

MARKETING A POLICY

**Customers don't buy products.
They buy solution to their problems**
- Theodore Levitt

The Marketing Function

Over the ages marketing has risen from an isolated activity, aimed merely at pushing through goods in existing markets into an integrated marketing function. In the modern corporate world, marketing is now a recognised entrepreneurial function. Marketing as a concept has also undergone a horizontal expansion. In its present form, marketing not only covers goods and services but also covers organisations, places and even people. Marketing concepts are also applied to promote causes like family planning, national integration, environment protection, education, etc. The parochial goals of just selling goods or services have now been replaced by much wider objectives like customer satisfaction.

The importance enjoyed by marketing today can be well attributed to the increasing volume of commerce and the complexity of markets. In the days of smaller markets and limited products demand easily exceeded supply and thus sales were more or less effortless. Consumers kept their wants at a bare minimum and marketers offered very little choice. But with the advent of modern techniques of mass production, range and quality of goods and services increased drastically. This induced marketers to venture new markets and promote their products to a large cross

section of consumers having diverse attitudes, life styles, preferences, etc. All this made it imperative for the marketers to analyse the markets, assess the consumer behaviour, invent promotional tools, and offer innovative products, which in its totality, gave birth to vital function in Marketing Management.

The ever changing market dynamics has led to a situation where marketing is supposed to be much more than selling. Creation of demand rather than satisfaction of already existing demand, is the ultimate objective. Focus has shifted from product to the consumer. Innovative concepts like market segmentation, product differentiation, brand development consumer psychology, advertising, publicity and public relations have developed under the umbrella of marketing. Thus marketing a pull strategy has far overtaken sales a push strategy both in scope as well as complexity.

Insurance Marketing

By its very nature, marketing of services has remained ticklish and unique in many aspects. Absence of exchange of tangible goods makes the qualitative assessment of service highly subjective. Since service parameters are very rarely defined - statutorily or commercially - every customer has his own perception of the service standards, which are not always matched by those set by the service providers. Such a perceptual mismatch is the major cause behind the

high degree of customer dissonance encountered by service industries. Thus a customer always feels that he is not getting a fair deal for his money. Due to these factors, a deep analysis of consumer behaviour and a direct interaction with the customers are essential ingredients of services marketing.

Marketing of financial services like insurance is even more difficult in India. The average Indian consumer with his instinct to get something concrete in return of his hard earned money is still reluctant to buy products like and insurance policy. Besides this the society and culture with their beliefs of fatalism make insurance marketing more formidable. Insurance takes care of the want of safety and should thus ideally take precedence over expenditure towards comfort and luxury. But because the sacrifice is real and immediate while the benefits are distant and contingent, insurance figures low down on the priority list of an average consumer.

This only goes to prove that more than the product, the concept itself has been poorly marketed. Although LIC has with the help of tax benefits and the investment edge enjoyed by a life insurance policy, explored almost all segments of Indian market, general insurance is lagging far behind. Even after nationalisation the reach of general insurance products has remained restricted to the corporates and the urban elite. Deprived of the

investment edge and with very little tax benefits, value addition in general insurance policies is virtually absent, which is a major impediment to the development of personal lines of insurance.

General insurance in India has also failed to establish brand equity. Prestigious brands are acknowledged as icons of quality and have in many cases substituted the generic names of products. Brands also help in allaying the lack of tangible exchange to a great extent and hence are vital to services like insurance. Established brands facilitate price manoeuvrability in the long run. Insurance products are homogenous and are not patentable. Hence in a competitive environment where almost the same type of products are offered by many players, it is the brand image which becomes the deciding factor rather than the merit of the policy. Barring LIC to a certain extent, no other insurance company has managed to develop its brand loyalty.

Marketing Strategy

Strategic planning is vital for all branches of management. In the context of marketing, it implies a systems approach whereby specific marketing objectives are pursued in accordance with a well devised plan by a suitably developed marketing organisation that can forcefully implement the plans in an integrated manner and provide a reliable feedback which facilitates evaluation and control.

Marketing objectives indicate the precise results that are expected out of the marketing exercise. They serve as benchmarks for planning the marketing activity. Profit maximisation, sales volume, market share, brand development, social goals and customer satisfaction are some of them. These apart, product mix considerations are of particular relevance to insurance

organisations. While formulating the marketing objectives, analysis of environmental and internal factors should be carried out with the help of techniques like SWOT analysis.

Due to the conflicting nature of objectives, their simultaneous pursuit might end up in marketing efforts being wasted. Hence it is essential not only to determine the marketing goals objectively but also to fix the interse priorities. Growth and profitability are two such objectives bothering the general insurance industry today. Although growth has been persistently favoured, declining profitability in the recent years has caught the industry in a predicament regarding the viability of uncontrolled growth. Increased reliance on motor premium for achieving the targeted growth rate has made profitability inversely proportional to growth. Such a situation calls for an urgent review of marketing objectives to ensure that only viable growth is encouraged. The focus of marketing has to be shifted from overall growth to growth in the non motor portfolio.

Determination of marketing mix which comprises of product, price placement and promotion, is another area of marketing strategy. As indicated earlier, product mix considerations are crucial to the insurance industry, where products are quite flexible and can adapt almost immediately to the market requirements. Intensive market research and the consequent product development should be an ongoing process so that diverse expectations of various market segments can be satisfied.

Price being the only revenue generating item of the marketing mix is of supreme importance. Although essentially a finance function, pricing has some significant marketing considerations

also. The high price elasticity of demand in India also makes it an important parameter influencing the fortunes of a product. In a strict marketing parlance, price is what the customer is ready to pay for a product. For insurance products, the incurred claims experience normally forms the basis of pricing. However for newly launched products, where claims experience is not available, a reasonable estimate has to be arrived at based on risk analysis and hazard exposure. Besides these, various considerations like product life cycle, level of competition, demand, commission structure, margin for value addition, marginal cost, etc. also influence the pricing policy.

Insurance products have been traditionally placed through the operating offices and the agency force attached with them. In the recent times, however, insurers have found new placement channels in social and cultural organisations. Recreation clubs, travel agencies, credit cards, government bodies, etc. The effectiveness of an in-house placement channel not only decides the fate of direct marketing effort but also facilitates servicing which again complements direct marketing. The operating units have to be technically and administratively sound and equipped with sufficient powers to market and service products. The number of tiers in the channel should be kept minimum to eliminate delays in decision making.

Promotion is yet another area of significance to insurance marketing. As stated earlier, concept promotion and brand promotion in general insurance has been quite ordinary. A suitable promotional mix comprising of tools like personal selling, advertising, publicity and public relations should be prepared to suit the requirements of

various market segments.

Hence it is seen that each of the above marketing mix components has a direct bearing on the ultimate operating results of an insurer. All of them put together, govern the direction and momentum of overall marketing effort. Thus a meticulously designed marketing strategy which is in consonance with the corporate mission and philosophy is a condition precedent to the attainment of corporate goals.

The approach of the industry to these factors so far has been quite superficial and desultory. Until recently, very few new products were launched. No conscious effort to assess the market requirements was made. Whatever innovation that was materialised was not always accompanied by adequate marketing support with result that many new policies became defunct. The pricing function of the insurers also is to a large extent curtailed by the tariff regime.

Marketing Organisation

Due to the unique features of insurance marketing discussed earlier, personal selling has been utilised as the dominant marketing tool the world over. Insurance products are not standardised (except those controlled by tariffs) and are modified frequently to suit the market. Moreover as a concept itself, insurance is difficult to comprehend for a layman. Besides this it is concerned with the safety of person or property and hence the consumer is likely to be more prudent and questioning while buying a policy. Since the concept itself is under developed the process of marketing a policy becomes time consuming and takes a fair amount of counselling and persuasion. Due to these features effective communication through personal selling is the key to success.

In order to implement the marketing plans effectively, the organisation throughout its hierarchy should be manned people having thorough technical and marketing skills. The heads of operating units should possess excellent communication skills so that they can not only convince a wide range of customers but can also motivate and educate the field personnel. They should possess a comprehensive understanding of the marketing strategy as well as the corporate mission so that they can direct the grassroot marketing efforts with a view to attain the desired goals.

Here it is pertinent to examine the role of agents. Agents are the connecting links between the insurers and the customers. They are the people who actually carry and present the insurance products to the customers. Their interaction with the customers is primarily responsible for the image of the product or the organisation formed by the customer. Hence they are the human assets of the marketing organisation. A healthy agency force not only ensures sustained and viable growth but also develops the brand image of the insurer. Hence the entire process of selecting, recruiting, inducting, training, motivating, and remunerating agents should be carried out most scrupulously. The persons selected should have an idea of the local market potential and the resources to tap the same. They should be sufficiently qualified to understand and explain the intricacies of the concept as well as the product. Initially an agent is merely a layman and thus has to be trained thoroughly to gain technical and communication skills. They should be kept well informed of the corporate marketing objectives. The organisational interaction with them should develop a sense of belonging in them by integrating their individual aspirations with the corporate

objectives. In the long run a healthy agency force serves the purpose of lucrative investment.

Control and Appraisal

In order to exercise effective control over marketing operations, as well as to evaluate the planning and implementation, an objective Management Information System (MIS) has to be devised. MIS refers to the system comprising of people, equipment and procedures whereby timely and accurate information useful to the management is collected, disseminated, analysed, simplified and presented with a view to facilitate control and evaluation. In today's corporate world, MIS has emerged as yet another area of specialisation. The introduction of modern information technology has made MIS all the more comprehensive and speedy. With a diverse product line and wide geographical coverage, the existence of an insurance organization cannot be thought of without an efficient MIS. The precise results of marketing efforts have to be compared with budgeted figures to assess the success or otherwise of the marketing strategy, with the help of MIS with a view to devise corrective measures, wherever necessary.

Marketing is all about performance and performance is all about rewards. MIS also facilitates the review of functioning and corresponding remuneration of marketing personnel. Incentive schemes for field personnel should reflect the marketing strategy of the organisation. Incentives should be directly linked with parameters like portfolio profitability and growth of slow moving products. Likewise for persistently adverse performance, disincentives should also be provided. Incentives should convey a clear message to the field personnel that only

if the organisation thrives shall they flourish.

6. CHALLENGES AHEAD

The impending competition in the insurance sector is certain to poise the biggest ever challenge to insurance marketing. The entry of new players in the field is bound to have the most immediate impact on the marketing scenario. Innovative products and value added services accompanied by rigorous efforts in brand promotion, advertising, publicity and public

relations will bring insurance marketing in line with consumer products marketing. In such a competitive environment, cavalier and complacent efforts may even prove fatal. In such a situation the considerations cited above will have to be given absolute priority.

Marketing on the other hand is also facing severe challenges on account of increasing consumerism. In today's markets a consumer is no more a lame duck. Backed by the increasing

community awareness and stringent consumer protection laws the average consumer is becoming more and more assertive and demanding. Only a smart salesperson supported by a competent marketing organisation can hope to counter such challenges successfully.

Amidst these challenges marketing an insurance policy is poised to become as much an ordeal as marketing a social or economic policy.

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