A study for exploring the Online and Offline Distribution channels for Marketing of Life Insurance and General Insurance in Pune

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ABSTRACT
Insurance has been the back bone of society as well as the Indian economy. For a developing country like India, insurance does serve the need to a limited extent, as social security practices are not present in India as compared to foreign nations. There is no support from the government agencies to the ailing families of India, who have lost their breadwinner in the past, which has resulted in weakening the economic front of the family. Insurance today in India has been sold mainly through agency channels. All of the Insurance companies have developed this channel and it is one of the oldest channels for Insurance sales. With new insurance companies coming in India because of the effect of LPG & FDI, increase in awareness about Insurance in India and good marketing and advertising campaigns carried out by the marketers is giving a lot of impetus and is helping in growth of the Insurance market in India.

Keywords: Online Insurance, Growth, Channels of Distribution, Opportunities, Challenges

INTRODUCTION
Today with introduction of many new Insurance companies, developments in information technology and a healthy competition after the entry of private players in this field, it has given rise to new channels of distribution. Traditional channels of distribution still persist, but with technological advancement and up-gradation, customer has become more tech-savvy, less paper work is involved and need of the hour has now given rise to virtual channels of distribution.

With the rising costs of acquiring the customers and commission being paid to the channel partners, more running cost is required. Also the retention of customers through these channels is a challenge due to many irregularities seen during the sale of Insurance products as these products are sold and not bought by the buyer. (PUSH MARKET) With these issues now, there is a need to reduce acquisition cost for acquiring a new customer. With technology at hand virtually, it is now possible to sell an intangible product like Insurance using the digital medium.
OBJECTIVE
1. To study the historical perspective of Insurance business in India
2. To examine the existing offline distribution channel for life insurance and general insurance in Pune
3. To examine the relative significance of emerging online distribution channel for life insurance and general insurance in Pune.
4. To study the foundation of global benchmark distribution model of online and offline life insurance and general insurance.
5. To examine the viability and convenience of online and offline distribution channel with the help of CBA (Cost Benefit Analysis)

HYPOTHESIS
The hypothesis formulated for the research study is stated as

H1: An emerging market of Indian economy exhibits a high growth potential of insurance business.

H2: The existing offline distribution channel is relatively costly and less convenient to the users as compared to online channel.

H3: The online distribution channel has relatively high economies of scale and accuracy as compared to the offline channel.

H4: Distribution model of online insurance business is beneficial to customers as well as insurance company.

H5: A growing trend of young internet users is a high potential target market for insurance business suitable to online channel.

RESEARCH DESIGN
1. Primary Data and Secondary Data
2. Respondents: Customers and Managers of Insurance companies
3. Population
4. Sample Size
5. Method of Sampling used: Non Probability Sampling

SAMPLE DESIGN
There were 2 types of samples i.e. Customers and Managers. Both the sampling has been based on Non Probability Convenience Sampling.

SAMPLE SIZE CALCULATION
While calculating Sample Size, we have considered the following parameters:

2. Margin of Error (Confidence Interval) – The margin of error is the amount of error that can be tolerated. Lower margin of error requires a larger sample size. 5% error is the common choice and is acceptable in most of the national and international research. We have considered 5% as acceptable for our kind of study.
3. Confidence Level – It depends on how confident you want to be so that the actual mean falls within your confidence interval. The most common confidence levels are 90% confident, 95% confident and 99% confident. We have taken 95% to calculate sample size.

4. Standard Deviation – It depends on how much variance is acceptable in the responses. Since the survey is yet to be administered, we have to use it later.

5. This will ensure that the sample size will be large.

Confidence Level corresponds to a Z-score. This is constant value needed for this equation. Here the Z-score for the most common confidence level:

1. 90% - Z-score = 1.645
2. 95% - Z-score = 1.96
3. 99% - Z-score = 2.32

We have chosen 95% as a confidence level and after putting all the required values in formula

Sample Size:

\[
ss = \frac{Z^2 \cdot (p) \cdot (1-p)}{C^2}
\]

Where

\(Z\) = Z value (e.g. 1.96 for 95% confidence level)

\(P\) = Percentage picking choice, expressed as a decimal (0.5 use for sample size needed)

\(C\) = Confidence Interval expressed as a decimal (0.05)

Correction for finite population

\[\text{New } ss = \frac{ss}{1+ss-1/POP}\]

Where \(POP\) = Population

Using the above formula we get Sample Size = 384. We have decided Sample Size as 500.

**SAMPLE FOR PILOT STUDY**

1. Generally 10% of Sample Size is good enough to conduct Pilot Study. So we have collected data from 78 respondents (customers) of the identified Life Insurance and General Insurance companies which is 16% of total sample size.

2. On the basis of IRDAI data on number of companies and based on their ranking, we have selected the top 6 Life Insurance and top 6 General Insurance companies and identified 5 managers from each of the selected companies which totals to 30 Life Insurance Managers and 30 General Insurance Managers, total Sample Size of 60, a sample size of 20 managers has been considered for Pilot study which is 33% of total sample size.

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Sample Size</th>
<th>Sample Size for Pilot Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Infinite</td>
<td>500</td>
<td>78</td>
</tr>
<tr>
<td>Managers</td>
<td>Infinite</td>
<td>60</td>
<td>20</td>
</tr>
</tbody>
</table>
METHODOLOGY OF THE PILOT STUDY

<table>
<thead>
<tr>
<th>Type of Research</th>
<th>Descriptive Research</th>
</tr>
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<tbody>
<tr>
<td>Population</td>
<td>Consumers who are having life insurance and general insurance policy in Pune city. (Infinite – unknown)</td>
</tr>
<tr>
<td>Sampling technique</td>
<td>Non-probability (Convenience Sampling)</td>
</tr>
<tr>
<td>Sample size</td>
<td>Customers-78 and Managers- 20</td>
</tr>
<tr>
<td>Sample Unit</td>
<td>Consumers who hold at least one policy either life or general insurance or both</td>
</tr>
<tr>
<td>Data collection instrument</td>
<td>Structured Questionnaire with 5 point Likert Scale</td>
</tr>
<tr>
<td>Medium of data collection</td>
<td>Personal and Email</td>
</tr>
<tr>
<td>Method of data collection</td>
<td>Primary Data-survey, Secondary Data: magazines, journals &amp; websites of insurance companies</td>
</tr>
</tbody>
</table>

Response Rate

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<tr>
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</thead>
<tbody>
<tr>
<td>Customers</td>
<td>74.28% (105 Distributed, 78 Complete Response)</td>
</tr>
<tr>
<td>Managers</td>
<td>80.00% (25 Distributed, 20 Complete Response)</td>
</tr>
</tbody>
</table>

Analytical Tests

a. Cronbach’s Alpha for internal consistency (\( \alpha \)), acceptable scale reliability is \( \alpha \geq 0.70 \) (Nunnally, 1978)

b. Normality Test (Normality-Skewness and Kurtosis-Threshold values -3≤x≤+3 (Bollen, 1989)

c. Descriptive Statistics to describe composition of sample

DATA ANALYSIS AND INTERPRETATION

Questionnaire has been used as tool for data collection. The collected data from the respondents was analysed using SPSS 17. Reliability analysis has been done to ensure reliability of the questionnaire. Further individual statistics of items have been presented. Inter item matrix is another important component of the analysis which gives inter relationship between the variables. The correlation of item with each other is displayed in the matrix.

Various scales have been used to rate the Questionnaire responses. The Questionnaire is rated in the following format of a typical five level Likert item. E.g.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
</tr>
</tbody>
</table>
RELIABILITY

The Reliability of an instrument means that the instrument (Questionnaire) is consistent in its measurement (internal consistency). The Reliability refers to the extent to which the obtained test scores are free from any internal defects of the instruments. The reliability is generally examined by using Cronbach’s Coefficient alpha.

RELIABILITY STATISTICS (Source: Author’s research through SPSS)

Customers Reliability Statistics

The following are the Values of Cronbach’s Coefficient alpha: For the Instruments measuring:
1. Level of agreement/disagreement about the various reasons for using offline distribution channels for life insurance/general insurance (Cronbach's Alpha =0.925, N=11).
2. Level of agreement/disagreement about the use of online distribution channels while purchasing life insurance/general insurance (Cronbach’s Alpha = 0.845).
3. Various limitations faced by customers while dealing with online distribution channels for life/general insurance (Cronbach's Alpha =0.921, N=12).

Managers Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>743</td>
<td>859</td>
<td>32</td>
</tr>
</tbody>
</table>

These Reliability values are high and considered to be excellent measure for this study.

HYPOTHESIS TESTING

On the basis of SPSS software, researcher identified that research hypothesis are measurable and can be tested with the help of various statistical tests like One Sample t test, Paired t test, Karl Pearson coefficient of correlation.

CUSTOMERS DATA ANALYSIS

H1: An emerging market of Indian economy exhibits a high growth potential of insurance business – the said hypothesis has been proved and accepted via answers to detailed questionnaire used for Primary Data collection. Test used is One sample t test (t = 29.391) with P Value 0.001<0.05 and the Hypothesis has been accepted.

H2: The existing offline distribution channel is relatively costly and less convenient to the users as compared to online channel – the said hypothesis has been proved and accepted via answers to detailed questionnaire used for Primary Data collection. Test used is One sample t test (t = 29.391) with P Value 0.000<0.05 and the Hypothesis has been accepted.

H3: The online distribution channel has relatively high economies of scale and accuracy as compared to the offline channels - the said hypothesis has been proved and accepted via answers to detailed questionnaire used for Primary Data collection. Test used is One sample t test (t = 29.391) with P Value 0.000<0.05 and the Hypothesis has been accepted.

H4: Distribution model of online insurance business is beneficial to customers as well as insurance company - the said hypothesis has been proved and accepted via answers to detailed questionnaire used for Primary Data collection. Test used is One sample t test (t = 29.391) with P Value 0.000<0.05 and the Hypothesis has been accepted.
H5: A growing trend of young internet users is a high potential target market for insurance business suitable to online channel - the said hypothesis has been proved and rejected via answers to detailed questionnaire used for Primary Data collection. Test used is Chi Square test with P Value 0.182 and the Hypothesis has been rejected.

MANAGERS DATA ANALYSIS

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FINDINGS

Based on extensive Literature Review and Primary Data analysis it is found that:

1. Indian insurance industry has seen a significant growth over the past few years on account of growing national economy, increasing per capita income, growing consumer awareness about insurance products, and the entry of foreign players in the Indian market bringing in more innovative products.

2. The Indian Insurance Sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country’s GDP. Overall insurance penetration (premium as percentage of GDP) in India has increased from 2.3% in 2001 to 5.2% in 2011.

3. The current offline distribution channels being used by Insurance Companies and customers is Agency, Brokers, Bancassurance, Company Branch, Sales Force with the most preferred being Agency

4. Online purchasing is easy, efficient and eco-friendly, saves operational cost and process is paperless, Online insurance renewal is easy and one click process with auto-reminders, Customer service is fast, quick and reliable are major factors for using online distribution channels.

5. The programs undertaken to increase the awareness level of online insurance channels in order of ranking are social media, mobile apps and direct mailers.

6. Current online distribution channels used by Insurance Companies in order of ranking are web-based application, mobile apps and kiosks.
7. Based on extensive Literature Review, India is one of the biggest emerging markets in the global scenario for insurance business. India has a very large young, educated and working population. These are the core group of internet users. Their number has recorded an increase at the rate of 32.8 percent year on year during 2000-2011. It is estimated that their number will surpass 300 million by the year 2018.

8. It was found that Online purchasing is easy, efficient and eco-friendly, saves operational cost and process is paperless, Online insurance renewal is easy and one click process with auto-reminders, Customer service is fast, quick and reliable are major factors for using online distribution channels.

TRENDS IN INSURANCE

HYBRID DISTRIBUTION CHANNEL

In the life insurance industry, the earlier most prominent distribution channel was Agency. Around 90% of businesses were coming from them. The high cost and low persistency in policy has resulted in going to other channels known as alternate channels. Recently the contribution from alternate channels is increasing. In this context, Banc-assurance has increased and the number of banks as insurance partners has gone up. Both Public sector banks and Private Banks have tied up with their insurance partners.

Broking and corporate agency have their own way of doing the business. Individuals and Institutions as corporate agents have helped agency to increase the revenue. At the same time, we have also taken the help of rural development organization such as NGOs, Trust and SHG members to cover the rural area. Finding the right distribution channel for the customer is a trouble area. All these have demanded a high skill in man management.

DIFFICULTY IN DESIGNING MARKETING MIX

Marketing mix refers the combination of all Ps to make the market attractive. Innovation in product which invited many unit linked policies was the centre of attraction for all till some time ago. Low premium competition due to large no of players, sometimes were uncomfortable for all. The entire banking industry is advanced in the communication strategy. This has compelled insurance players to practice innovative communication strategy including advertisement. So it is not only product, but a balanced marketing mix which is required for the industry to sustain in the modern trend.

REGULATORY TREND

The Indian regulator has introduced rules and regulations from time to time to control the entire insurance industry. Recent changes in the cap on ULIP charges have created havoc and the contribution of ULIP to new policy premium has decreased considerably. In order to provide better service, the regulator has come up with few suggestions. Servicing of orphan policy, more focus on long term are a few examples where the insurers are facing handling difficulty. Standardization of the proposal form is another step forward by the regulator. Thus the insurers are facing many challenges in the area of product, price, distribution and taxation.

ON LINE POLICY

Internet and technology has helped a lot to the insurer. These days policy procuring through on line is cheaper than buying the same plan from an agent. The major problem here is not getting the support from the agent for that policy, if there is a claim or maturity. The person has to keep direct contact with the company.

CLAIM MANAGEMENT

From 2010, the number of insurance agents has drastically decreased in the industry. The number of agents declined 29% from March 2010 to March 2016. Also it is expected that more agents will leave the industry. Under this situation, Claim management will become tougher for the companies. As
people buy insurance because of the face value of agents, assistance of them is highly essential for good business.

CUSTOMER SERVICING

From the year 2013 after rules brought in by the regulator, it is very clear that traditional plans have gained more weight-age over ULIPS. As traditional plans are long term products, insurers need to have more focus on this. Customer retention and servicing is another key to remain in business. Proper allocation of investment and proper and timely servicing to the customers are very important for the companies. Above all, Policy administration is the most difficult area to provide service to customers.

FDI AND GROWTH

Foreign direct investment in insurance industry is a debatable and controversial one. The proposal to hike it from 26% to 49 is pending with the government for a long time. Insurers are finding it difficult to continue domestic funding in business. Additional funding through FDI is highly required for this capital intensive industry.

From the above findings, few novel ideas are highlighted. Life insurance in India is in a growing stage and to maintain it, the following points should to be considered

1. Corporate must look at the basics of service marketing such as “under promise and over delivery”
2. Product and Service offerings should be customised, mainly in product and distribution
3. “Pockets of service” should be done for quicker service and other operations
4. Advanced knowledge and education in insurance should be imparted to the employees in the Insurance industry
5. “Digitalization and Customer Relationship” is to be ensured in the marketing of policies
6. Corporate must devise sustainable employment opportunities to attract new and retain old agents

CONCLUSION

Life insurance business in India needs a special care as compared to other business as it is still in a very nasal stage. Both theory and practice have to be integrated to provide the best services to the policy holders. This industry has to be ready for more challenges due to ongoing changes in the economy and modes of employment. More number of players around the world have planned to enter into India looking to the potential available here. Probably, understanding the customer expectation and attitude for this product is very important. This is a time to re-engineer the business model.

REFERENCES

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