RURAL MARKETING STRATEGIES FOR LIFE INSURANCE PRODUCTS— A STUDY IN DAKSHINA KANNADA DISTRICT

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ABSTRACT
Insurance Marketing aims at the marketing of insurance services with the motto of customer orientation and profit generation. A fair blending of profit generation and customer satisfaction makes the ways for development and expansion. 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.

The present Study on rural marketing strategies throws lights on all vital issues of rural insurance, role of agents and business development executives selling insurance policies. The study attempts to understand what are the strengths and weaknesses of present strategies, which in turn guide marketers to develop more effective innovative strategies. The study aimed at a thorough investigation into level of awareness among rural life insurance customers and the effectiveness of various marketing strategies in order to explore customer friendly and cost effective measures.

Keywords: Rural Marketing, Insurance Products, Marketing of Insurance, IRDA, Marketing strategies

INTRODUCTION
Insurance is a device for indemnifying or guaranteeing an individual against loss, and reimbursement is made from a fund to which many individuals exposed to the same risk have contributed certain specific amounts, called premium. Insurance is a socio-economic institution that reduces risk both to the society and to the individuals. It is a cooperative device to spread the losses and a social device to accumulate funds to meet uncertain losses.

The basic urge in man to secure himself against any form of risk and uncertainty led to the origin of insurance. Insurance is a tool to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk. Risk is uncertainty of a financial loss. Risk must not be confused with loss itself that is the unintentional decline in or disappearance of value arising from a contingency. The function of insurance includes providing certainty, protection, risk sharing, and prevention of loss and capital formation.

Insurance, in its many forms, touches the life of virtually every person in this country. Any society could not function effectively, efficiently or safely as it does were insurance-free. If there was no insurance, there would be so much uncertainty and exposure to loss that no business would be able to function and exist. Business would have an extremely difficult time obtaining any type of financing because few lenders would risk their capital without having a guarantee of safety for their investments.

The rural market in Indian economy generates almost more than half of the country’s income. 70% of India population lives in 6,27,000 villages in rural areas. 90% of the rural population is concentrated in
villages with a population of less than 2000, with agriculture being their main business. This simply shows the great potentiality rural India has to bring the much-needed volume driven growth. Though rural markets are a lucrative option for capturing market share and increasing penetration levels, it still requires heavy investments to educate the people. Special kinds of awareness programs have to be undertaken for this purpose, because of the low literacy levels and suspecting nature among the villagers. Another major challenge is, in terms of product innovation. Traditionally, rural Indians are averse to purchasing an insurance policy and also different people require different kinds of policies.

Dynamics of rural markets differ from other market types and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. Marketers need to understand the psyche of the rural consumers and then act accordingly. Rural marketing involves more intensive personal selling efforts compared to urban marketing. To effectively tap the rural market a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals celebrations festivals “melas” and other activities where they assemble.

Broadly insurance may be classified as life and non-life insurance. Life insurance is a social net to take care of human life. The essence of life insurance is a solemn promise to pay an agreed amount of money when the policy completes its term or the policyholder dies earlier than that. Under non-life insurance (also called General Insurance); all movable and immovable properties other than sublime human life are protected against the risk of loss. General insurance has three classifications viz., Fire (dealing with all fire related risks), Marine (dealing with all transport related risks and ships) and Miscellaneous (dealing with all others like liability, fidelity, motor, crop, personal accident, etc.). Personal accident and sickness insurance, which are related to human beings, is classified as ‘non-life’ in India, but is classified as ‘life’, in many other countries. What is ‘Non-life’ in India is termed as ‘Property and Casualty’ in some other countries. It is a protection against financial loss arising on the happening of an unexpected event. Insurance companies collect premiums to provide for this protection. A loss is paid out of the premiums collected from the insuring public and the insurance companies act as trustees to the amount collected.

RURAL MARKETING OF INSURANCE

Kotler and Keller’s (2007) defined rural marketing as any marketing activity in which one dominant participant is from the rural area. However, it does not clarify what constitutes a dominant participant and who can be considered as participants in marketing activities. The definition also fails to provide a precise criterion that can help identify and demarcate rural marketing activities from other marketing activities in rural areas.

The spread of life insurance in rural areas was poor and that has been one of the prime reason behind the reforms in this sector. The poor performance of Indian Life Insurance Industry was mentioned by the Malhotra Committee in its report and advocated for the participation of private domestic and foreign insurers in the Indian Insurance Industry. The Insurance Regulator IRDA has recommended some mandatory obligations for the new participants in the life insurance industry.

RURAL INSURANCE IN INDIA - PROSPECTS AND CHALLENGES

In India, insurance is the most booming industry among all others because of the high Indian population and low insurance penetration levels. When the world insurance market was in a stage of saturation, it is the Indian market which has shown tremendous potential for expansion of business of many insurers. With the substantial growth of the Indian economy, the purchasing capacity of rural communities has increased. This has led to the development of rural insurance.

As per the study conducted by The National Council for Applied Economic Research (NCAER), there are as many middle incomes and above households in the rural areas as there are in the urban areas. There are almost twice as many lower middle income households in rural areas as in the urban areas.
At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas. According to the NCAER projections the number of middle and high income households in rural India is expected to grow from 90 million to 180 million by 2020. In urban India the same is expected to grow from 46 million to 79 million. Thus the absolute size India is expected to be doubled than that of urban India (Namasiyavam, N, Ganesan S and Rajendran S).

R. Krishnamurthy, 2009, views that though rural markets are a lucrative option for capturing market share and increasing penetration levels, it still requires heavy investments to educate the people. Special kinds of awareness programs have to be undertaken for this purpose, because of the low literacy levels and suspecting nature among the villagers. Another major challenge is, in terms of product innovation. Traditionally, rural Indians are averse to purchasing an insurance policy and also different people require different kinds of policies. What may be suitable to one may not be suitable for the other.

RURAL MARKETING STRATEGIES FOR LIFE INSURANCE MARKETING

Dynamics of rural markets differ from other market types and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. Marketers need to understand the psyche of the rural consumers and then act accordingly. Rural marketing involves more intensive personal selling efforts compared to urban marketing. Firms should refrain from designing goods and services for the urban markets and subsequently pushing them in the rural areas.

While the prospects in the rural sector are promising, the real challenge lies in distributing and delivering services cost effectively and efficiently. It is common knowledge that the cost of building exclusive delivery systems for selling insurance would be prohibitive. However valuable data are available on the existence of extensive network built by the rural development agencies, banks, cooperative institutions, NGOs, micro financing institutions, women’s SHGS, youth clubs, panchayats and some industrial houses in the rural sector. Insurance companies would therefore be well advised to harness this infrastructure and work out collaborative arrangements with these institutions to their mutual advantage. Most of the insurance companies are creating new modes of distribution channels for selling policies in rural areas. LIC has a wide network of agents, who primarily sell savings oriented policies. Though this is the oldest form of distribution network, most of the companies are averse to using this mode often, because of the view that the agents may be inefficient and expensive in some cases. They may also prove to be a burden to the company in many cases. They should be trained first before appointment, which again involves high cost to the company. Therefore, some of the private insurers have tied up with banks to sell their policies. This method is known as banc assurance where bank assumes the responsibility of life insurance distribution.

NEED FOR THE STUDY

A very few survey based studies have been conducted in India on life insurance marketing. There appears to be almost no published literature to date, on the rural marketing strategies for life insurance products. No comprehensive and authoritative empirical study in the field of marketing of Life Insurance Policies in India has been conducted. No comprehensive study has been undertaken in Dakshina Kannada District on the marketing strategies adopted by Life Insurance Companies and their effectiveness in the promotion of rural insurance in the District. This “Research Gap” is sought to be filled by the present study entitled “Rural Marketing Strategies for Life Insurance Products – A study in Dakshina Kannada District. The results and discussions of this study brought out the overall marketing implications of insurers strategies, and the strengths and weaknesses of insurance companies operating in rural areas, which helps to predict future trends in Indian life insurance market.

OBJECTIVES OF THE STUDY

The main objective of the study is to know the marketing strategies adopted by insurance companies and their effectiveness in promoting insurance business at rural areas. Other objectives are:
1. To study the extent of insurance coverage in rural areas
2. To study the awareness of rural population on the need for and availability of life insurance products
3. To determine the potential rural customer’s perceived need for acceptance of and willingness to purchase insurance policies.
4. To assess the perceived level of customer satisfaction with respect of life insurance services.

**HYPOTHESES**

The study attempts to test the following hypotheses:

1. There is low level of consumer awareness among rural population regarding the need for and availability of insurance products.
2. Marketing strategies of life insurance companies have played less significant role in promotion of rural insurance business.
3. Insurance companies do not have life insurance product specially designed for the rural market
4. Agency services play a significant role in the promotion of life insurance business in rural areas

**RESEARCH DESIGN & METHODOLOGY**

Population for the purpose of Study includes policy holders of LIC of India and private life insurance companies operating in villages of Dakshina Kannada District. The Insurance agents/advisors of various insurance companies are also contacted through questionnaire to collect the data and analyse their opinion about the success in rural marketing of insurance products.

Sample consists of insurance companies and life insurance policyholders living in rural areas of Dakshina Kannada district. The sample is selected using simple random sampling technique. Two percent of the total population is being chosen for the study which consists of equal proportion of policy holders from Life Insurance Corporation of India and Private Insurance Companies operating in Dakshina Kannada District.

The study is basically empirical in nature relying heavily on Primary Data. The primary data has been collected through the “Questionnaire Method”. Primary data is collected from the insurance companies under the study and their policyholders of Dakshina Kannada district through structured questionnaire. Three types of questionnaire are prepared. Separate set of questionnaire is prepared for policyholders, insurance agents and insurance companies. Managers of Life Insurance Companies will be contacted through personal interview method to collect information about the different marketing strategies adopted by them in the promotion of rural insurance.

**REVIEW OF LITERATURE**

Beck, Thorstenand Webb (2003) in their article “Determinants of Life Insurance Consumption Across Countries” emphasized on the importance of life insurance companies as part of the financial sector to the individuals and the economy as a whole. Life insurance provides individuals and the economy as a whole with a number of important financial services. In the face of increasing urbanization, mobility of the population and formalization of economic relationships between individual families and communities, Life insurance has taken increasing importance as a way for individuals and families and communities to manage income risk. Also life insurance encourages long term savings and the reinvestment of substantial capital. Leveraging their role as financial intermediaries, life insurance has become a key source of long term finance.

Sharma Ravi Kumar (2005) conducted a study on ‘Insurance Perspective in Competitive Market’ with the objective of probing into the reasons or the factors behind the purchase of the insurance product. It was found that 93.86% of respondents considered life insurance policies were indispensable for risk
protection. Chandrasekhar(2003) in his article— "A moral way of conducting Insurance Business" examined the various risks in human life and the measures taken by people to protect themselves from these risks. He also explained how insurance minimizes the loss in the event of the happening of the risk. He also elaborated the insurance practices of various countries.

Watson.G (2004) is of the opinion that India is under insured and there is a challenge for the industry and regulators to increase market penetration. Indian life insurance market displays many essential characteristics of an emerging vibrant and dynamic market a relatively high level of awareness of life insurance a growing pool of technical expertise and regulations that are not too onerous. Life reinsurance playing an important role in the growth and dynamism of the Indian market, reinsurers have been closely involved with all new companies in developing business plans, products and underwriting standards and providing reinsurance support. New individual protection products in markets such as the US and the UK are heavily reinsured whereas reinsurance in relatively under utilized by life insurers in Asian markets. A study by Swiss. Re. suggests that reinsurance cession in Japan, the second largest life insurance market in the world is just one percent. China and Indian have cession rates that are estimated to be less than half of that and in Southeast Asia the rate is still a low of five percent. In India the life insurance market has grown at over 20 percent annually in real terms in the last five years and the business of new entrants has grown at well over 50 percent in the last two years.

Denenberg Herb (2003), described that the Indian insurance sector scenario has transformed into a buyer’s market, where the customer has the choice to select from a variety of products, services and the service provider. More and more customers are now identifying newer dimension attached to life insurance to match their life cycle needs. Given uncertainty about life’s duration and about increasing cost and responsibilities, customer would defiantly opt for a life insurance policy, but which one, will be dependent on the competitive edge on the life insurance companies.

Jaya Prakash, S., (2005) suggested product innovation, customer service and need based market positioning as the strategy for effectiveness in Life Insurance Marketing. They conclude their studies with suggestion “The right strategic choice of a Life Insurance marketer involves the very way a company organizes itself to do business. It is the configuration of the entire value chain of the company through a different set of activities to deliver unique value to consumers. The set of activities cover all upstream and downstream activities, from the selection of the product mix, the way the products are priced, promoted, the type of distribution mechanism used, the way consumers are serviced and so on”.

FINDINGS OF THE STUDY

Life insurance agents/advisors were covered under the survey to collect their opinion and perception on various issues of life insurance marketing in rural areas. Total 62 agents (32 of LIC and 32 of private insurance companies) were surveyed by using a questionnaire. Findings of the survey is presented below-

1. Agents of both LIC and Private insurance companies perceived segmentation strategy was essential for effective life insurance marketing in rural areas. Income and occupation are the bases suggested by the agents for life insurance market segmentation.

2. Radio, television, newspapers and printed pamphlets were perceived as more effective advertising media in rural areas by the agents of both LIC and private insurance companies.

3. Frequent meeting with clients and establishing agent’s offices at convenient locations can attract rural customers toward life insurance services. Only 16% agents of LIC maintain independent office to carryout life insurance business in rural areas. No agent of Private insurance companies has office to carryout life insurance business in the rural areas.
4. Both LIC and private companies do not offer any special privileges and incentives to the agents operating in the rural areas. Special incentive to rural agents can encourage rural agents to put additional efforts in promoting rural life insurance business.

5. Agents of both LIC (100%) and private insurance companies (100%) perceived that marketing of life insurance in the rural market is challenging. Low income, illiteracy and increasing competition are the reasons for marketing complexities in rural area. Suitable marketing strategies are to be developed to convert marketing challenges into opportunities.

Researcher collected primary data from life insurance customers/policyholders to analyse their perception on issues relating to marketing of life insurance in rural areas. 972 policyholders were covered under the survey. Policyholders perceptions about service delivery, agent- customer relations, and customer satisfaction in life insurance are the key areas covered under the survey. Findings of the survey of policyholders is presented below-

1. Women, farmers and daily wage earners are not adequately covered by the life insurance in rural areas. 38% of the total respondent policyholders were females. Respondents belonging to the age group 20-30 dominate the rural life insurance market, followed by the age group 31-40 years. More than 50% life insurance customers are graduates and post graduates which show uneducated and less educated are not adequately covered in rural areas. Officials are the major constituents of rural life insurance policyholders.

2. Life insurance coverage must be increased by extending life insurance protection to the spouse and family members of existing policyholders. Majority (60%) of life insurance policyholders are married and 45% policyholders belong to extended families. 90% of policyholders families have more than 4 members. 50% of policyholders have not insured their spouse and 52% have not insured their children. Around 65% of the policyholders have annual income below Rs. 1,00,000.p.a. Low income of rural population is the reason for less life insurance coverage.

3. Rural customers buy life insurance policies as means of saving, provision against future risk and for income tax advantage. Low income is the major restricting factor in purchase of life insurance policies. Illiteracy, lack of awareness, and non availability of branches are the other factors restricting rural customers from buying life insurance. Awareness creation, customer education and opening branches in rural areas help life insurers to expand their market in rural areas.

4. Policyholders’ aware of the existence of private insurance companies in the Dakshina Kannada District. Policyholders perceived that they have moderate level of knowledge about life insurance. This indicates that customer education is crucial for expanding rural life insurance in rural market. Insurance agents are the main source of information to the policyholders with respect to life insurance related matters. Life insurance customers use radio, television, newspapers and friends as other source of information. Information relating to premium amount payable, maturity benefits and tax advantage are usually sought by customers in rural market while buying life insurance policies. Training agents and advertising through media channels reaching rural customers contribute positively for the success of rural life insurance marketing.

5. LIC, not private insurance companies, is the most preferred life insurance company (80%) of rural customers. During the study it is also observed that the rural people have less faith in private life insurance players. Rural customers of both LIC and private companies show loyalty towards a particular agent who served them earlier. Customer loyalty toward insurer and insurance agent can be both an opportunity as well as challenge. Insurer and insurance agents need to work sensibly to keep up customer faith and confidence.

6. Life Insurance customers are satisfied with the performance of the insurance companies, their products, agents support, company support, after sales service, claims settlement and grievance handling. But Policyholders wanted intensive marketing campaign by life insurance companies to create awareness in order to expand insurance coverage.
7. Policyholders’ perceived that existing policies are inadequate to meet the requirements of rural customers. Policies with low premium, simple procedure, high maturity value and provision of partial withdrawal of premium paid are the desired policy features of the rural customers.

SUGGESTIONS

The present study revealed that there is inadequate coverage of life insurance in rural areas. Both policyholders and agents show positive attitude towards life insurance protection but not really satisfied with marketing practices and strategies adopted by life insurance companies. In fact, the life insurance policyholders and agents, by and large are fully aware of the importance of life insurance in the life of an individual but however, they are not really happy with the way in which insurance services are delivered. The study demonstrated the need for formulating effective organizational and marketing strategies that can steer the behavioural intentions of the policyholders in the right direction.

A thorough and complete understanding of the dynamics of life insurance business, rural market characteristics, functioning of life insurance agency and attitude of policyholders would be an imperative need to excel in the field of life insurance marketing.

The following suggestions could help life insurance companies to be successful and effective in rural marketing of life insurance:

1. The first priority of insurance companies should be to stimulate demand in areas that are currently not served at all. Awareness programmes should be conducted in the villages explaining the importance of life insurance and the benefits available under various life insurance schemes. It is important to educate the rural people that life insurance should be considered as a security or as a protection to the life/family. Educating the rural people may be done through organizing seminars on the need for insurance, trade fairs, visual media, film shows, door to door campaign and through mobile publicity vans.

2. There is low level of life insurance penetration in rural areas due to negative motivation of rural policyholders because of long delay in settlement of claims by insurers. In some cases, the claims settlement process took years which resulted in customer disagreement. Claim settlement is the major component of customer satisfaction in life insurance service. Therefore, Life insurance companies should simplify the claim settlement process by reducing procedural complexities. Payment of policy claim amount should be made in cash to those policy holders who do not have bank accounts. It is suggested to introduce any branch clearance of claims for customer convenience.

3. Advertisement and publicity efforts of Life Insurance Companies are inadequate to generate an intended impact among the target customers. Therefore, it is suggested to focus on the introduction of integrated marketing communications and efforts in the form of door to door campaign. The word of mouth through agents/advisors is an important message carrier in rural areas. Insurance literature should be printed in local or regional languages for clear understanding to the rural customers of the matter contained in it.

4. Developing customized life insurance products and effective distribution of those to reach the needy are the two most important measures to be taken for the success of rural life insurance marketing. Therefore, there is a need to introduce more and more customized life insurance (individual and group) products for the lower income strata in India. To serve huge clientele in rural areas, marketers need to develop a separate set of distribution channels to reach, and serve. Though the branch expansion of the insurers has improved in the post insurance reform period it is still not enough to penetrate every corner of the country. In 2011 out of total branches of all life insurers operating in India, only 32% was from rural areas (IRDA Report 2011). Development of viable and cost effective distribution channels promotes customer faith and confidence which guarantee a high market share.
5. The policyholders in rural Dakshina Kannada District did not insure the lives of their spouse and children. The agents of insurance companies can put efforts to widen the rural insurance market and insurance coverage net by encouraging the existing customers to insure the lives of their spouse and children. Insurance companies should provide a rebate to the policy taken on life of spouse and children of policyholders to promote insurance coverage.

6. While the life insurance sector is seeking to maintain a balance between acquiring customers and retaining existing ones, customer acquisition is vital, but customer defection is most critical to be countered. Customer focused strategies require CRM (Customer Relationship Management) to help acquire customers through various touch points and translate operational data into actionable insights for proactively serving customers. Customer’s grievances should be handled carefully and promptly. Policy holders may be encouraged to form association for satisfactory redressal of their grievances. There should be simplified and customer-friendly complaint-handling procedure.

7. In India, Motor Vehicle Act made it mandatory to every owner of vehicle to have motor vehicle insurance. But there are no such regulations in respect of life insurance. Therefore, in India, there is a situation ‘motor vehicle insurance is bought but life insurance is sold’. Life insurance has socio-economic benefits; as such Government should make it mandatory on rural population to buy life insurance policies of a specified sum assured. The subsidy should be given to economically backward rural people (Below Poverty Line Category) to encourage buying life insurance policy as a provision against future contingencies. Insurance companies should be generous in popularising janata policies or low premium policies.

CONCLUSION

The insurance industry is now undergoing an amazing metamorphosis from monopoly to perfect competition, warranting the burgeoning survival crisis to the Indian conventional life insurance industry. At this transitional period, insurance company’s goal is to meet customer’s rapidly changing expectations better than its competitors. A company’s measure of service adequacy and superiority scores will determine how well it is positioned in the insurance market. Depending on the relative level of customer perceptions and expectations about insurance service on all seven Ps of service marketing (price, product, place, promotion, process, people and physical evidence) a company can operate either at a competitive advantage or at the customer franchise (loyal customer) service level.

In the highly competitive life insurance market, insurance companies cannot nurture the culture of complacency and arrogance through ‘over-promising and under-performing’. It is the time to realize that the success in rural life insurance market goes to those who struggle to explore the untapped potential through fair and socially acceptable marketing strategies. Drawing board approach to formulate the sales figure for rural markets is unrealistic without having understood the rural sentiments. In India the insurance business can be said to be “a marathon not a sprint”, this is because of the nature of the business being long term. As insurance companies go more and more rural in search of business there will be opportunities in the rural sector.

SCOPE FOR FURTHER RESEARCH

1. This research should be further continued with large number of sample size to identify the challenges of insurance inclusion in India.

2. The research also recommends that a deep study should be carried out to analyse the impact of technological developments in the Indian life insurance sector.

3. This research also recommends a deep study in the area of rural customer’s need assessment and innovative marketing practices to attract untapped rural market potential.

4. Different Distribution channels used in rural life insurance marketing and their evaluation can be taken as area for further research.
REFERENCES


