

A study on marketing of insurance products – perception of customers (with reference to lic in guntur district)

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Abstract

Insurance Industry plays an important role in the Service Sector in India. It has undergone lot of changes after the implementation of reforms and with the formation of IRDA. The expectations of Policy Holders and Customers have undergone lot of changes in the recent past with the implementation of marketing strategies of Insurance Companies. In this paper an attempt is made to present the problems of Customers and Policy Holders towards Insurance products of LIC in Guntur District.

Keywords: insurance industry, service sector, customers, policy holders

Introduction

Goods and Service are the major marketable entities in most commercial activities. Though the traditional definition of marketing has now expanded its scope to include ideas, people and so on, it is primarily goods or service that most organisations try to market. Traditionally, goods have occupied a lot of space in academic writing, as there was growing demand for them in most of the previous century, particularly in the western, developed world. As the growth in the market for goods in the developed world got saturated, their attention has turned towards services. Partly, this is due to the growing importance of services in the gross domestic product (GDP) of many countries around the world. As of 2010, most developed countries have 75 per cent or higher of their GDP coming from services, and goods manufacturing has shifted our o the developing world. India, more than 55 per cent of the GDP now comes from the service sector.

The word services to a common man denote the process of engaging the services of a personal valet, a chauffeur or getting the services of a restaurant or a hotel staff, provided by professionals. It would also mean the services rendered by other experts like, doctors, engineers, architects and chartered accountants. However the concepts of services has a much wider application and border network as we will see from the analysis conducted on the different experts.

- According to Hassenfeld Y and Richard A.E “Services can be defined as action organizations that maintain and improve the well-being and functioning of the people”.
- The commercial aspect of services marketing has been highlighted correctly by American Marketing Association while defining services as ‘the activities, benefits or satisfactions which are offered for sale are provided in connection with the sale of goods’.

What Are Services

What then, are these service industries which fascinate a large part of the world, and hold the potential for transforming a world hitherto dominated by manufacturing process? How do services get sold or marketed, and are there any special models, tools and techniques that would enable us to market them better?

First and foremost let us consider the major differences between goods and services. It has been argued that they are no major differences between services and goods, as a great deal of similarity has been found in the marketing of both gods and services. One can even think of it as a continuum that begins with 100% goods at one end, and 100% services at the other, with various combinations in between.

Pure Goods → Combination of Goods and Services → Pure Services

Though the process of marketing goods and services are increasingly resembling each other, a few possible differences between some services and goods do remain, the most prominent among them being

- a) Higher Intangibility
- b) Lack o ability to store them for future sale
- c) Greater interaction between the customer and the services factory
- d) Greater variability in services delivery
- e) Greater variability among service customer expectations.

Scope of the study

The scope of the study is limited to the study of Indian insurance industry in general and particular Guntur district insurance sector. For the study selected policy holders perceptions in Guntur district. The data on the basis of population income, age, gender, insurance policy users for the study of Guntur district. This study mainly focuses on the to discuss the role and growth of insurance sector in Guntur District along with profile of LIC, to views of customers on the

marketing of Insurance Products of LIC in Guntur. This objective is achieved through collecting the primary data, developing the hypothesis, testing of hypothesis, applying other statistical tools and interpreting the results. At the end of the study findings, conclusion and recommendations are summarized.

Statement of the Problem

Marketing of services require great efforts due to its special features like intangibility, perishable nature, heterogeneity and inseparability. The level of awareness of customers on financial products and services especially life insurance products and service, the insurance holders attitude and preference towards life insurance play vital role in deciding their behavior as to purchase decision. Marketing strategies are to be designed in tune with customer needs and demands that are linked to their purchase decision. Insurance agents by using different sales promotion techniques in marketing of insurance products. It is in this context the present problem is being taken up the Statement of the problem is “*Evolution of Attitude of Customers towards insurance products of LIC in Guntur district*”

Objectives of the Study

The present study was undertaken with the following objectives.

1. To present a framework related to marketing of Insurance Products along with problems and prospects of Marketing of Insurance Products in India.
2. To discuss the role and growth of insurance sector in India along with profile of LIC.
3. To elicit to views of customers on the marketing of Insurance Products of LIC in Guntur district.
4. To analyze various problem faced by the policy holders in marketing of insurance products.
5. To analyze the problems and prospects of insurance industry in India.
6. To offer findings, conclusion and suggestion of this study.

Hypothesis stated for the study

In relevance to the objectives stated above, it is more imperative to formulate hypothesis highlighting the policy holders. Hence, the following hypothesis are made and subjected to testing in the present study:

H0: The policy holders are satisfied with the insurance products offered by insurance sector in Guntur District.

H01: The policy holders faced problems in getting services relating to insurance products in Guntur District.

Research Methodology

A Research Design is an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The research design is the conceptual structure within which research is conducted. Research Design in the study focuses attention on

- Sampling Procedure
- Sources of Data Collection
- Data Collection Methods
- Processing and Analysis of Data
- Reporting the Findings

The following methodology was adopted for conducting the study.

Sample Design

Population: A population is defined as the “total collection of individuals or objects that forms the focus of the research”, whereas the sample is “a selected part or subset of the population”. Research is generally conducted to make inferences about the population based on the information available about the sample, in order to make inferences from the sample to the population. The population for the present study constitutes all the policy holders of LIC in Guntur District of Andhra Pradesh.

Sample Size: For the purpose of present research, a sample size of 628 policy holders of LIC in Guntur District were selected.

Sampling Method

To obtain a representative sample from the population Stratified Sampling Method is generally applied. In the present study also Stratified Simple Random Sampling Method was used.

Data Collection Method

Data was collected from both primary and secondary data sources.

Primary Data

For the present study a well-structured questionnaire was used to collect the data. Questionnaire method was employed as it allows the researcher to gather structured information from a large number of individuals, allows for anonymity and it is economical to use. For the present study, primary data was collected from policy holders of LIC offices in Guntur district with the help of a questionnaire.

Secondary Data

The secondary data was collected through the following sources.

The main sources of qualitative and quantitative secondary data include the following

- Committee Reports
- General business sources
- Private research publishers

Paper based Sources: Books, Journals, Periodicals, Abstracts, Directories, Research reports, Conference Papers, Financial and Business Newspapers and Magazines.

Electronic Sources: CD- ROMs, Online Databases, Internet.

Analysis of Data

Descriptive Statistics were used to analyse the data. These were computed with the help of the Statistical Package for the Social Sciences (SPSS). The data will be analysed with the help of percentages, charts, graphs are few statistical tools like Chi-Square, Correlation and ANOVA Tests.

Significance of the Study

The Evolution of Attitude of Customers towards Insurance products of LIC in Guntur District is a great significance for a

developing country like India. An evolving and potential insurance sector is needed for economic development as it provides long term funds for investments and at the same time strengthens the risk taking ability by adopting the technology. In this connection with in the competitive environment in insurance sector i.e., LIC and private insurance sector need to find competitive advantage. The study is useful to the following groups.

- Studies of this type are more useful to police holders of LIC to make necessary changes relating to Attitude of Customers.
- This type of studies are also useful to other insurance providers like ICICI Prudential, Bajaj Allianz, Tata AIA etc., to make any improvements that are necessary in the attitude of customers of their own.
- Academicians and other research scholars can also make use of this type of studies for further analysis and investigation.

Data Analysis

Table 1: How many policies do you have?

No. of Policies	No. of Respondents	Percentage
One	274	43.63
Two	196	31.20
Three	109	17.35
Four	49	7.82
Total	628	100

The information relating to the number if policies of respondents in presented in table 1. More than 70% of the respondents are having one or two policies. The respondents who have four policies are less in number.

Table 2: Does anyone else in your family have any kind of insurance?

Insurance Holders	No. of Respondents	Percentage
Father	296	19.36
Mother	336	21.97
Wife	492	32.19
Children	405	26.48
Total	1529	100

The data relating to the family members who are having any kind of insurance in furnished in table 2. In the families mother and wife is major policy holder with more than 50%.

Table 3: Which of the following insurance policies do you have?

Types of insurance	No. of Respondents	Percentage
LIC	628	63.31
Private Insurance	226	22.78
Both	138	13.91
Total	992	100

More than 60% of the respondents are having policies in the LIC. The details are available from table 3.

Table 4: Since how long you are policy holders of insurance sector?

Years	No. of Respondents	Percentage
Below 5	233	37.10
5 – 10	202	32.17
11 – 15	101	16.08

More than 15	92	14.65
Total	628	100

The information relating to period of ownership of policy holders in given in table 4. More than 70% of the respondents are having policies for the last 10 years.

Table 5: What type of insurance policies you have.

Type of Insurance	No. of Respondents	Percentage
Endowment Assurance Policies	236	37.58
Endowment Policies	133	21.18
Unit Linked Policies	102	16.25
Money Back Policies	57	9.07
Joint Life Policies	38	6.05
If any other Policies	62	9.87
Total	628	100

In table 5, the information related to the type of insurance and number of respondents is given more than 70% of the respondents are having Endowment Assurance, Endowment and Unit Linked policies. The numbers of respondents who are having Joint Life policies are less in number.

Suggestions

1. The customer satisfaction should be the main focus of any service firm especially to the life insurance company. This will be result in customer retention leading to improved profitability and growth of the life insurance institutions.
2. The marketing personnel at all levels should appreciate the significant components if marketing effectiveness. The sufficient fund allocation has to be made for the execution of marketing function in any life insurance company.
3. The life insurance companies should ensure effective marketing information and communication facilities. The strategic planning should be adopted deliberately to identify and satisfy the customer needs and wants.
4. The insurance companies should educate their personnel for a pleasing behavior. This can create a good image among the insurance customers about the company. It will be appropriate to spend lot of money for promoting the insurance services, when the offered services do not attract and satisfy the customers’ need.
5. The services of insurance do not reach majority o the customers in the rural areas. The rural mass should be exposes to the availability of insurance and its benefits. This is possible by personal selling. Most of the customers of insurance in general do not understand the clear and correct calculation of premium, sum assured, benefits etc. So the Life Insurance Corporation should educate their customers clearly about the benefits of insurance.
6. The insurance company, if possible should invest in advertising, conduct road shows, and spend money on hoardings, so the it can propagate better awareness bout is various lesser know products.
7. Claim settlement process should be made fast and does not involve lengthy decision making process.
8. Product satisfaction can definitely be improved by keeping the premium low while enhancing the returns and liquidity aspects of the LIC products in comparison with other financial products. Since the cost of life policy (premium) is based on mortality rate, management expenses and

- investment income, any improvement in these variables should go to the benefit of policy holders. For this purpose, LIC should periodically revise the mortality table once in five years and review the premium rates once in three years. If any reduction in the premium rates takes place as a result of such reviews, the benefits can be passed on to the policy holders.
9. Return on policies in the form of bonuses should be increases in order to make the product more attractive as an investment. This is possible by investing the surplus funds of the corporation in securities which yield higher return. An effective and efficient fund management is required in this regard. Return on unit linked policies can be increased by keeping the allocation charge for administration at the lowest limit.
 10. Liquidity of life insurance policies can be improved by introduction short-term products. Moreover, if value added benefits like switchover option to other plans, introduction of flexible products, rider benefits and the like are added to the existing products benefits, it would increase product satisfaction among the policy holders.
 11. The role and image of LIC agent needs to be upgraded to that of a provider of professional experts in enabling a customer to select the best possible product mix to meet his/her life insurance needs. Over and above the regulatory requirement of competence, LIC has to ensure that the agents who operate in the market have enough knowledge and skills to understand, evaluate and analyze the changing needs of the customer, and these would have to be sharpened by continuous training on an ongoing basis.
 12. To increase insurance penetration, multi-level marketing practices like a senior agent appointing sub-agents, a broker appointing sub brokers and a bank appointing a sub-broker and the like should be encouraged, with proper regulation. With increase in contact points, insurance penetration also will increase. At the same time, distribution channels like Self Help Groups (SHGs) and Non-Governmental Organization (NGOs) may be encouraged to sell policies in hitherto neglected areas.
 13. Establishment of micro branches or satellite offices and appointment of specialized insurance agents in rural areas shall help the Corporation to exploit the vast untapped rural insurance market.
 14. Customer awareness about LIC's products should be enhanced in order to have good market performance. Since advertisement through television and newspaper influence the customers greatly, LIC should think of giving due weight to this media. It would be best practice for LIC to project in their advertisement the features and benefits of the product and how it would meet the needs of the individuals. Moreover, since branch offices are the business procuring centers, adequate freedom should be given to branch managers for putting advertisements on hoardings, banners and the like in regional language.
 15. Efforts should be taken to improve the quality of service of branch offices, especially in the areas of communication, empathy towards customer, system and procedure. Adequate training should be given to service personnel for improving customer related skills and problem solving skills, the service system and procedures at the branch offices need to be simplified
 16. To improve the tangibility dimension of branch offices, customer facilities like seating arrangements, drinking water, toilets and the like may be provided where these facilities are found inadequate.
 17. Sales promotion campaigns need to be conducted frequently and branch managers and development officers should motivate the agents under them for active participation in the campaign. This will definitely boost the sales of agents.
 18. It should be made compulsory for all agents to attend at least one training programme during a period of two years. The standard and quality of training given to agents should be monitored personally by experts and improvements effected on the basis of feedback from participants. Mobile training centers may be established to give continuous training for all agents in each branch office. The product knowledge of agents can be improved through giving training on an ongoing basis.
 19. A new and innovative marketing strategy has to be developed for introducing new product. The features of the new product and the marketing strategy formulated for it should be communicated to the marketing personnel before the new product is launched in the market. The marketing strategy should be built on the competitive advantage position of LIC. No matter what distribution strategy LIC adopts, customer relationship has to be taken care of in order to maintain the customer base on a long-term basis.
 20. Easy accesses to development in the more advance market provide further opportunity to upgrade their working. Technological, financial or specific area based avenues of absorbing improved system are also now more easily available. So, that insurance companies working efficiently and fast service.

Findings

1. The provide of respondents reveals that majorities of respondents are in the age group of 57%, male respondents dominate the study. The observation relation to income reveals that the income of majorities of respondents is 35%, having an educational qualification of degree and majorities of respondents are employees who participated in the study.
2. It was observed that majorities of respondents are having one or two policies.
3. Few cases of other members who are having any kind of insurance policies are mother and wife who are also having Insurance policies along with the respondents.
4. Majorities of respondents are having insurance policies of LIC while is a public sector grant.
5. The ownership details of respondents reveals that majorities of respondents are having insurance policies for the last 10 years.
6. The observation relating to the type of policies reveals that majorities of respondents have endowment assurance, endowment and unit linked policies.
7. Majorities of respondents are satisfied with the insurance policies they have.
8. Agents are the major influencing factors to take up the policies as observed from the analysis.

9. Three important reasons have influence the majorities of respondents to take up the policies. They are protection of families, safe investment and tax exceptions.
10. The respondents opted yearly as the mode of premium.
11. Cash is the preferred mode of making premium payment in case of majorities of respondents.
12. Risk coverage and tax exceptions are the benefits expected of the policies. The reasons stated were also the same.
13. Majorities of respondents do not have any loan on the insurance policies.
14. The respondents who have taken loans have taken for the purpose of education.
15. The respondents have availed a loan amount of Rs.25, 000.
16. Majorities of respondents are able to pay loan regularly.
17. Majorities of respondents are paying premium regularly.
18. Those respondents for not able to pay premium regularly are failure of crops and business problems.
19. Majorities of respondents are continuing the policies very few respondents dropped one or two policies.
20. The reasons for discontinue of policies include failure of crops and business problems.
21. Majorities of respondents did not receive any help from the agents or authorities.
22. The agents and authorities are giving information about policies and loan only.
23. Very few respondents have given any complaints. The complaints are related to premium letter not-received.
24. The employee's attitude towards policies holders is fairly good and the employees are maintaining good relation with the policy holders.
25. Majorities of respondents faced problems at counters while include payment of premium and loan amount. For majorities of respondents, the problems are solved.
26. Majorities of respondents are aware of difference between public sector and private sector policies.
27. Majorities of respondents are not aware of the CRM practice of Insurance Companies.

Conclusion

With the fast changing expectations of customers the Insurance industry has to respond by implementing various customer relationship management practices to satisfy the growing needs of customers. As the Private Insurance Companies have also been playing an important role, the LIC has to implement necessary changes in the marketing strategies to attract, retain the present customers.

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