative societies
- Bancassurance
- Mallassurance

Conclusion: 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.

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