



## MARKETING STRATEGIES- DRIVING FORCE IN LIFE INSURANCE SERVICES

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### **ABSTRACT**

The study is designed to evaluate the marketing strategies in life insurance service sector and how these strategies boost sales and marketability of a product which ultimately lead to customer satisfaction. The insurance scenario faces multiple challenges such as increased cost of operation, regulatory pressures, and inflexible technology infrastructure. These pressures are compounded by low to moderate premium growth and the increasing burden 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. 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 service industry is exposed to increasing performance pressures and competitive forces. Modern media, such as the internet, have created new challenges for this industry. New business concepts, a change in client sophistication and an increasing 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. (Anuroop Tony Singh, 2004). A marketing strategy serves as the foundation of a marketing plan to face the competition effectively and efficiently. The 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. (Mushtaq Ahmad, Obaid-Ur- Rehman, 2015). 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.

## Review of Literature

Bose (2006) has studied the new challenges and innovative marketing techniques in

financial services industries. He added that designing services' strategies, making services tangible and developing services system are needed for innovative marketing of financial services. He explained that in the formulation of marketing strategies, the decision about product, price, promotion, selection of suitable place, branding, customer service, market segmentation and distribution policy are considered significant.

Vinayagamoorthy (2007) has reviewed that India is still an under-insured country in the world. It is at the 18<sup>th</sup> position among Life Insurance markets in the world. It highlighted the competition, information, technology, product innovations, distribution network, customer education and services and modern marketing approach in the life insurance industry. Marketing strategies for insurance in the emerging scenario could be understood in term of the following steps:

R  $\implies$  STP  $\implies$  MM  $\implies$  I  $\implies$  C

Here R = Market Research, STP = Segmentation, Targeting, Positioning, MM =Marketing Mix, I = Implementation and C = Control.

In the global era, insurance companies are increasingly willing to spend more on the customer satisfaction and brand building exercises. Though it is one of the highly regulated industries, it still provides

lot of space for creativity and innovations. In order to achieve the competitive edge over others it standardizes the process and brings about quality improvement and gets feedback from the customers regarding the quality of service rendered.

### **Scope of the study**

The present study has been made to study marketing strategies and in life insurance services. It also analyses the attitude of policyholders towards marketing mix adopted by the LIC in Virudhunagar district.

### **Objectives of the Study**

The objectives of the study are as follows:

- To study the marketing strategies in life insurance services
- To analyse the attitude of policyholders towards marketing mix adopted by the LIC in Virudhunagar district
- To offer suitable suggestions on the basis of findings of the study

### **Research Methodology**

The study is based on both primary and secondary data. The primary data has been collected from 450 respondents through the interview schedule by adopting convenience sampling technique. The secondary data has been collected from books, magazines, journals, and

encyclopedia and websites. Percentage Analysis, simple ranking technique have been applied to analyse the primary data.

### **MARKETING STRATEGY IN LIFE INSURANCE BUSINESS – A PROCESS**

The marketing strategy analysis, planning, implementation and management process is described below. The strategic situation analysis considers market and competitor analysis, market segmentation, and continuous learning about markets. Designing marketing strategy examines customer targeting and positioning strategies, marketing relationship strategies and planning for new products. Marketing program development consists of product, distribution, price, and promotion strategies designed and implemented to meet the value requirements of targeted buyers. Strategy implementation and management consider organizational design and marketing strategy implementation and control.

A **marketing strategy** 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: (Beenish Shameem & Sameer Gupta, 2012)

- Segmentation
- Targeting
- Positioning

**Market segmentation** is the process in marketing of grouping a market (i.e. customers) into smaller subgroups. The total market is often made up of submarkets (called 'segments'). These segments are homogeneous (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.

**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 the organisation's target market defines it in relation to its competitors. A good position is:

1. What makes the organisation unique?
2. This is considered a benefit by the organisation's target market positioning. If the organization can stand out with a unique benefit, it has a chance at getting customer's attention relative to the competition.

**Targeting:** Targeting involves breaking market into segments and then concentrating the organisation's marketing efforts on one or a few key segments. The

beauty of target marketing is that it makes the promotion, pricing and distribution of the organisation's products and/or services easier and more cost-effective. Target marketing provides a focus to all of the organisation's marketing activities.

#### **Marketing Mix:**

Marketing mix is a mode of developing suitable marketing strategies. The 7Ps of the marketing mix that are used to frame marketing strategies of life insurance companies are: Product, Price, Promotion, Physical distribution, People, Physical evidence and Process. (Balaji, B.,2002)

#### **Analytical Framework:**

### **Attitude of Policyholders Towards The Marketing Mix of Life Insurance Services of LIC**

It is essential to study the attitude of LIC policyholders towards the marketing mix which determines the marketing strategy of life insurance services of LIC, a pioneering life insurance institution enjoyed monopoly status till the entry of 23 private companies into the Indian life insurance market (Prarthana Shahi, 2013)

#### **1.1 Type of the Policy Taken**

Life Insurance Corporation offers variety of policies to satisfy the needs of the policyholders. The policyholders have a chance to choose any policy among several

alternatives. Table 1.1 depicts the type of the policy taken by the policyholders.

**TABLE 1.1**  
**Type of the Policy**

Type of Policy	No. of Respondents	Percentage
Endowment policy	140	16.49
Whole life policy	102	12.01
Money back policy	118	13.90
Bimakiran policy	97	11.43
Pension policy	101	11.90
Education policy	88	10.37
ULIP	57	6.71
Health plans	45	5.30
Group Insurance policy	63	7.42
Joint life policy	24	2.83
Annuities	14	1.65
Total	849	100

Source: Primary data

(Note: As the respondents take more than one policy, the total exceeds 450)

It is clear from Table 1.1 that 140 (16.49%) have taken endowment policies, 118 (13.90%) have selected money back policies, 102 (12.01%) have chosen whole life policies, 101 (11.90%) have preferred pension policies, 97 (11.43%) have obtained Bima kiran policies, 88 (10.37%) have opted education policies, 63 (7.42%) have selected group insurance policies, 57 (6.71%) have chosen ULIP policies, 45 (5.30%) have preferred health plan

policies, 24 (2.83%) have obtained joint life policies and 14 (1.65%) have chosen annuity policies. It reveals that LIC offers variety of policies to satisfy the needs of the policyholders

### 1.2 Attitude Towards Premium Rate

Life Insurance Corporations receive premium amount from the policyholders in consideration for claims on policies. Some policyholders have felt that the premium rate charged by LIC is reasonable; some others have felt that it is high or very high. The attitude of the policyholders about the premium rate is displayed in Table 1.2.

**TABLE 1.2**  
**Attitude Towards Premium Rate**

Attitude	No. of Respondents	Percentage
Reasonable	231	51.33
High	179	39.77
Very high	40	8.9
Total	450	100

Source: Primary data

Out of 450 respondents, 231 (51.33%) have an attitude that the premium rate is reasonable, 179 (39.77%) have said that it is high and the remaining 40 (8.9%) consider that it is very high.

### 1.3 Source of Knowledge about LIC

The public get information about LIC and its policies through LIC agents, friends, relatives and advertisements.

Table 1.3 shows the details regarding source of knowledge about LIC.

**TABLE 1.3**  
**Source of Knowledge About LIC**

Source	No. of Respondents	Percentage
LIC agents	318	70.67
Friends	27	6
Relatives	63	14
Advertisements	42	9.33
Total	450	100

Source: Primary data

Out of 450 respondents, 318 (70.67%) have gathered information about LIC from agents, 63 (14%) have obtained information from relatives, 42 (9.33%) have got information from advertisements and 27 (6%) have collected information from friends. It reveals that LIC adopts personal selling as a main source of promotion.

#### **1.4. Source from which policy is bought**

While taking LIC policies, many sources from which the policyholders can buy policies such as agents, brokers, banks and direct channel. The policyholders may select the source which is convenient to them. Table 1.4 displays the data regarding the sources offering LIC policies.

**TABLE 1.4**  
**Source from which policy is bought**

Persons	No. of Respondents	Percentage
Agents	242	53.78
Brokers	72	16.00
Banks	86	19.11
Direct Channel	50	11.11
Total	450	100

Source: Primary data

Out of 450 respondents, 242 (53.78%) have purchased from agents, 86 (19.11%) have taken policy from banks, 72 (16%) have bought from brokers and 50 (11.11%) have purchased through direct channel. From the table it is revealed that agents are the main selling outlet of LIC.

#### **1.5 Attitude of the Respondents on Computerization in LIC**

Computer is an electronic machine which helps LIC to do its routine jobs easily. LIC has computerised all the branches in this region. Initially the employees of this life insurance company did not want to use the computer and they thought that it was a difficult process. But at present all are willing to use the computers. Table 1.5 brings to light the attitude of the respondents on the introduction of computers for processing in LIC.

**TABLE 1.5****Attitude of the Respondents on Computerization in LIC**

Statement	S.A.	A	N.O.	D.	S.D	Total Score	Mean Score	Rank
Fast service	227 (11350)	100 (400)	54 (162)	51 (102)	18 (18)	1817	4.03	I
Less time consumption	201 (1005)	98 (392)	86 (258)	36 (72)	29 (29)	1756	3.90	II
Reduction of errors	197 (985)	69 (276)	78 (234)	66 (132)	40 (40)	1667	3.70	III
Reduction of the burden of the employee	185 (925)	76 (304)	50 (150)	80 (160)	59 (59)	1598	3.55	IV
Wider service	180 (900)	81 (324)	55 (165)	72 (144)	62 (62)	1595	3.54	V
Avoidance of duplication of work	158 (790)	95 (380)	84 (252)	55 (110)	58 (58)	1590	3.53	VI
Reduction of stationery expenditure	141 (705)	88 (352)	76 (228)	71 (142)	74 (74)	1501	3.33	VII

Source: Primary data

From Table 1.5, it is understood that regarding the attitude of the respondents on the introduction of computers in LIC, the highest score is awarded to 'fast service' and the last rank is given to 'reduce stationery expenditure'. It is concluded that fast service is the most important benefit in the LIC services by introducing computers.

### 1.6 Attitude Towards People

People imply both internal customers and external customers. Right people must be identified for the right job and right agent to sell the right product to the right customers. An analysis has been made with a view to ascertain the adequacy, relationship, and behaviour of employees and agents. Table 1.6 highlights the ranking of the respondents related to the people element of LIC.

**TABLE 1.6**  
**Attitude of the Respondents about People in LIC**

Measures	S.A	A	N.O	D	S.D.A	Total Score	Mean Score	Rank
Adequate awareness of employees about policies	158 (790)	71 (284)	76 (228)	71 (142)	74 (74)	1518	3.37	IV
Availability of adequate number of employees	141 (705)	78 (312)	86 (258)	47 (94)	98 (98)	1467	3.26	V
Good relationship of employees and agents with policyholders	180 (900)	51 (324)	55 (165)	72 (114)	62 (62)	1595	3.54	III
Rendering of prompt services by employees	185 (925)	76 (304)	50 (150)	80 (160)	59 (59)	1598	3.55	II
Availability of adequate marketing personnel	227 (1135)	100 (400)	54 (162)	51 (102)	18 (18)	1817	4.03	I

Source: Primary data

The investigation exhibits that availability of adequate marketing personnel, employees renders prompt services, good relationship of employees and agents, adequate awareness of employees about policies, adequate number of employees available are ranked 1,2,3,4 and 5 respectively.

From Table 1.6, it is understood that the highest score is awarded to 'availability of adequate marketing

personnel' which is the most important people element support the business of LIC.

### **1.7 Attitude to the Availability of Physical Facilities**

An attempt has been made to analyse the physical facilities provided in LIC for the policyholders. Table 1.7 highlights the ranking of the respondents related to the physical facilities available in LIC.



**TABLE 1.7****Attitude of the Respondents to Physical Facilities in LIC**

<b>Measures</b>	<b>S.A</b>	<b>A</b>	<b>N.O</b>	<b>D.A</b>	<b>S.D.A</b>	<b>Total Score</b>	<b>Mean Score</b>	<b>Rank</b>
The adequate amenities like seating arrangement, fans, drinking water, toilet	141 (705)	78 (312)	86 (258)	47 (94)	98 (98)	1467	3.26	VII
Parking facilities available	158 (790)	71 (284)	76 (228)	71 (142)	74 (74)	1518	3.37	V
Space available at the branch office for customers	201 (1005)	98 (392)	86 (258)	36 (72)	29 (29)	1756	3.90	I
Location of the branch easily approachable	160 (800)	60 (240)	69 (207)	60 (120)	101 (101)	1436	3.19	VIII
Cleanliness of the branch office	180 (900)	81 (324)	55 (165)	72 (144)	62 (62)	1595	3.54	III
Meeting hall available for the customers	141 (705)	88 (352)	76 (228)	71 (142)	74 (74)	1501	3.33	VI
Suggestions/Complaint box available in the branch	158 (790)	95 (380)	84 (252)	55 (110)	58 (58)	1590	3.53	IV
Placing all information on notice board	185 (925)	76 (304)	50 (150)	80 (160)	59 (59)	1598	3.55	II

Source: Primary data

The investigation unveils that in the order of existence, space available at the branch for the customer, placing all information on notice board, keeping branch as clean, availability of suggestion/complaint box, parking facilities, meeting hall for the customers, the amenities like seating arrangement, fans, drinking water, toilet and so on., accessibility of the

branch location are ranked 1,2,3,4,5,6, 7and 8 respectively.

From Table 1.7, it is understood that the highest score is awarded to “Space available at the branch for customer is adequate” which is the most important physical facility available in LIC.

## FINDINGS

The findings of the study are

- Most of the respondents have preferred endowment policies
- More than half of the respondents feel that the premium rate is reasonable in LIC
- Most of respondents have gathered knowledge about LIC through LIC agents and have also taken policies mainly from LIC agents
- Most of the respondents feel that the introduction of computers in LIC have resulted in fast service
- Regarding the people element of LIC, the availability of adequate marketing personnel have obtained I rank.
- Regarding the physical evidence, space available at the branch office for customers have got I rank

## Suggestions

On the basis of the findings of the study, the following suggestions have been made.

**1. 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 customer should have the option to continue or to switch over or to come out of the given policy.

**2. Advertising and sales promotion:** Advertising and publicizing have a positive effect on the prospective customers as well as personal selling. Discounts and incentives promised along with the policy have to be presented in detail to the customers. 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.

**3. Distribution channels:** The distribution network is most important in insurance industry.. We cannot deny that insurance are not bought, it is sold. Till recently agents seem to be the most important distribution channel in this industry. 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. In the field of distribution channels, many innovative techniques can be adopted. For example, Bancassurance At

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

- Direct selling
- Corporate agents
- Brokers
- Bancassurance and
- Mallassurance

**4. 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. Extensive training is given to the service contact personnel called as 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 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.

**5. Technology:** Information Technology progress is a major driver behind the structural change in the Life insurance industry to enhance risk transfer efficiency. E-business 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.

**6. Customer relationship management:** Life Insurance companies, to face the competition from within and abroad, adopt 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 and enable to retain the existing customers and bring in new customers.

## Conclusion

LIC requires new strategies in order to survive successfully. To tap the life insurance potential to maximum industry needs it is necessary to frame such plans and strategies that will help to capture the market. Companies instead of focusing only on improving the variety of products need 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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