

AN EMPIRICAL STUDY ON THE IMPORTANCE OF 'PEOPLE' (OF 7P's) IN LIFE INSURANCE MARKETING MIX

GANESH DASH

Research Scholar, Department of Management Studies, School Of Management, Pondicherry University, Kalapet, Puducherry- 605014

Abstract

'People' is the result of the changing marketing strategies to cater to the service products. This study tries to compare the perceptions of both the buyers and the sellers of life insurance products regarding this valuable element of 7P's and its impact on the customers' policy buying decisions. It is assumed that both the customers and the executives (of both urban vs. rural area as well as LIC vs. private companies) possess the similar perceptions about the impact of 'people' on the customers' willingness to buy a policy. This element involves some parameters concerned with both the buyers and the sellers outlined as: Employees, Customers, Training, Incentives, Promoting interaction programmes, Educating the customer, Understanding the consumer, Promoting customer's involvement, More humane approach. Various statistical tools were used to find out any possible differences in the perceptions among the various categories of respondents. Further, to find out significant variation among these particular categories, t-Test was applied. It was found that there was a major difference between the customers and the executives cutting across all the categories, be it the company or the locality. This paper helps the life insurers to understand its customers and their needs better.

Key words : 7P's, Buying behaviour, Customer, Life Insurance, People.

INTRODUCTION

With the advent of service-based economies and businesses, the traditional marketing mix changed drastically in order to incorporate the services. Manufacturing economies have become obsolete and services sector has occupied a major chunk of world economy. For this purpose, the marketing planners added some more elements to the mix and renamed it as services marketing mix. The old 4P's concept transformed itself in to the new 7P's model. Booms & Bitner (1981) introduced three more P's to existing marketing mix model. Not only they added three more elements in to marketing mix which is called the 7P's, the nature of old elements also changed to suit the service product. Participants/ people involved, physical evidence and process were the three elements included in the mix renaming the mix as the services marketing mix (SMM). Out of the new elements, 'people' has become the most important element in this new century. This element added the human factor in the service delivery mechanism.

As customer retention is much more important than getting new customers, after sales communication must be maintained and enhanced. As most of the services are dependent on the labour, the personnel delivering the service come to the fore along with the customers. The mutual interaction between the service delivery guy and the customer bears a lot on the customer's perception of the

service. This service encounter between the employee and the customer is very important as it creates a tangible clue about the service influencing the customer's expectation and the resultant perception of the service.

Understanding the customer better allows designing appropriate products. Being (life insurance) a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas to look into. Here both the customers and the employees are considered as people. Both the buyers and the sellers involved in the marketing process form the element 'people' (Dash & Khan, 2010). Life insurance business is a service-based business which needs this element to be dealt with very carefully. For this purpose, this study has taken the perceptions of both the buyers and sellers of life insurance products regarding this element's impact on the buyers' buying behaviour.

REVIEW OF SOME EARLIER STUDIES

Jawaharlal & Rath (2005) have debated the importance of customer-centricity for insurance companies in order to achieve better service, improve operational efficiencies,

reduce costs and carry out more profitable customer relationships. Over the last few years, Indian life insurance sector has become customer-centric. Earlier, the nature was pure monopolistic. Potential buyers are attracted to buying a policy for one or more of the following reasons viz., saving for one or more purposes, security of the money invested, and the tax benefit (more important). With the privatisation, the customer expectations have moved north. They are more focussed on issues like truthfulness of agents, superiority over those of competitors, post-sales service etc. Insurers can gain customer loyalty in spite of tough competition from banks and other financial peers. CRM helps the insurer in maintaining and creating a long-term and profitable relationship with the customers. For this purpose, CRM takes care of different customer-centric aspects such as: unified customer view; integrated and multichannel customer sales and service; marketing based on the specific target audiences and encouraging and building customer loyalty. Use of IT to build customer-centricity is mainly based on few CRM technologies such as: data mining, data warehousing and productive modelling. Further, there are numerous benefits of customer-centric strategies such as: continuous product development, better servicing (reduces costs), efficient distribution, claims (web based), optimisation of marketing plans and designs, and helps in building a customer centric model for universal uses.

Notwithstanding how good is the quality of service, the customers must be communicated frequently about the services and their features in order to create and to enhance their expectation of the service (Yelkur Rama, 2000). Word-of-mouth concept was coined by Davis et al (1979) and supported by George & Berry (1981) as an important mechanism for the service marketers along with the traditional promotional elements. Further, Parauraman et al (1984) has suggested for a language known to customers as the mode of communication.

Palli (2006) tried to bring forth the gap that exists between the actual quantum of recommended insurance and the actual house holding insurance. Through an empirical study he found that males are more prone to buy insurance than the females. Age-wise analysis showed that males progressively preferred pension and ULIP plans. Middle-aged females opted for illness and disability schemes while older women opted for saving plans. Household income is very important with respect to the

insurance purchasing ratio.

With the IRDA act in force and globalisation steadily affecting Indian life insurance sector, there is a need to assess all the life insurance companies by analyzing certain variables such as consumer awareness regarding the life insurance industry, the effect of privatization, the customer perception and their purchase behaviour, (Devasenathipathi et al, 2007). A detailed study resulted in giving some interesting facts. It was found that customer satisfaction rate is strongly associated with the type of the company. The purchasing decision of the consumer depends on quality, accessibility and promptness of services, which may lead a company acquire the top rank with a huge market share.

Chandrasekaran (2006) defines the terms 'Agents' and 'Brokers', and explains the extent of their authority with respect to insurance business. The agent is a person employed to do an act for or to represent the insurance company before the customers. The insurer becomes liable for the insurance cover promised and underwritten by the agents. Broker is an agent of the insured, but remunerated by insurers. He should possess enough technical expertise to provide insurance to the insured from the insurer at best possible terms. The IRDA (Insurance Brokers) Regulations, 2002, prescribes licensing requirement, including a minimum capital and qualification, for a person to act as an insurance broker. The author has analysed in detail the functions and liabilities of insurance brokers with help of a few cases and research papers.

STATEMENT OF THE PROBLEM

The assessment of the impact of 'people' element of the services marketing mix on the customers' buying behaviour was the very first objective of this study. Comparison of the perceptions of both the customers (buyer) and the executives (sellers) was done for this purpose. To find out the extent of differences in their respective perceptions was the next objective. The third and ultimate objective was to assess the impact of their residing locality (urban vs. rural) as well as their preferred sellers (LIC vs. private companies) on their respective perceptions regarding the impact of 'people' element on the customers' final buying decision, i.e. to compare the perceptions of both the customers/ the executives of urban area with those staying in rural area (as well as LIC vs. private companies). The customer has become the focus of any marketing plan. Hence, it has

become very important to know the customer's point of view regarding the service delivered by the executives. In this study, the customers' perceptions as well as the executives' perceptions of the various elements representing the 'people' element of the mix are discussed in detail.

METHODOLOGY

Null Hypotheses

As per the objectives set earlier, the following hypotheses were formulated:

- H01:** There is no significant difference in the perceptions of the customers and the executives with respect to the impact of 'people' on the customers' buying decision.
- H02:** There is no significant difference in the perceptions of the customers of the LIC and the customers of the private companies regarding the impact of 'people' on the customers' buying decision..
- H03:** There is no significant difference in the perceptions of the executives of the LIC and the executives of the private companies about the impact of 'people' on the customers' buying decision.
- H04:** There is no significant difference in the perceptions of the customers of the LIC and the executives of the LIC regarding the impact of 'people' on the customers' buying decision.
- H05:** There is no significant difference in the perceptions of the customers of the private companies and the executives of the private companies with respect to the impact of 'people' on the customers' buying decision..
- H06:** There is no significant difference in the perceptions of the customers of the urban area and the customers of the rural area regarding the impact of 'people' on the customers' buying decision.
- H07:** There is no significant difference in the perceptions of the executives of the urban area and the executives of the rural area about the impact of 'people' on the customers' buying decision.
- H08:** There is no significant difference in the perceptions of the customers of the urban area and the executives of the urban area regarding the impact of 'people' on the customers' buying decision.
- H09:** There is no significant difference in the perceptions

of the customers of the rural area and the executives of the rural area with respect to the impact of 'people' on the customers' buying decision.

RESEARCH DESIGN

The data for this study was collected from primary sources which consisted of both the customers and the executives involved in life insurance marketing process. The area chosen for this above said sample population covered the southern districts of Odisha. The period of data collection was July 2010 to November 2010. 405 customers and 207 executives involved in life insurance business were included in this process. These respondents were selected from both urban and rural area as well as from both LIC and the private companies in order to assess the impact of residing locality and selling company on their perceptions. A well structured questionnaire was framed with questions on their perceptions of the various sub-elements involved in the 'people' element. For this purpose, a five-point scale (from 1 to 5) has been adopted with 1 being "Strongly disagree" and 5 being "Strongly Agree".

Here both the customers and the employees are considered as people. Employees, Customers, Training, Incentives, Promoting interaction programmes, Educating the customer, Understanding the consumer, Promoting customer's involvement, More humane approach are the various items under this scale.

Scale: people involved (customers)

[Strongly Disagree -1, Strongly Agree -5]

Items: 6

- The company educates the customers about the policy.
- The company understands the customers and their needs.
- Customer's involvement and suggestion is promoted by the company.
- Interaction programme between the executives and the customers is promoted by the company.
- The performing executives seem to be well paid by the company.
- The executives seem to be well trained by the company.

Scale: people involved (executives)

[Strongly Disagree -1, Strongly Agree -5]

Items: 6

- The company educates the customers about the policy.
- The company understands the customers and their needs.
- Customer's involvement and suggestion is promoted by the company.
- Interaction programme between the executives and the customers is promoted by the company.
- Proper incentives is provided to the performing executives.
- There is a good training infrastructure in the company for the executives.

The last two items for customers were found to be not

reliable which was proved by the reliability test (see reliability and validity). By dropping these two items, the cronbach's α went up drastically. Hence, for customers, only four items were kept for further analysis (see table-2).

The population is defined as follows: "customer" means people who have bought a policy in the last quarter (3 months) and "executive" means people who have sold a policy in the last quarter (3 months). Hinkin (1995) and Heir et al (2006) have recommended an item-respondent ratio of 1:6 and 1:5 respectively. Though, the widely accepted standard ratio is 1:10, an item:respondent ratio of more than 1:10 was adopted for this study. Owing to limited time for data collection, the sample size for the customers was restricted to 405. The details of sampling is given as below (see table-1):

Table-1
Sample Design and Selection

Total number of branches = 14	Sample branches = 6, LIC (2) and private (4)
Total customers = 30000+	Sample customers = 405 retained out of 440 LIC (201) and private (204)
Total executives = 900+ (active)	Sample executives = 207 retained out of 230 LIC (101) and private (106)

Source: Primary Data/ Developed by the researcher

Table-2
Reliability Estimates with Factor Loadings for 'People Involved'

Factors	Scale Items	Factor Loadings	No. of Items	Cronbach's α
People Involved (customers)	1 P1	.580	4	.829
	2 P2	.804		
	3 P3	.704		
	4 P4	.561		
People Involved (executives)	1 P1	.830	6	.608
	2 P2	.719		
	3 P3	.874		
	4 P4	.675		
	5 P5	.518		
	6 P6	.560		
Note- Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 3 iterations.				

Source: Primary Data

TESTING RELIABILITY AND VALIDITY

Churchill (1979) has recommended coefficient α to check the internal consistency of items placed under a given factor with Heir et al (2006) suggesting the ' α ' value to be 0.6 and above. For both the customers and the executives, cronbach's α were found to be 0.829 and 0.608 respectively which are more than 0.6. Again, all the items under both the scales were found to be having a loading of more than 0.5 (see table-2).

EMPIRICAL FINDINGS AND DISCUSSION

If the perceptions of all the customers and the executives taken together, the impact of 'people' on the customers'

buying behaviour was found to be positive (3.584) (see table-3). Coming to the perceptions of the individual categories of respondents, executives of LIC have the highest perception (positive) (3.95) of the impact of 'people' closely followed by the executives working in the urban area who also have a similar positive opinion (3.923). But, customers of private life insurers have the least perception (neutral) (3.181) of its impact on the customers' decision to buy a policy. The empirical results showed that the executives have more positive perceptions regarding this factor's impact on customers' buying decision. But, the customers are not very positive about its impact on their buying behaviour (see figure-1).

Table-3
Perceptions of the Impact of 'People' on the Customers' Buying Decision

Types of Respondents	N	Mean	Rank
All (customers +executives)	612	3.584	--
Customers	405	3.426	8
Customers (LIC))	201	3.675	6
Customers (Private))	204	3.181	10
Customers (Urban)	163	3.487	7
Customers (Rural)	242	3.385	9
Executives	207	3.892	3
Executives (LIC)	101	3.950	1
Executives (Private)	106	3.836	5
Executives (Urban)	92	3.923	2
Executives (Rural)	115	3.866	4

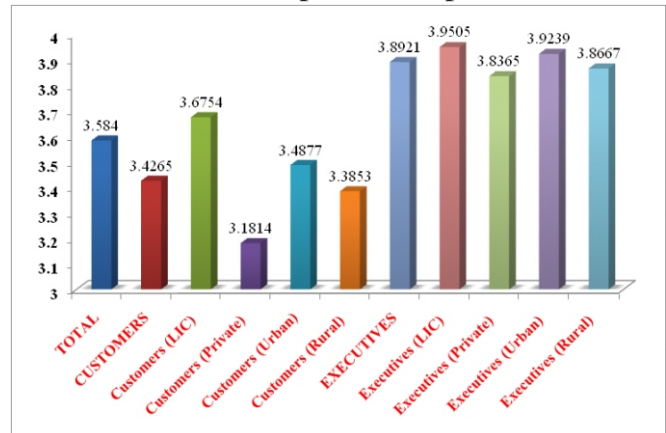
Source: Primary Data/ developed by the researcher

Hence, it can be said that the sellers/ executives of the life insurance products are more optimistic than the customers/ buyers regarding the impact of 'people' element of the mix on the potential life insurance policy holders' final purchasing decision.

From table-3 and figure-1, it is clear that there is a difference in the perceptions of the buyers and the sellers of life insurance products regarding the influence of 'people' on the policy holders' final purchasing decision. Almost, all the categories of the executives have a similar (highly positive opinion) about this factor's impact where as the customers have slightly positive and varied perceptions (from neutral to positive) of this particular element's impact on the customers' buying decisions. To assess the extent of these differences (significant or not), these perceptions were compared using t-Test. As per the hypotheses set in this study, nine tests were conducted

among the various categories of respondents involving both the customers and the executives discussed earlier.

Figure-1
Perception of 'People'



Source: Primary Data/ developed by the researcher

TESTING OF HYPOTHESES

As it can be seen from table-4, there is a huge difference in the perceptions of the customers and the executives as the significance level (0.00**) was found to be less than the given level of 0.05. Hence, the first null hypothesis, H_{01} , was rejected. Similarly, the customers of both the LIC and the private companies possess different perceptions with the significance level (0.00**) is well below the given level of 0.05. Hence, the second null hypothesis, H_{02} , was also rejected. But, the executives of both the LIC and the private companies possess almost similar perceptions as the significance level (0.21) is more than the given level of 0.05. Hence, the third null hypothesis, H_{03} , was accepted. But, the fourth null hypothesis, H_{04} , was rejected as the level of significance (0.00**) was found to be less than 0.05 because of a difference of opinions between the customers of LIC and the executives of LIC. Again, customers of private

companies and executives of private companies had huge differences in their perceptions as the significance level (0.00**) is well below than 0.05. Hence, the fifth null hypothesis, H_{05} , was rejected. But, it was found that the customers of urban area and rural area do possess similar perceptions as well as the executives of both the area. Hence, H_{06} and H_{07} were accepted. But, locality had a huge effect on the perceptions of the customers when compared with the executives of the same locality. Therefore, H_{08} and H_{09} were rejected as the significance levels were found to be 0.00** and 0.00** respectively. Though the various categories of respondents had differences in their perceptions, the major difference was between the customers and the executives cutting across all the categories, be it the company or the locality. But, both the customers and the executives did not differ when put against their own types.

Table-4
Testing of Hypotheses (t-Test)

Factor	Null Hypotheses	Comparison of Respondents	t- value	Difference (significance)	Results
People Involved	H_{01}	Customers and Executives	-5.677	0.00**	Rejected
	H_{02}	Customers (LIC) and Customers (Private)	5.10	0.00**	Rejected
	H_{03}	Executives (LIC) and Executives (Private)	1.254	0.21	Accepted
	H_{04}	Customers (LIC) and Executives (LIC)	-2.848	0.00**	Rejected
	H_{05}	Customers (Private) and Executives (Private)	-5.144	0.00**	Rejected
	H_{06}	Customers (Urban) and Customers (Rural)	0.933	0.35	Accepted
	H_{07}	Executives (Urban) and Executives (Rural)	0.624	0.53	Accepted
	H_{08}	Customers (Urban) and Executives (Urban)	-3.980	0.00**	Rejected
	H_{09}	Customers (Rural) and Executives (Rural)	-5.23	0.00**	Rejected

*significant at 5% level **significant at 1% level

Source: Primary Data/ SPSS output

THE LAST NOTE

The private players in Indian life insurance sector have been able to increase their market share primarily on account of highly customized products and aggressive marketing strategies. Though the existing insurance laws allow a foreign partner to hold 26% equity in an insurance company in India, a proposal to increase this limit to 49% is pending with the government. Due to India's huge population and an untapped insurance market, life insurance companies have been instrumental in mobilizing the savings of the people and have been ranked next to the banking institutions. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. India has had the privilege of having some of the global insurance giants such as AIG, New York Life, ING, Lombard, Aviva, Chubb, Allianz, MetLife and AXA vying with each other to strengthen their position in the hugely untapped insurance market. In addition, the private players have had a "second mover advantage" over their predecessor LIC in fruitfully strategizing their business options. Also, the private players have garnered valuable lessons from the mistakes and achievements of LIC and have accordingly mitigated their own risks and investment requirements. Further, the adoption of new and innovative technologies by the private players has enhanced their performances when compared to that of LIC which remained engrossed in applying traditional business methodologies. In a bid to tap the rural insurable population, Bajaj Allianz has started to establish several sales service offices throughout India, almost on the similar lines of LIC, mostly in tiny neighbourhoods of major cities. Even the private life insurers have set up call centres and have introduced online payment of premium, facilitate the customers respectively with their queries and smart payment options.

Being a service industry, life insurance business involves a high level of people interaction. It is very important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas to look into. The insurers must understand the needs of the customers through proper interaction between the executives and the customers. They should educate the customers about the products and incorporate

their suggestions in product design. Apart from the cost factor, the private life insurance companies also confronted stiff challenge from the country's only public sector life insurance company with respect to selling insurance products. But lately, LIC has fought back and gained market shares lost earlier to the private players.

REFERENCES

- Bitner, J. and Booms, B. (1981), "Marketing strategies and organizational structures for service firms", Marketing of services, American Marketing Association, Chicago
- Chandrasekharan, Ramakrishnan (2006), Insurance Agents and Brokers: An Overview, Insurance Chronicle, February 2006
- Churchill, Jr., G.A. (1979), "A Paradigm for Developing Better Measures of Marketing Constructs", Journal of Marketing Research, Vol. 16 No.1, 1979, pp. 64-73
- Dash, Ganesh. and Khan, M. Basheer Ahmed. (2011), "An Empirical Study on Perception of the Life Insurance Product: A Buyer-Seller Perspective", BIMAQUEST, Vol.11, Issue-2, July 2011, pp. 38-55
- Dash, Ganesh. and Khan, M. Basheer Ahmed. (2011), "Product- The First 'P' (of 7p's) in Indian Life Insurance Sector: An Empirical Study", International Journal Of Research In Computer Application & Management, Vol. 1 (2011), Issue No. 2 (April), Pp. 53-60.
- Dash, Ganesh. and Khan, M. Basheer Ahmed. (2011), "Role of Promotion in Life Insurance Marketing: An Empirical Study", Indian Journal of Commerce & Management Studies, Volume II, Issue 5, July 2011, pp. 24-33
- Davis, Duane L., Joseph P. Gultinan, and Wesley H. Jones (1979), "Service Characteristics, Consumer Search, and the Classification of Retail Services," Journal of Retailing, 55 (Fall): 3-21.
- Devasenathipathi T, Saleendran P T, Shanmugasundaram A (2007), "A Study on Consumer Preference and Comparative Analysis of All Life Insurance Companies", The ICEFAI Journal of Consumer Behaviour, Vol. II, No. 4, pp. 7-16
- George, William R. and Leonard L. Berry (1981), "Guidelines for Advertising Services," Business

Horizons, 24 (July-August): 52-56.

- Heir, Anderson, Tatham & Black (2006), *Multivariate Data Analysis*, Pearson Education, New Delhi, India
- Hinkin, T. R. (1995). A review of scale development practices in the study of organizations. *Journal of Management*, 21(5), 967-988.
- Jawaharlal, U and Rath, Sarthak Kumar (2005), *Customer-Centricity in the Insurance Industry*, Insurance Chronicle, May-June 2005
- Palli Madhukar (2006), "A Study on Assessing Life Insurance Potential In India", *Bimaquest*, Vol. 6 Issue 2, July 2006, pp- 22-38
- Parasuraman, A., Valerie A. Zeithaml, and Leonard L. Berry (1985), "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing*, 49 (Fall): 41-50.
- Sahoo, S.C. and Das, S.C. (2009), *Insurance Management: Texts and Cases*. Mumbai, Himalaya Publishing House Pvt. Ltd.
- Yelkur, Rama. (2000), "Customer Satisfaction and the Services Marketing Mix", *Journal of Professional Services Marketing*, Vol. 21(1) pp. 105-115