

* **MARKETING
OF
INSURANCE
PRODUCTS**

DEFINITION OF MARKET

* A MARKET IS AN AGGREGATE DEMAND OF THE POTENTIAL BUYERS FOR THE PRODUCT/ SERVICES

* American Marketing Association

* Definition of Marketing

* Marketing is concerned with people and activities involved in the flow of goods and services from producer to consumer

American Marketing Association

*Nature of marketing

- *Marketing is consumer oriented process
- *Market starts and ends with customer (c2c)
- *Marketing is the guiding element of business
- *Marketing is a system
- *Marketing is a goal oriented process
- *Marketing is a process of exchange
- *Marketing is a process

* Importance of Marketing

- * Realization of objectives
- * Satisfy economic and social needs
- * Activates the production-consumption chain
- * Helps in adapting changes
- * Helps in achieving the maximum efficiency
- * Ensures economic growth

*Role of marketing

- *Specialization in activities of comparative advantage
- *Enhanced resource - use efficiency and trade
- *Advances in marketing with economic growth

Customer satisfaction

- * It is a person's feeling of pleasure or disappointment that results from comparing a product or service perceived performance / outcome to expectations
- * If the performance or experience falls short of expectations the customer is dissatisfied
- * If it matches expectations the customer is satisfied
- * If the performance exceeds expectation the customer is highly satisfied or delighted

* *Role of customer in marketing*

- * Psychological considerations- includes how a consumer think, feels, reasons and identifies different alternatives
- * Marketing considerations- marketing with honesty, integrity and clarity
- * Word of mouth
- * customer service- before sale and after sale

Objectives of marketing

- * Creation of demand-
- * Customer satisfaction
- * Market share
- * Generation of profits
- * Creation of goodwill and public image

MARKETING WITHIN INSURANCE INDUSTRY

1. LIFE /HEALTH INSURANCE - Sold through agents, brokers or producers - compensated by commissions - added to price of the policy- fee only and no load insurance

***General Agency System-** A general agency system is a set-up in the insurance market *where a person or an entity sells insurance products to agents and brokers in an area*. They are authorized by the contract with insurer .they recruit and train subagents . They receive an override commission

*Managerial System- A branch office is an extension of home office headed by branch manager-he is an employee . Manager employs and trains agents for the company . Cannot employ an agent without the consent of the company

*Group Insurance Marketing-

- * Only one master policy will be issued to the Manager of the group and will be in the name of the group (eg: the association)
- * The employee is entitled to get a certificate of insurance if he participate in a non employer-employee group policy for your records.
- * This certificate should contain
 - * the schedule of benefits
 - * premium charged and
 - * terms and conditions of the cover
- * The cover could cease if you leave the group

- *When the employee leaves the group the insurer should offer you continued coverage under an individual policy
- *The Manager of the group should disclose the premium rate and terms of the policy including the premium discounts offered to the group and should pass on the discounts to all members
- *The manager of the group has to disclose any administrative or other charges he is collecting from members over and above the premium charged by the insurance company

*Supplemental Insurance Marketing- Extra or additional insurance - that you can purchase - provides added protection for certain medical events.

*INDEPENDENT AGENCY SYSTEM- which independent contractors known as agents- sell and service insurance solely on a commission or fee basis to several companies- maintain contracts or agency agreements with various companies and are compensated on a commission basis.

* **DIRECT WRITER AND EXCLUSIVE AGENTS** - is an agent - distributes policies for only one insurance company - find a client the best policy for the best price- that only issues insurance policies from a single insurance company. - also called a captive agent

* *Mass Merchandising* - A technique whereby a group of people, usually employees or members of a union or trade association, insure with one company. Premiums are collected and remitted to the insurer in a lump sum.

Functions of marketing

```
graph LR; A[Functions of marketing] --- B[Merchandising functions]; A --- C[Physical distribution functions]; A --- D[Facilitating functions]
```

Merchandising
functions

Physical distribution
functions

Facilitating
functions

*Merchandising functions- process of passing of goods to the customers hand is called function of exchange

i. buying:

It is the process of acquiring goods at the right price, at a right time, in tight quantity and quality and from a right source of supplier

ii. Assembling

assembling means to purchase necessary component parts and to fit them together to make a product

iii. Selling

It is core of marketing. It is concerned with the prospective buyers to actually complete the purchase of an article. It involves transfer of ownership of goods to the buyer.

*Physical distribution functions



* Facilitating Functions Of Marketing

There are other functions to facilitate functions of exchange and physical distribution of marketing.

* Standardization- of each product should be determined on the basis of the quality, size, type, color etc

* *Financing*

* Risk bearing

* Pricing

* Branding

* Advertising

* Salesmanship

* Salesmanship

* Packaging

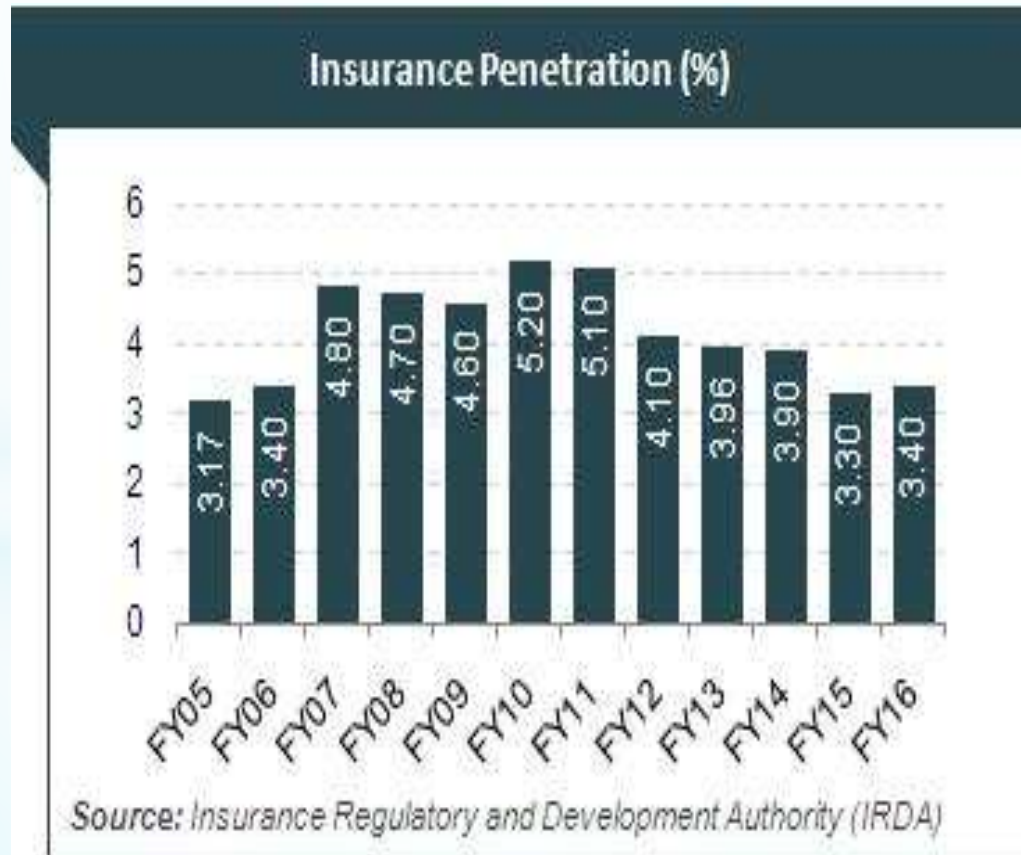
* Market information

* Market research

* Market intelligence

*Growth of insurance industry in India

- *The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers



*The industry has of late achieved a yearly growth rate within 32 and 34 percent and this makes it the 5th best among emerging economies around the world

what will drive market development in the Indian insurance industry?

*There are certain factors that need to be considered by the Indian insurance industry to ensure a seamless growth in business.

*Distribution channels: The effectiveness and cost of diverse distribution strategies of different players is crucial in ensuring the success of players in the insurance business, particularly in the retail lines of business.

- *Focus on financial inclusion: The approach to insurance must be in sync with the evolving times. The mission of the insurance sector in India should be to extend the insurance coverage over a larger section of the population and a wider segment of activities.
- *Consumer needs and preferences: The growth in insurance industry has been spurred by product innovation, vibrant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers. Innovation has come not only in the form of benefits attached to the products, but also in the delivery mechanism through various marketing tie-ups. All these efforts have brought insurance closer to the customer as well as made it more relevant.

* . *Product (Scheme) :*

- * Managing the product component involves product planning and development. The life insurance marketers must define their market in terms of product function. What the customer expects from the product.

*Price - The management must take decisions regarding pricing (premium), investment return, level of premium, mode of premium, commission, insured sum, life to be covered, interest on loan, price strategy, underwriting and price related situations. It deals with price competition.

* *Physical Distribution / Place*

- * it is the combination of decisions regarding channels of distribution, Agents, Development Officers, Brokers, Branch Office, Retail financial service distributors, alliances with banks, tie-ups with non-governmental organization, corporate agencies, Bank assurance, e-trade, proper infrastructure and training facilities, technical and material know - how on part of instructor etc

- * **Promotion** : - communicating with consumers - personal selling, advertising, publicity, sales promotion, social contracts, public relations, exhibition and demonstration used in promotion.
- * For promoting life insurance business sales promotion activities are carried out by the agent, development officers and branch offices. Calendars, diaries, bags etc are also given to policy holders as a token of gifts.
- * All these activities increase the volume of sales by expanding as well as retaining the market share for the insurance products

*.PEOPLE

Strong relationships with intermediaries.

Use Of IT For Efficiency.

Training & development both at the staff and agent level.

*PROCESS

The process should be customer friendly .

The speed and accuracy of payment is of great importance. The processing method should be easy and convenient to the customers.

IT will help in servicing large no. of customers efficiently and bring down overheads.

* PHYSICAL EVIDENCE

- * Physical evidence refers the total layout of office.
- * Uses various intermediaries-UK, retailer like Marks & Spencer sells insurance products & RCM in India.
- * used remote distribution channels such as telephone or internet so as to reach more customer.
- * Ex- is UK insurer Direct Line. It relied on telephone sales and low pricing

*Creating a marketing strategy

Step 1: Begin with a snapshot of your company's current situation, called a "situation analysis"

better value of your product, competitors offering, SWOT analysis

Step 2: Describe your target audience

profile of your prospective customer - age, sex, family composition, earnings and geographic location

Step 3: List your marketing goals

Shot list your goals

Step 4: Develop the marketing communications strategies and tactics you'll use

identify your ideal marketing mix, media your target audience ,
Avoid broad-based media (mass media)

Step 5: Set your marketing budget

annual marketing budget, The key is to never stop marketing

Steps in creating marketing strategy in insurance industry

- * Know the Market- policy holder and competitors
- * Establish a Plan- traditional and new media, direct and indirect sales.
- * Measure Effectiveness- standard setting and analysing the results
- * Gather Feedback- word of mouth , quantitative data

Impact of external and internal factors on the marketing strategy

- * Price and competition
- * Human Resources and Firm Culture(collaborative and competitive)
- * Technology
- * The Economy

External consideration

Social factors

Economic factors

competition factors

Technological factors

Ecological factors

Consumer protection

Internal consideration

Organizational structure

Organizational Behaviour

values

1. Social factors- connecting with customers, competition for business, social media, a sympathetic ear of death, (unfortunate conditions)
2. Economic factors- fewer claims (depends on condition of an economy), less demand, increased regulation, new business model
3. Competition factors- monopolistic competition, oligopoly, non price competition (gifts, compliments)
4. Technological factors - mobile, gps, cctv footage
5. Ecological factors- climate, edaphic (aspects of soil), topographic (concerned with geography of earth), biotic
6. Metrological factors- wind, temperature, humidity,

*External factors

1. Organizational structure- size, life cycle, strategy, business environment,
2. Organizational behaviour- technology, social changes, political and legal changes, conflict, demographic factors (age, sex, race, nationality), abilities and skills, perception,
3. Values- beliefs, ideas, behaviour, attitude, culture