



Life Assurance Industry in India: A Study on Marketing Strategies of Indian Insurance Companies

KEYWORDS

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1. INTRODUCTION

The Life Assurance Industry has started in India way back in the 17th Century and has gone to various levels of changes and After Independence an Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had a monopoly till the late 90s when the Insurance sector was reopened to the private sector India the Insurance Industry came out more policies and also Amended Insurance Act in 1968 to regulate investments and set minimum solvency margins. In 1972 with the passing of the General Insurance Business (Nationalization) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commences business on January 1st 1973.

In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies are allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

At present there are 24 Life Insurance Companies operating in India with 1 (LIC) as Public Sector and the Balance 23 Life Insurance Industry is Private sectors.

2. STATEMENT OF PROBLEM

In Present Scenario due to globalization in the Insurance Industry in India Foreign Insurance companies came to India and monopoly of Life Insurance of India is threatened. However, LIC was able to withstand competition and remain brand leader. Insurance Industry has started adopting various marketing strategies to capture the market, hence these arises the need arises to study the marketing strategies of major players. Here the researchers aim to analyze the Life Insurance Industry marketing strategies.

3. OBJECTIVE OF THE STUDY

1. To understand the various strategies adopted by Life Assurance Industry in India.
2. To find out the market share of Life Insurance of India in Life Insurance Business and suggest suitable measures to meet competition.

4. PERFORMANCES OF LIFE INSURANCE INDUSTRY IN INDIA

Performance of LIC is compared across time with other private players and the following data is obtained.

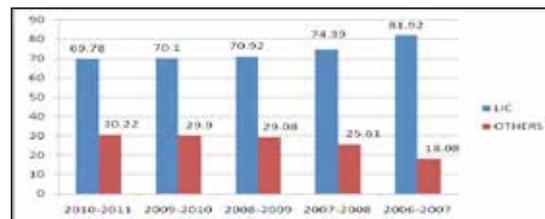


Chart 1: Performance of LIC compared to other private players

(Source: IRDA Annual Report from 2006-2011 and graph created by the researcher)

Private life insurers are slowly gaining the momentum to penetrate the market with their new products, services and the global knowledge of expertise in doing life business. It can be observed from their growing market share statistics which shows (Chart.1) 30.22% of the market is in their hands at the end of the 2010-2011 financial years. From the above chart it is clear that LIC Share has decreased by 12.14% from 81.92% and the private Insurance Industry has started and increased the market share from 18.08% to 30.22%.

This is because the various marketing strategies adopted by them during that period to Increase the market share.

5. DISTRIBUTION SCENARIO IN THE INDIAN MARKET

In today's Indian insurance market the challenge to insurers and intermediaries is two-pronged:

- Building faith about the company in the mind of the client.
- Intermediaries being able to build personal credibility with clients.

6. STRATEGIES ADOPTED BY LIFE INSURANCE INDUSTRIES

LIFE INSURANCE OF INDIA

NEW STRATEGY ADOPTED

New Marketing Strategy

The LIC of India, being old brand and Govt. owned insurer in the market its market share is large as compared to private players. But the consumer perception of the insurance is that of an investment rather than as a risk cover. They expect prompt service.

The LIC of India has been facing competition pressure, so it has been reorganized itself in order to perform better and to compete private players. LIC has been formulating new strategies and plans from time to time.

LIC has been taken following steps to increase its market competitiveness and retains its dominant position in the insurance market. (Kulkarni and Sagar, 2011)

1. Product development

Life Insurance Corporation introduced traditional insurance schemes. To cater consumers

needs about protection against risk factor, provision for future, old age provision, by launching whole life plans, Endowment plans, Term insurance plans and pensions plans over a period. Every year by taking market review it introduces new innovative plans and also withdraw, those plans which have less market response. Now, LIC of India has been changing its products to meet the varied needs of the customers. It has been caused due to following reasons.

- a. Competitive pressure
- b. Changing behavior of consumers.

In the competitive market there is a greater need to provide insurance products that meet the needs of the customers. Therefore, LIC offers wide variety of products which fulfills the needs of different segments of the society. As at the end of financial years 2010-2011 the corporation had 43 plans.

Distribution Channels in LIC

In marketing of insurance products effectively, field personnel play a pivotal role.

The corporation has been developed alternative distribution channels along with channels to increase its business volume.

1. Agents;
2. Micro Insurance Plans;
3. Bank assurance and Alternate Channels; and
4. Foreign branches.

ICICI PRUDENTIAL LIFE INSURANCE

A successful product or service means nothing unless the benefit of such a service can be communicated clearly to the target market (Baghel, 2008). An organization's promotional strategy can consist of:

1. Public Relations;
2. Advertising;
3. Sales Promotion;
4. Personal Selling;
5. Direct Mail-Message and Media Strategy and Effective Communication Strategy.

Latest New Promotional Strategies Adopted

1. Push or Pull Strategy

Marketing theory distinguishes between two main kinds of promotional strategy - "push" and "pull".

Push

A "push" promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand for a product.

A "push" strategy tries to sell directly to the consumer, bypassing other distribution channels (e.g. selling insurance or holidays directly). With this type of strategy, consumer promotions and advertising are the most likely promotional tools.

Pull

A "pull" selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product. If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers.

2. Communication Model: AIDA

AIDA is a communication model which can be used by firms to aid them in selling their product or services. AIDA is an Acronym for Attention, Interest, Desire, and Action.

3. Promotion Through product Life Cycle

As products move through the four stages of the product Lifecycle different promotional strategies should be employed at these stages to ensure the healthy success and life of the product. Four Stages are:

- a. Introduction; b. Growth; c. Maturity; and Decline Stage.

4. Internet Promotion

Marketing of Life Insurance Products through Internet via Web, and E-Mail.

MAX NEW YORK LIFE INSURANCE

This would definitely be the 'Karo Zyada Ka Irada' campaign for Max New York Life. We decided to adopt a challenger brand strategy, based on an ambition to own a differentiated position in the marketplace with innovative marketing programs. We took life insurance to a higher level – financial planning for a better future.

Life insurance has traditionally been sold on the plank of duty and responsibility. It has been about 'Jeevan, Zindagi and Suraksha'. (Anish Motwani, 2012) But a resurgent India was rewriting the rules of living in its mission to create, indulge and celebrate. Earnings, savings, investment and consumption where the force multipliers that would feed this virtuous cycle of need and want as people moved from denial to desire. That was the basis of the 'Karo Zyada Ka Irada' campaign. It was an integrated launch across multiple consumer touch points. Its efficacy was proved with the brand awareness moving upwards by 25 points in just 18 months.

As Per her Life Insurance are Business of Life and Not Finance. It touches the most memorable and emotional milestones of one's life from marriage, to childbirth to children's education, and so on. People also have to be prepared for sudden accidents and eventualities. At each stage there is a different need that arises. The marketing strategy, therefore, has to emanate from a deeper understanding of this entire journey.

Max Life Insurance Marketing Strategy

MNYL has mainly used ZERO Level Channels to sell the products to its customers.

Zero Level Channel of Distribution: (Hitesh Bhasin, 2010)

It consists of a manufacturer directly selling to the end consumer. This might mean door to door sales, direct mails or telemarketing. Zero Level Channel of distribution is giving the manufactured products directly to consumers with our any intermediaries.

The other various Channels employed are:

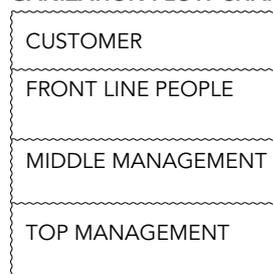
1. Insurance Agents.
2. Direct Selling Agents.
3. Internet.
4. Banc-Assurance (First Level)

Product Strategy

The MNYL Industry exhibits the following FIVE Product Levels:

1. The core benefit: Security.
2. Basic Product: Health, Child, Life, Pension and Growth.
3. Expected Product: Claim Settlement.
4. Augmented Product: Electronic Fund Transfer for Claim Settlement.

MAX NEWYORK MODERN CUSTOMER ORIENTED ORGANIZATION FLOW CHART:



In this the Max New York Life Culture is about:

1. The Customer Comes First.
 2. Do it right the first time.
 3. Bias for result oriented action.
 4. Financial strength and discipline.
 5. Clarity of Purpose.
 6. International Quality Standards.
 7. Inclusive Meritocracy.
 8. Learning Opportunities.
 9. Fun at Work.
 10. Commitment to Published value system.
- MNYL adopted different Organizational chart compared with traditional one where top management comes first. But here for them Customer Comes First.

SBI LIFE INSURANCE

SBI Life Insurance came with an Innovative Strategy to promote the product by asking why they should have to buy SBI Life Insurance. (Verma, 2012)

Why Buy SBI LIFE

1. Customer Satisfaction-Many of our Customers who have bought an Insurance policy with us have bought Second One!
2. Financially Sound with over 100 Years of Banking Experience, When you trusted us with your money, why would you trust somebody else with your protection needs.
3. Affordability.
4. Easy to Buy (Accessibility)
5. Trust and Reliability.
6. With us you're sure.

SBI Life Tops Private Insurance List

Next To LIC SBI Life Insurance got more percentage of market shares.

Table 1 Comparative Study of marketing strategies adopted by Insurance Companies (Top Players)

Strategy	LIC	ICICI	Max-Newyork	SBI
New Product Development	YES			
Push or Pull Strategy		YES		
Zero Level Channels			YES	
Promotion through PLC		YES		
Communication model -AIDA		YES		
Internet	YES	YES	YES	YES
Why Buy Insurance				YES
Organization Chart (Customer Comes First)			YES	

Table 2 Channels of Distribution of Products by Insurance Companies:

Distribution Channels	LIC	ICICI	Max-Newyork	SBI
Agents	YES	YES	YES	YES
Micro Insurance Plans	YES	YES	YES	YES
Banc assurance	YES	YES	YES	YES

Foreign branches	YES	YES	YES	YES
Advertising	YES	YES	YES	YES
Personnel Selling	YES	YES	YES	YES
Public Relations	YES	YES	YES	YES
Sales Promotion	YES	YES	YES	YES

8. FINDINGS, SUGGESTIONS AND CONCLUSION

Challenging Scenario in Insurance Industry:

From the Above review of Literature it is evident that Marketing Strategy adopted by Insurance Industries has changed a lot. i.e. at present Private Insurance Industry has started to pull up the market share from LIC and it is evident that from the annual reports submitted by IRDA that Market share of LIC is came down from 81.92% to 69.78%.

Strategies on Marketing of Life Assurance Products

In Previous era adoption of one method of strategy has yielded good results to obtain the market share. But now the current scenario is that the Focus of Insurance Industry is to market the product through various distribution channels such as Agents, Banc assurance, Internet, and to come up with new Ideas and initiatives.

With the opening up of Insurance Sector, more private players started entering the Industry with new products and new marketing strategies.

So at present to Increase or hold up the current market share in the Insurance Industry the following should have to be followed:

1. Well establish Infrastructure facilities.
2. Call- Centre Facilities.
3. Different New Product development.
4. Studying Market segmentation before introducing the new product.

Market Segmentation:

In Insurance Industry currently there is no separate plan for very low income group / daily wage earner group. They should have to think and adopt a very good and innovative policy for daily earner and also to provide them with good policy.

Studying Market Segmentation such as Low Income and High Income people hold the line between them. Because in India Low Income groups are more compared to High Income therefore the Insurance Industry should have to come with new products which will attract the low Income group people.

From the above study, the researchers want to recommend that the marketing strategy should have to be adopted cautiously after studying various parameters such as customer expectations and Perceptions in to account.

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