

# A STUDY ON EFFECTIVENESS OF PROMOTIONAL STRATEGIES ADOPTED BY LIFE INSURANCE COMPANIES IN TAMILNADU

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**Abstract:** The key objective of an organization's marketing efforts is to develop satisfying relationships with customers that benefit both the customer and the organization. These efforts lead marketing to serve an important role within most organizations and within society. At the organizational level, marketing is a vital business function that is necessary in nearly all industries, whether the organization operates as profit or as not-for-profit concern. In the case of for-profit organizations, marketing is responsible for most tasks that bring revenue and, hopefully, profits to an organization, and for not-for-profit organizations, marketing is responsible for attracting customers needed to support the not-for-profit mission, such as raising donations or supporting a cause. In the case of both types of organizations, it is unlikely that they can survive without a strong marketing effort. Marketing is also the organizational business area that interacts most frequently with the public and, consequently, what the public knows about an organization is determined by their interactions with the marketers.

**Index Terms-** LIC, Effectiveness, Promotional Strategies, Approaches

## I. INTRODUCTION

Life insurance companies play a significant role in channelizing funds to the government. Government and Infrastructure projects require long-term funds, which is being met up by the investments made by the life insurance companies. Life Insurance companies provide a convenient and effective link between savings and investment. Life insurance organisations channelize the savings of millions of individuals with varied characteristics and notions in respect of safety, liquidity and return. They also provide diversification of investment instruments to the individual policyholders, who otherwise may not be able to exercise the diversification of investment due to his/her limited savings potential.

India with about 200 million middle class household shows a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. Innovative products and aggressive distribution have become the say of the day. Indians, have always seen life insurance as a tax saving device, are

now suddenly turning to the private sector that are providing them new products and variety for their choice. Consumers remain the most important centre of the insurance sector. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry. Computerization of operations and updating of technology has become imperative in the current scenario. Foreign players are bringing in international best practices in service through use of latest technologies. The one time monopoly of the LIC and its agents are now going through a through revision and training programmes to catch up with the other private players. Though lot is being done for the increased customer service and adding technology to it but there is a long way to go and various customer surveys indicate that the standards are still below customer expectation levels. (Goldberg, Irwin W, 1997)

## II. APPROACHES TO STRATEGIZE PROMOTION OF LIFE INSURANCE PRODUCTS

The marketers of life insurance products use recent tools and techniques to boost the sales to ensure customer satisfaction and brand building. Some are the approaches to survive in this scenario are as follows:

**Innovation:** Innovation in the delivery system has 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 product. Product development, design and delivery are intricately intertwined. All parties involved in any aspect of the new product must work together at this stage to delineate the details of the new service. The need and importance of the customers involvement in the product and 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 insurance products and 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 provide 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.

**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. 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 customers 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 centre 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.

**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.

### III. NEED AND STATEMENT OF THE STUDY

For Marketing Practices of the Life Insurance Companies, customers may believe a company is dynamic and creative, based on its advertising message. In a broader sense, marketing offers significant benefits to society such as development of products that satisfy needs, including products that enhance society's quality of life, creation of a competitive environment that helps lower product prices, development of product distribution systems that offer access to products to a large number of customers and many geographic regions, building demand for products that require organizations to expand their labour force, and offering techniques that have the ability to convey messages that change societal behaviour in a positive way.

Insurance is basically a specialized service that demands correct interpretation of risk and proper communication to the customer. This can only be done through proper marketing personnel and channels. Hence, as far as insurance business is concerned, it is very important for the companies to have a strong marketing department along with back office research department. In the insurance business, selling is a persistent process, starting with the corporate decision to sell a product right through to its post sales servicing. This entire process is denoted by the term 'marketing', which includes seven major elements: Market Research and Analysis, Product Development, Building Effective Sales Force, Advertising, Training, Selling and Servicing. An insurance company first studies the market before developing and launching its product so that it can ensure demand for the product in the market. The company must establish that there is a need for the product that the product matches the need, that it meets market standards, that it can compete, and that it should be profitable. Product development teams that include actuaries, legal experts and insurance specialists and sales staff usually carry out the function of market research and analysis.

The study is designed in such a way that the level of awareness of policyholders on financial products, especially life insurance products and services, is examined along with their buying behaviour towards life insurance policies. The satisfaction of customers on the products and services of the Life Insurance Companies including the services of its agents, customer perception on the level of knowledge of the agents on the organization, its products and services and industry environment and impact of customer satisfaction on products and services, customer brand image, brand trust, brand loyalty on brand equity, are also examined. The agents' perception on the marketing strategies, resources, activities and programmes of the Life Insurance Companies and its impact on business performance, customer preference on the features and benefits of life insurance policies are identified and evaluated, which provide the foundation for strategy formulation and successful implementation in the competitive environment.

#### IV. REVIEW OF LITERATURE

*Kalra, R.K. and Garg, D.K. (1999)* observe that successful marketing of life insurance policies is dependent on a combination of good communication and promotional strategies of the insurance companies. They find that the major problems associated with marketing of LIC policies in rural areas include illiteracy, lack of awareness, and negative attitude towards saving and low purchasing power. It is suggested that the LIC should design future strategies so that the customers are able to overcome all the anxieties they have regarding life insurance. It should make the customers aware of the various policies being provided, the benefits of having a policy, and the drawbacks of not having a policy. This would help create a desire in the customers to buy an insurance policy.

*Gupta, P.K. (2000)* in his paper, "Exploring Rural markets for Private Life Insurance Players in India", highlights that insurance products are to be designed keeping the rural complexion in mind, supplemented with systematised and intensified advertising efforts, awareness programmes, association of ethnical and cultural components of product promotion, to gain competitive advantage. He identifies that the key to success in rural areas are accessibility, reasonably priced products, effective communication and aftersales services.

*Sankariah, Rudra Saibaba and Pervaram Sreenath (2001)* attempt to articulate objectives like marketing strategies, progress in Life Insurance Companies, and the different facilities to meet risk coverage, and highlights the new policies offered by the insurance companies in the context of privatization, liberalization and globalization. While comparing with private firms, the study elicits that different varieties of policies offered by the Life Insurance Corporation are not available with other insurance companies as they offer only endowment and money back policies. The progress of the Corporation is highly remarkable which recorded only 9.32 lakh new policies in the year 1956, as against 148.43 lakh new policies in the year 2000. There is every possibility in the growth of insurance business, as 57.6 per cent of the insurable population is still uncovered. The LIC intends shifting from mass marketing to target marketing of individuals and extends steps to reach out to customers in the most cost-effective way with target offers.

*Mony, S.V. (2003)* has stated that, direct marketing would continue to play a vital role in promoting the sale of insurance products. Other channels, like alliances with banks and other bodies, would help in capturing the Indian market. Sale of new products such as single premium, unit linked retirement products, money-back and annuity are yet to gain momentum. He has stated that, technology plays an active role in the designing and administering of the insurance products. He has also stressed the need to cover the non-salaried or self-employed work force by opening up the pension segment.

*Pramod Pathak and Saumya Singh (2003)* examine the effect of the entry of private players into the insurance sector. A study has been conducted on the various marketing strategies adopted by the LIC, and their strengths and weaknesses. The main objectives of

the study were to carry out SWOT analysis of the LIC to help it in designing new market strategies and to help increase the market share of the LIC by suggesting measures for increasing competitiveness. A survey of 100 policy holders of the LIC was conducted to determine the customers' perceptions and expectations towards the LIC. A survey of 60 agents was also conducted to prepare new and effective marketing strategies, to increase market share and to improve customer satisfaction by improving quality of services. It was concluded that although the insurance companies were spending a lot of money on advertisement, not enough money was being allocated for research and development of new products. It has also been suggested that agents' pre recruitment training must be ensured to provide efficient and effective customer services.

*Bodla, B.S. and Sushma Rani Verma (2004)* have conducted a study to examine the preference of the policy holders towards various types of policies and to probe the reasons behind the insurance purchase in rural areas. Two hundred policy holders were taken for the study. The major findings are: risk coverage and future contingencies are the main reasons for purchasing life insurance policies; Life Insurance Corporation has the major market share among various life insurance players; money back policy is the most preferred, followed by Jeevan Anand; advertisements have not much impact and the women segment is still untapped.

#### V. RESEARCH METHODOLOGY

The research design refers to the overall strategy used by the researcher to pursue the research study to integrate the different components of the study in a coherent and logical way, thereby, ensuring effective exposure of the research problem; it constitutes the blueprint for the collection, measurement, and analysis of data. The research design of this research is Descriptive research which is used to establish accurate descriptions of variables relevant to the decision being taken without demonstrating the existence of relationship between variables. The purpose of this design is to give an accurate picture of some aspect of the marketing environment, in other words, descriptive designs describe phenomena without establishing the association between factors. Though it is frequently used for conclusive, preliminary and exploratory studies, hypothesis will be tentative and speculative. Primary and Secondary data collection methods have been used in research study. Primary data is collected by researchers, especially to answer research question-for instance, when you observe certain production operations and measure their cost, or when mind writer surveys its complete care customers to see what changes would improve customer satisfaction. The primary data collection method consists of a structural closed ended and open ended questionnaire. Secondary data is collected from journals, websites and magazines. As mentioned the objective of this research based on to prove or disprove the effect of promotional strategies in life insurance which is considered as one of the flourishing sectors in India. The customers of the rural areas are considered as population of the study. Tamil Nadu is selected as the geographical area of the study. Since the Rural customers are intensely found in Thanjavur, Trichy, and Pudukkottai districts, the researcher has taken selected three renowned Rural zone of

customers from Tamil Nadu for undergoing the study. The research study takes up the customers of five insurance companies, namely LIC, HDFC Standard Life, SBI life insurance, Tata AIA and Metlife insurance in the selected three districts for the study.

VI. TREE STRUCTURED ANALYSIS FOR EFFECTIVENESS OF PROMOTIONAL STRATEGIES

Tree analysis model summary, gain node summary and Risk of the model are presented in the below table. Tree Diagram for effectiveness of promotional strategies is shown in the below figure 1.

Figure – 1

Tree Diagram for the effectiveness of promotional strategies

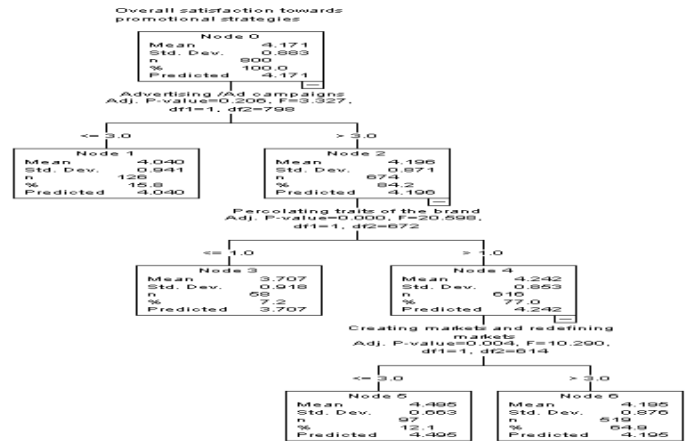


Table – 1

Model summary of effectiveness of promotional strategies

Specifications	Growing Method	CHAID
	Dependent Variable	Overall satisfaction towards promotional strategies
	Independent Variables	Building life insurance brands, Managing the promotional mix, Understanding prospective buyer segments, Insurance products that suit specific, Expanding product portfolio, Creating markets and redefining markets, Focusing on the proper channel-mix, Continuously looking for growth opportunities, Good PR and corporate advertising, Making use of flurry of media, Frequency and impact of the Ad. Campaign, Making use of tools like PR, sponsorships, events, social causes., Percolating traits of the brand, Stressing on long term relationships, Advertising /Ad campaigns
	Validation	None
	Maximum Tree Depth	3
	Minimum Cases in Parent Node	100
	Minimum Cases in Child Node	50
Results	Independent Variables Included	Advertising /Ad campaigns, Percolating traits of the brand, Creating markets and redefining markets
	Number of Nodes	7
	Number of Terminal Nodes	4
	Depth	3

Source: Output generated from SPSS 20

Table – 2

Risk of the model for effectiveness of promotional strategies

<b>Estimate</b>	<b>Std. Error</b>
.748	.040
Growing Method: CHAID	
Dependent Variable: Overall satisfaction towards promotional strategies	

Source: Output generated from SPSS 20

Table – 3

Gain summary for nodes for effectiveness of promotional strategies

Node	N	Percent	Mean
5	97	12.1%	4.49
6	519	64.9%	4.19
1	126	15.8%	4.04
3	58	7.2%	3.71

Growing Method: CHAID  
 Dependent Variable: Overall satisfaction towards promotional strategies

Source: Output generated from SPSS 20

From tree analysis model summary, “Advertising /Ad campaigns, Percolating traits of the brand and Creating markets and redefining markets” are important independent variables. These variables are contributing more towards effectiveness of promotional strategies.

VII. FINDINGS

The result determines the fact that almost all the attributes under effectiveness of promotional strategies towards life insurance products are important and the most influencing factors are identified as ‘Advertising /Ad campaigns, Percolating traits of the brand, Creating markets and redefining markets’ of the respondents. The customer opinion towards life insurance companies and its effectiveness are considered obligatory with the long term relationship of the companies. These factors interpreted are more indicative to customer opinion towards effectiveness of promotional strategies towards life insurance products among all other statements of opinion. Hence among the attributes under effectiveness of promotional strategies towards life insurance products, the above said statements are statistically significant and thus identified as the most influencing variable.

VIII. SUGGESTIONS AND CONCLUSION

Promotional mix strategy is an important phase of marketing strategy in making life insurance products pervasive among all



segments of customers and become as policy holders. Researcher has studied the effectiveness of promotional strategies in Tamilnadu. The study can be extended to other mix strategies of marketing. Innovative promotional mix can be a change to the growth rate of insurance industry; hence, the researcher of next generation may conduct studies in the field of marketing to provide innovative mixes so as to have better growth rate in the business in corporate world. It also provides utmost satisfaction to the customer. Only four promotional strategies were used for evaluating the effectiveness. Further the study can be included with other promotional methods relevant to market the life insurance products. Future studies may use multiple sources for understanding the strategic efficiency in marketing phenomenon to avoid the problem of common method variance. The present study is confined to only select districts of Tamilnadu. Therefore, the study undertaken in different other districts may explore different results.

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