

Marketing Strategies of LIC in Life Insurance Industry

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Abstract: Marketing strategies of life insurance plays an important role in the penetration of respective market. Insurance companies are in a unique position when it comes to marketing. They have no tangible products to sell, but instead rely on strong relationships with loyal customers and word of mouth to help them compete. Still, despite the challenges, the marketing strategies for insurance companies are really no different than for any other company, and require a strong focus on the basics of effective marketing. The marketing strategies keeps on changing with the passage of time and it needs to be changed accordingly to be able survive and compete in the highly competitive market. Better marketing strategies like new products, innovative distribution, and better use of technology are helping the new breed of private life insurers to take market share away from the monopolist of earlier days. This paper is mainly focused on the marketing strategies adopted by LIC and an attempt is made to find the new marketing strategies which would be more customer oriented and market capturing in nature.

Keywords: Marketing strategies, Private life insurer, LIC, Customer.

1. INTRODUCTION

Marketing strategy is a process that allows an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centred on the key concept that customer satisfaction is the main goal. Marketing plays a vital role within the insurance industry. It is used to increase sales and sustain marketplace positions for major companies and by smaller companies to build and grow their businesses.

The importance of life insurance companies as part of the financial sector has significantly increased over the last decades, both as provider of important financial services to consumers and as a major investor in the capital market. The service industry in India has achieved a phenomenal growth in the recent past and among them, Insurance is one sector, which has witnessed high decibel growth thanks to the investor friendly regulator in the name of Insurance Regulatory Development Authority (IRDA). With such a large population and the untapped market area of this population insurance happens to be a very big opportunity in India. Today it stands as a business growing at the rate of 15-20 per cent annually. In spite of all this growth the statistics of the penetration of the insurance in the country is very poor. Nearly 80% of Indian populations are without Life insurance cover and the Health insurance. This is an indicator that growth potential for the insurance sector is immense in India. It was due to this immense growth that the regulations were introduced in the insurance sector and in continuation "Malhotra Committee" was constituted by the government in 1993 to examine the various aspects of the industry. The practice of advertising, promoting, and selling financial products and services is in many ways far more complex than the selling of consumer packaged goods, automobiles, electronics, or other forms of goods or services.

Objectives of the Study:

- 1 To know the various marketing strategies adopted by LIC in India.
2. To make suggestions and recommendations to improve upon the working of the LIC.

Scope of the Study:

The study is intended to provide information about market strategies potential of the LIC business in life insurance industry.

2. MARKETING STRATEGIES OF LIFE INSURANCE



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 (Kotler, 1984). As the financial services sector has become more competitive, financial institutions need to consider, ways of developing relationships with their existing customers in order to defend their market share. As a result of this the emphasis has switched from transaction-based marketing focused on the single sale to an ongoing relationship over the long term based on high levels of customer service, customer contact and quality. This necessitates a strategic approach to markets by carefully considering the products offered and markets served and should provide an organization with the means to allocate its resources effectively and efficiently in the pursuit of the specified objectives. Strategic dimension of marketing should focus on the direction that an organization would take in relation to a specific market or set of markets in order to achieve a specified set of objectives.

3. LIC OVERVIEW

ICICI Prudential is a joint venture between ICICI Bank and Prudential plc engaged in the business of life insurance in India. ICICI Prudential is the largest private insurance company and second largest insurance in India after LIC. ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank, a premier financial powerhouse, and prudential plc, a leading international financial services group headquartered in the United Kingdom. ICICI Prudential was amongst the first private sector insurance companies to begin operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). ICICI Prudential Life's capital stands at Rs. 37.72 billion (as on March, 2008) with ICICI Bank and Prudential plc holding 74% and 26% stake respectively. The company has assets held over Rs. 30,000 crore as on April 30, 2008. ICICI Prudential Life is also the only private life insurer in India to receive a National Insurer Financial Strength rating of AAA (Ind) from Fitch ratings. The AAA (Ind) rating is the highest rating, and is a clear assurance of ICICI Prudential's ability to meet its obligations to customers at the time of maturity or claims. For the past seven years, ICICI Prudential Life has retained its leadership position in the life insurance industry with a wide range of flexible products that meet the needs of the Indian customer at every step in life. Since the liberalization of Indian Insurance sector, ICICI Prudential Life Insurance has been one of the earliest private players. Since the time, ICICI Pru Life has been the leader in terms of market share as indicated by the IRDA (Insurance Regulatory and Development Authority, the regulator for Indian Insurance Industry) at its website.

4. MARKETING MIX FOR INSURANCE

The insurance companies in private and the public sector insurance need to assign due weight age to the formulation of marketing mix for the emerging insurance business. The emerging trends indicate that if the insurance companies delay the process of formulating a sound marketing mix for their business, there would be a sharp fall in their market share in the future, which would bring down the rate of profitability. This makes it essential to study the different submixes of marketing such as the product mix, the promotion mix, the price mix, the place mix, the people, the process and the physical evidence, in relation to the marketing of insurance.

5. COMPONENTS OF LIFE INSURANCE MARKETING STRATEGIES

The term insurance marketing refers to the marketing of insurance service with the motto of customer-orientation and profit-generation. The insurance marketing focuses on the formulation of an ideal mix for the insurance business so that the insurance organizations survive and thrive in a right perspective. They quality of services can be improved by formulating a fair mix of the core and peripheral services.

The marketing concept in the insurance business is concerned with the expansion of insurance business in the best interest of society vis-à-vis the insurance organizations. But in the modern business world, the marketing concept insists on fixing of accountability for overall marketing performance. The concept of marketing as co-creating value is considered to be a very significant one; this viewpoint is very new and may take some time to be absorbed into the mainstream of the life insurance sector. It is, therefore, practical to consider some of the more conventional approaches to services marketing. However, there are some considerations that still apply to the marketing of services; just as conventional marketing has been underpinned by the four 'Ps', financial services marketing too has a marketing mix which consists of eight 'Ps' (Lovelock 2001).

The 'Ps' is listed below, with examples of financial services provided:

Product element: The product element in the financial services is of the outmost importance, since the customer is initially attracted to the product only. The benefits of the financial services must be of value to the customer.

Place and time: Place and time elements represent the way in which the services delivered to the customer. Many of the basic financial services are available 24/7 or during a working day (via automated telling machines).

Process: This refers to means through which the service is created and consumed (or even co-produced). The more easy and friendly process will be, the higher the demand will be of the product in the financial services market. The consumer plays a significant role in the process or creation of the financial services.

Productivity: Productivity refers to the way in which the inputs of the service are translated in to outputs that are valued by the customers. In financial services where economies of scale are considered to be critical in driving down costs (not necessarily prices), efficient production has to be central. It is also essential to maintaining quality, without which customers will switch to competitors who offer better quality

People: People are the most important element of any service or experience. Services tend to be produced and consumed at the same moment, and aspects of the customer experience are altered to meet the individual needs of the person consuming it. People have an important role in service delivery, they are relied upon to deliver and maintain transactional marketing and people play an important part in the customer relationship.

Promotion: It refers to the marketing strategies which help in promoting the financial services in the market. Promotion in financial services may spell out the advantages of a particular service provider over its rivals, as the sector is highly competitive and differentiation between products and providers is difficult to establish.

Physical evidence: The service firm must recognize the importance of physical evidence and the role it is likely to play in overall marketing strategy of the firm. The reasons why physical evidence management cannot be left to chance include its role in service packaging, service differentiation, facilitation in the service creation and delivery, and customer and employee socialization a traditional means of overcoming the intangibility of most services by providing some element of tangible evidence

Price: The price is an important aspect of the marketing of financial services in the competitive market. Every customer wants to pay less and buy more. The customers pay for their financial services either directly or indirectly, although pricing is highly competitive.

The selection of risks (product planning), policy writing (customer service), rating of actuarial (pricing) and agency management (distribution) – all marketing activities make up an integrated marketing strategy. Particularly in the developing countries like ours, the organizational objectives advocate spreading of insurance services much more widely and in particular to the rural areas and especially to the economically backward classes with a view to reaching all insurable persons. This naturally necessitates an integral marketing strategy. In other words, market-orientation in place of sales orientation is need of the hour. Hence the marketing concept in the insurance business focuses on the formulation of marketing mix or a control over the whole group of marketing activities that make up an integrated marketing strategy.

6. LIFE INSURANCE NEW ERA

According to industry experts, one of the main reasons for the low insurance penetration in India was the ineffective distribution and marketing strategies adopted by LIC. The company reportedly never had any strategic marketing game plan, and due to its monopolistic nature the need for serious marketing efforts was never felt. The advertising initiatives were limited to some print and electronic media advertisements that typically talked about LIC's products being great tax saving tool for salaried individuals who came under the income-tax bracket. Despite all this, LIC was synonymous with insurance in India and it had established an enviable brand image for itself, especially in the rural areas and small towns. However, with the entry of new players, the insurance market changed almost overnight. Analysts commented that the private insurers seemed all set to make the industry marketing-driven, wherein technical and service excellence would be the key factors of success. The private companies, in a bid to make their presence felt and their brand noticed, initiated a series of aggressive marketing and promotion initiatives to reach out to the customer easily and effectively. These led to the emergence of new private players and capture the untapped Indian insurance market. One of the most efficient and emerging company in private sector is ICICI Prudential.

7. CONCLUSION

Life insurance industry is an emerging service sector in this competitive market, this requires new strategies in order to survive and survive successfully. There are huge potential to tap the insurance and for this, industry needs to frame such plans and strategies that will help to capture the market. Life insurance has today become a core of any market economy since it offers plenty of scope for accumulating large sums of money for long periods of time. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential if we desire to progress towards a worry-free future. Companies instead of focusing only on improving the variety of products needs 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. The life insurers should conduct more extensive market research before introducing insurance products targeted at specific segments of the population so that insurance can become more meaningful and affordable to common people.

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