Importance of customer awareness on marketing of insurance products

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ABSTRACT

Insurance sector is a booming sector, life insurance penetration in India is very low when compared to countries like Japan, Taiwan, Korea etc. The reason for low penetration is unawareness of the people about need of insurance in life. With entry of private players in the insurance market and their penetration, it is necessary to create awareness about life insurance policies among consumer. Life insurance marketing aims to increase customer awareness, successful distribution of insurance products, developing corporate image, improving customer service, improving customer base and its spread. At present customer awareness emerged as an important factor in marketing of any product. The present study concentrates on customer awareness on marketing of insurance products.

Introduction

India allowed its insurance market to the private sector during 1999 when Parliament passed a new law establishing an independent regulatory body to supervise the insurance market. The law allowed participation of private insurance companies and a limited participation of foreign insurance companies through joint ventures with Indian companies. Since then, the insurance markets have grown tremendously due to globalization of financial services and liberalization of economy, LIC of India has been facing severe competition. The new marketers with their aggressive penetration strategies and innovative product strategies, created insurance awareness among the customers.

The changes in the market differ in their function and retaining their customers in such a situation is a difficult task. Since the overall business strategy has evolved as customer-centric, the customer awareness is emerging factor in marketing of insurance products.

Review of literature

The word Marketing used today was developed initially in connection with the selling of consumer–packaged goods and later with the selling of industrial goods. The Committee on Definitions of the American Marketing Association (AMA) defined marketing as the business activities that focus on its performance and also direct the flow of goods and services to the consumer (Alexander, 1960). The characteristics of services are the justification for the claim that services marketing is different to marketing physical products. (Van Looy, Gemmel and Van Dierdonck, 2003; Zeithaml and Bitner, 2003; Fisk, Grove and John, 2004). Services marketing strategies are developing now-a-days. Various factors affecting the developments within services marketing are organization size and structure, regulatory bodies, growth in service industries, characteristics of services, customer/employee interaction, and specific service sectors. Services marketing are the process of researching and promoting to a market with non–physical goods known as services.

Insurance marketing means the marketing of insurance products which give the importance of the customer preferences and priorities. Life insurance marketing aims to increase customer awareness, successful distribution of insurance products, developing corporate image, improving customer service, improving customer base and its spread etc. Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies and the fact that insurers orient mostly to short term needs; and while trying to apply more actively insurance marketing means it is necessary to change the whole organizational management structure of an insurance company, the channels of insurance products sales, technologies of communication with clients, and etc.

LIC has to analyze the nature of the customer's needs and plan their products and services in such a way that they can give satisfaction to the customers and face the competitors. Planning needs analysis of the insurance market to take a decision, prediction, and forecasting as to future needs of customers. All these programs involve a number of functions (7Ps), which are to be planned carefully. The combination of these functions is known as insurance service marketing mix. Borden (1965), who conceived the ideas of marketing mix, but did not formally define the marketing mix (Bennett, 1997). He explained it as important elements or ingredients that makeup a marketing program. Borden's original marketing mix had a set of 12 elements: product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. Lazer and Kelly (1962) and Lazer, Culley and Staudt (1973) suggested three elements of marketing mix: the goods and services mix, the distribution mix, and the communication mix. McCarthy (1978) regrouped Borden's 12 elements into four elements and was the first who offered the marketing mix, which is also known as the four Ps. He defined the marketing mix as a combination of all of the

factors at marketing manager's command to satisfy the target market.

This marketing mix approach has been criticized for being incomplete, because it does not bear in mind services marketing. Booms and Bitner (1981) create 7Ps by adding Participants, Physical Evidence, and Process to the original 4Ps. Their creation aims to include service in the marketing mix, and therefore the additional Ps are called —Service Ps. The marketing mix with the 7 Ps is highly appropriate towards businesses that offer services (Zeithaml and Bitner, 2003). The 7Ps of marketing mix have been studied by some researchers in marketing fields (Low and Tan, 1995; Pheng and Ming, 1997; Melewar and Saunders, 2000). Still, the expanded marketing mix suggested by Booms and Bitner (1981) has been considered to be a valuable tool for marketing service.

Objectives of study

1. To examine the awareness of policyholders about importance of LIC as a marketing factor.

Hypothesis

The following hypotheses are framed and tested using Chi-square test.

Hypothesis (H_0) 1: There is no difference among the education of customers with regard to overall awareness of LIC.

Hypothesis (H_0) 2: There is no difference among the different occupation categories with regard to overall awareness of LIC.

Hypothesis (H_0) 3: There is no difference among the different income categories with regard to overall awareness of LIC.

Sample size

The sample size of the customer is determined by using the following formula

$$n=\frac{Z^2.pq}{e^2}$$

Z=1.96, p=0.5,q=0.5 (1-p) e=error 0.04

$$n=\frac{3.84x0.5x.05}{0.0016}$$

n=600.25

This is the formula to estimate the sample size based on the population proportion. Here the population proportion (p) is unknown. Therefore the researcher substitutes the maximum value of p and q to determine the sample size.

Sample method

Non-probability based convenience sampling method.

Universe for the study

The population of the present study includes LIC policy holders of Kanyakumari district.

Demographic profile of the respondents

Table1.1 exhibits the profile of the sample respondents selected for the study.

Demographic profile of the respondents

	Categories	Frequencies	Cumulative
Gender	**Male**	**332**	**55.3**
	Female	**268**	**44.7**
Age	**20-30**	**131**	**21.8**
	31-40	**100**	**16.7**
	41-50	**269**	**44.8**
	Above50	**100**	**16.7**
Education	Up to SSLC	49	08.2
	Higher Secondary School	100	16.7
	Graduate	134	22.3
	Post Graduate	216	36
	Professional	101	16.8
Marital status	Married	518	86.3
	Un Married	82	13.7
Number of children	Up to 2	202	33.7
	3-5	350	58.3
	Above5	48	8
Nature of family	Nuclear	452	75.3
	Joint	148	24.7
Main occupation	Farmer	50	8.3
	Self employed	33	5.5
	Business	50	8.3
	Govt.	217	36.2
	Private	116	19.3
	Professional	50	8.3
	Others	84	14
Place of residence	Rural	330	55.0
	Urban	134	22.3
	Semi urban	136	22.7
Income Tax assessee	Assessee	382	63.7
	Non-assessee	218	36.3
Prospects of future customer	Future customer	411	68.5
	Non customer	189	31.5

Source: Primary Data

Table No 2.1. Mean score and frequency (percentage) of customers awareness on LIC products.

Variables	Fully Aware	Aware	Neutral	Not Aware	Fully Not Aware	Mean Score
Whole life policy	148 (24.7%)	301 (50.2%)	17 (2.8%)	66 (11%)	68 (11.3%)	4.0
Endowment policy	281 (46.8%)	167 (27.8%)	51 (8.5%)	17 (2.8%)	84 (14.0)	3.93
Money back policy	347 (57.8%)	186 (31.0%)	17 (2.8%)	17 (2.8%)	33 (5.5%)	4.3
Pension policy	251 (41.8%)	101 (16.8%)	83 (13.8%)	81 (13.5%)	84 (14.0%)	3.6
ULIP policy	200 (33.3%)	133 (22.2%)	83 (13.8%)	17 (2.8%)	167 (27.8%)	3.3
Children policy	181 (30.2%)	267 (44.5%)	34 (5.7%)	51 (8.5%)	67 (11.2%)	3.7
Joint life policy	132 (22.0%)	218 (36.3%)	17 (2.8%)	66 (11.0%)	167 (27.8%)	3.1
Woman life policy	81 (13.5%)	235 (39.2%)	51 (8.5%)	49 (8.2%)	184 (30.7%)	3.0
Micro insurance	64 (10.7%)	118 (19.7%)	85 (14.2%)	34 (5.7%)	299 (49.8%)	2.4
Term rider benefits	149 (24.8%)	135 (22.5%)	85 (14.2%)	68 (11.3%)	163 (27.2%)	3.0
Accident benefits	132 (22.0%)	250 (41.7%)	85 (14.2%)	83 (13.8%)	50 (8.3%)	3.5
Health insurance	147 (24.5%)	266 (44.3%)	85 (14.2%)	51 (8.5%)	51 (8.5%)	3.7

Source: Primary Data and Computed Data

It is observed that out of the 600 selected customers, males constitute 55.3 per cent and females come to 44.7 per cent

From the table it can be seen that 86.3 per cent respondents are married. As to educational qualification 36.0 per cent are postgraduates, 22.3 per cent are graduates and16.8 per cent are professionals. Also, it may be seen that8.2 per cent have completed school education. Considering the type of family, 75.3 per cent are nuclear families. It is also observed that families having more than 2 members constitute 58.3 per cent. The classification of the sample based on their occupation shows that the majority of the selected customers are Govt. employees (36.2 per cent), followed by private service (19.3 per cent) and business and self- employed (13.8 per cent). It is observed that 68.5 per cent respondents are future customers of LIC. Out of 600 respondents 67.3 per cent are income tax assesses.

Customer Awareness on Various Aspects of LIC

In this section customer awareness of product, service, documents and policy are analysed. It is important to analyse the awareness on various products offered by LIC, customer awareness on service offered by LIC and the customer awareness on policy related issues

A. Customer Awareness on Product Related Issues

The investigator has made an attempt to analyse customer awareness on various product related issues.

The table 2.1 shows that 57.5 percent (347) respondents are fully aware about money back policy and 49.8 per cent (299) respondents are not fully aware about micro insurance.

B. Customer Awareness on Service Related Issues

The investigator has made an attempt to analyse customer awareness on various service related issues.

The table 2.2 shows that 63.2 per cent respondents are fully aware about bank assurance, 15.8 per cent (95) respondents are not fully aware about premium waiver benefit option.

C. Customer Awareness on Document Related Issues

The investigator has made an attempt to analyse customer awareness on various document related issues.

Table No 2.2. Mean Score and Frequency (percentage) of Customers Awareness on Service Related Issues.

Variables	Fully Aware	Aware	Neutral	Not Aware	Fully Not Aware	Mean Score
Rebate on premium for annual and half yearly payment	148 (24.7%)	147 (24.5%)	100 (16.7%)	143 (23.8%)	62 (10.3%)	3.3
Mode of premium payment	298 (49.7%)	115 (19.2%)	139 (23.2%)	41 (6.8%)	7 (1.2%)	4.09
Methods of premium payment	158 (26.3%)	160 (26.7%)	130 (21.7%)	118 (19.7%)	34 (5.7%)	3.5
Grace period available to pay premium	177 (29.5%)	147 (24.5%)	204 (34.0%)	68 (11.3%)	4 (0.7%)	3.7
Premium waiver benefit option	166 (27.7%)	98 (16.3%)	120 (20.0%)	121 (20.2%)	95 (15.8%)	3.2
Reminder	224 (37.3%)	42 (7.0%)	193 (32.2%)	111 (18.5%)	30 (5.0%)	3.5
Premium paid certificates for claiming tax benefits	216 (36.0%)	107 (17.8%)	226 (37.7%)	48 (8.0%)	3 (0.5%)	3.8
Centres for premium payment	210 (35.0%)	118 (19.7%)	143 (23.8%)	65 (10.8%)	64 (10.7%)	3.6
LIC branch office	189 (31.5%)	183 (30.5%)	198 (33.0%)	3 (0.5%)	27 (4.5%)	3.8
ATM Centre	124 (20.7%)	98 (16.3%)	223 (37.2%)	76 (12.7%)	79 (13.2%)	3.2
Internet/Online payment	142 (23.7%)	148 (24.7%)	233 (38.8%)	49 (8.2%)	28 (4.7%)	3.5
Banks	208 (34.7%)	176 (29.3%)	189 (31.5%)	3 (0.5%)	24 (4.0%)	3.9
Senior business associate	257 (42.8%)	141 (23.5%)	167 (27.8%)	15 (2.5%)	20 (3.3%)	4
Electronic clearing system	259 (43.2%)	142 (23.7)	175 (29.2%)	6 (1.0%)	18 (3.0%)	4.03
Short Message Service(SMS)	150 (25.0%)	227 (37.8%)	52 (8.7%)	103 (17.2%)	68 (11.3%)	3.5
1251 Service for getting policy related information (Intra voice information system)	174 (29.0%)	91 (15.2%)	136 (22.7%)	147 (24.5%)	52 (8.7%)	3.3
Revival/ Renewal of lapsed polices	219 (36.5%)	158 (26.3%)	140 (23.3%)	80 (13.3%)	3 (0.5%)	3.9
Bancassurance	379 (63.2%)	151 (25.2%)	20 (3.3%)	50 (8.3%)	0 (0.0%)	4.43

Source: Primary Data and Computed Data

Table No 2.3. Mean Score and Frequency (percentage) of Customers Awareness on Document Related Issues.

Variables	Fully Aware	Aware	Neutral	Not Aware	Fully Not Aware	Mean Score
Procedure in taking policy	250 (41.7%)	317 (52.8%)	0 (0.0%)	0 (0.0%)	33 (5.5%)	4.3
Certificate of age proof	249 (41.5%)	285 (47.5%)	33 (5.5%)	0 (0.0%)	33 (5.5%)	4.2
Risk coverage(Security)	150 (25.0%)	301 (50.2%)	66 (11.0%)	17 (2.8%)	66 (11.0%)	3.8
Variety of policies and attractive scheme	34 (5.7%)	184 (30.7%)	152 (25.3%)	114 (19.0%)	116 (19.3%)	2.8
Publicity of features or policy of LIC by various media	571 (9.5%)	156 (26.0%)	85 (14.2%)	118 (19.7%)	184 (30.7%)	2.6
Details of modified provisions to policyholders	68 (11.3%)	116 (19.3%)	134 (22.3%)	50 (8.3%)	232 (38.7%)	2.6
Bonus amount added	152 (25.3%)	182 (30.3%)	83 (13.8%)	100 (16.7%)	83 (13.8%)	3.4
Survival benefits	68 (11.3%)	251 (41.8%)	66 (11.0%)	66 (11.0%)	149 (24.8%)	3.0
Details of nomination	151 (25.2%)	264 (44.0%)	34 (5.7%)	67 (11.2%)	84 (14.0%)	3.5
Details of assignment	34 (5.7%)	151 (25.2%)	48 (8.0%)	84 (14.0%)	283 (47.2%)	2.3

Source: Primary Data and Computed Data

The table 2.3 shows that 41.7 per cent (250) respondents are aware about procedure in taking policy and 47.2 per cent (283) respondents are not fully aware about details of assignment.

Customer Awareness on Policy Related Issues

The investigator has made an attempt to analyse customer awareness on various policy related issues.

Table No. 2.4. Mean Score and Frequency (percentage) of Customers Awareness on Policy Related Issues.

Variables	Fully Aware	Aware	Neutral	Not Aware	Fully Not Aware	Mean Score
Information technology in the LIC in the changing needs (online payment)	120 (20.0%)	198 (33.0%)	126 (21.0%)	19 (3.2%)	137 (22.8%)	3.2
Switch the policy from one branch to another branch	74 (12.3%)	230 (38.3%)	128 (21.3%)	67 (11.2%)	101 (16.8%)	3.2
Option to switch between funds	37 (6.2%)	115 (19.2%)	122 (20.3%)	117 (19.5%)	209 (34.8%)	2.4
Details of new policy	137 (22.8%)	221 (36.8%)	89 (14.8%)	81 (13.5%)	72 (12.0%)	3.5
Details of policy loan	139 (23.2%)	299 (49.8%)	48 (8.0%)	58 (9.7%)	56 (9.3%)	3.7
Percentage of loan on premium, interest charge, EMI	135 (22.5%)	219 (36.5%)	99 (16.5%)	86 (14.3%)	61 (10.2%)	3.5
Details of surrender value of policy	76 (12.7%)	296 (49.3%)	87 (14.5%)	19 (3.2%)	122 (20.3%)	3.3
Minimum period for surrender extended from 3 years to 5 years(w.e.f.1-10-2010 by IRDA)	59 (9.8%)	111 (18.5%)	125 (20.8%)	82 (13.7%)	223 (37.2%)	2.5
Maturity benefits	127 (21.2%)	256 (42.7%)	113 (18.8%)	31 (5.2%)	73 (12.2%)	3.5
Details of death benefits	143 (23.8%)	247 (41.2%)	44 (7.3%)	97 (16.2%)	69 (11.5%)	3.5
Procedure for claim settlements	148 (24.7%)	216 (36.0%)	108 (18.0%)	50 (8.3%)	78 (13.0%)	3.5
Penalty charges for delayed payments	133 (22.2%)	327 (54.5%)	54 (9.0%)	14 (2.3%)	72 (12.0%)	3.7
Grievance redressal mechanism (Ombudsman)	35 (5.8%)	120 (20.0%)	99 (16.5%)	84 (14.0%)	262 (43.7%)	2.3
About IRDI and role in insurance sector	71 (11.8%)	146 (24.3%)	126 (21.0%)	83 (13.8%)	174 (29.0%)	2.7
Availability of policy/insurance products	67 (11.2%)	227 (37.8%)	166 (27.7%)	75 (12.5%)	65 (10.8%)	3.3
Facility of payment and various policies taken in various branches	83 (13.8%)	239 (39.8%)	119 (19.8%)	80 (13.3%)	79 (13.2%)	3.2
LIC is a health insurance and investment plan	129 (21.5%)	224 (37.3%)	150 (25.0%)	40 (6.7%)	57 (9.5%)	3.5
Penalty for discontinued policy	156 (26.0%)	192 (32.0%)	73 (12.2%)	66 (11.0%)	113 (18.8%)	3.3

The table 2.4 shows that 54.5 per cent (327) respondents are aware about penalty charges for delayed payments and 37.2 per cent (223) respondents are not fully aware about the minimum period for surrender extended from 3 to 5 years.

Association of Selected Customer Demographic Variables on the Overall Awareness Level

The awareness level can be influenced by certain demographic characteristics of the respondents. Therefore, an attempt is made to test if there exists any association between selected demographic variables such as education, occupation and monthly income and overall awareness of LIC and its products, policy, documentation and services.

Overall Awareness of LIC Based on Education

Chi-square analysis was performed to test whether any significant difference existed among education, occupation and monthly income of the customers with regard to overall awareness of LIC.

Hypothesis (H_0) 1 = there is no difference among the education of customers with regard to overall awareness of LIC.

Table No 3.1. Cross Tabulation between Education and Overall Awareness

Education level	Overall Awareness					Total
	FA	A	N	NA	FNA	
Up to SSLC	1	17	31	0	0	49
Higher Secondary School	2	37	61	0	0	100
Graduate	0	45	87	2	0	134
Post Graduate	2	88	126	0	0	216
Professional	0	36	65	0	0	101
Total	5	223	370	2	0	600

Source: Computed Data

Table No 3.2. Chi-square test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.542	12	.331
No. of Valid Cases	600		

Source: Computed Data

As the calculated value 13.542 is not significant (0.006) at 5% level, the null hypothesis is accepted. Thus we can conclude that there is no difference among the different educational levels with regard to overall awareness.

Overall Awareness of LIC Based on Occupation

Hypothesis (H_0) 2 = there is no difference among the different occupation categories with regard to overall awareness of LIC.

Table No 3.3. Cross Tabulation between Occupation and Overall Awareness

OCCUPATION	Overall Awareness					Total
	FA	A	N	NA	FNA	
Farmer	0	22	28	0	0	50
Self employed	2	13	16	2	0	33
Business	0	23	27	0	0	50
Govt Employee	2	62	155	0	0	217
Private	1	37	78	0	0	116
Professional	0	18	32	0	0	50
Total	5	223	370	2	0	600

Source: Computed Data

Table No 3.4.Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	78.363[a]	18	.000
No. of Valid Cases	600		

Source: Computed Data

As the calculated value 78.363 is not significant (0.000) the null hypothesis is accepted. Thus we can conclude that there is no difference among the occupation with regard to overall awareness of LIC.

Overall Awareness of LIC Based on Monthly Income

Hypothesis (H_0) 3 = there is no difference among the different income categories with regard to overall awareness of LIC.

Table No 3.5.Cross Tabulation between Monthly Income and Overall Awareness

Monthly Income	Overall Satisfaction					Total
	FA	A	N	NA	FNA	
Below 10000	1	54	111	0	0	166
10001 to 20000	0	35	81	0	0	116
20001 to 30000	2	44	51	2	0	99
Above 30000	2	90	127	0	0	219
Total	5	223	370	2	0	600

Source: Computed Data

Table No 3.6.Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.807[a]	9	.010
No. of Valid Cases	600		

Source: Computed Data

As the calculated value 21.807 is significant (0.010) at 1% level the null hypothesis is rejected. Thus we can conclude that there is difference among the different income categories with regard to overall awareness of LIC

Suggestions

-LIC has to organize insurance awareness and its product awareness regularly to the public
so that the public can have a better idea on the importance of having life policies and thereby increased life insurance density and penetration.

- The information technology has immense potential in marketing services and servicing policyholders. The dependence of customers on agents for payment of premium and other services shows the underutilization of information technology. As such, the premium payment and other services are to be simplified by enabling the customers to access and utilize the services with ease through online by providing demo.

-Regional languages has to be used while implementing promotional efforts through opted media and the media selected should be suitable to customer segments, and its theme and contents should be oriented in such a way that it adds to awareness and creates knowledge on products and services among the prospective customers.

Conclusion

The life insurance industry has great potential in India, as the insured population of the country is one fifth of the population. Bringing the uninsured population in one umbrella of life insurance needs strategic approach, not only in designing appropriate and suitable products but also in satisfying the customer needs to the extent of their expectation in all respects, by making proper awareness.

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