

**A Comparative Study of Promotional Strategies adopted by  
Public and Private Sector Insurance companies in India.**

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**Abstract**

Marketing strategies become more crucial when they are executed to design, distribute and promote insurance services. The present study is descriptive in nature and takes out significant differences in the promotional strategies adopted by private and public sector insurance companies in India. The study shows noteworthy results and opinions of customers, which can be very useful for designing effective promotional strategies for insurance companies. The study reveals remarkable facts connected with customers' perception about promotional tools of both private and public sector companies and also about the most effective tools to promote insurance services.

**Keywords:** Insurance, Promotional Strategies, Customer Satisfaction.

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## **Introduction:**

In financial services, people are primarily bothered about security of their funds and default risks. After the year 1969, the deposits of banks increased more than 80 times as a result of the nationalisation of banks. Paul Cox, (2007) revealed a fact that financial service providers are not perceived highly trusted, so that they might have difficulty in selling risk-based products. The effort to promote insurance business is quite distinguished affair. At present, it has become very tricky due to the changing trends of industry, increasing competition and efficiency of regulatory environment, and the financial system. The complexity in the insurance services is also an issue of vital importance. This is the time when insurance are offering new and innovative services, frequently in the market. The content of promotional tools should help the customer in making most valuable decision. This can be firmly said that well-designed promotional strategies are very important to promote insurance services effectively. In marketing any product or service, customer satisfaction has been given the prime importance. The most frustrating aspect of insurance marketing is lack of management support, lack of inter-departmental cooperation, crisis management, government intrusion and advertising & media problems (Berry & Lindgreen, 1980). Sarin & Anil (2007) recommended that manpower in service organisations must work with the focus of satisfying the customer. Insurers should bring out the areas requiring improvement and which further throw light on the measures to improve the quality of services. Promotional packages are very important for financial service industry (Ananda & Murugaiah, 2003). Thus the orientation of insurance should be with a much wider focus in relation to consumer and market needs, and the consequent marketing strategies. The challenges put forth by the changing environment have to be effectively tackled to identify the consumer needs and providing valuable services through product innovation (Nair Raman, 2006). In insurance the temporal and spatial dimensions are perceived as more important than traditional dimensions based on outcome and process elements (Kristina Heinonen, 2006). Tokunbo Simbowale (2005) examined the usage of marketing concepts & techniques and recommended that a well-structured marketing department in services providers is essential for profitability & effectiveness. A study by Krishna, Suryanarayana & Srikant (2005) recommended that promotional strategies should be designed as per the nature of the services to be promoted. The advertisers should seek a narrative approach to communicate the service experience rather than a logical, argumentative approach. Narrative approach involves storytelling methodology using sequence of events (Sehgal Roli, 2004). Location convenience, speed of service, competence and friendliness of personnel are also the most important points with maximum value in services (Laroche, & Manning, 1986). Meidan (1976) revealed that about 90% of the respondents at service the branch nearest to their home place and

place of work. Convenience, in terms of location, was also found to be the single most important factor for selecting a branch. It has been generalized in the studies that services marketing advertisement is more challenging than the advertising of tangible products (Ray and Bose, 2006). Winning new customers costs 10 times more than simply holding onto existing ones. The case should be taken in the marketing of financial services very seriously (Farrokhtakin, Stavash, 2000). While formulating marketing strategy, an insurer should focus attention on (i) consumer sovereignty, (ii) attitude, (iii) responsiveness and personal skills of staff, (iv) revitalizing the marketing department, (v) top management support to the marketing department, (vi) participation of marketing personnel in key company decisions (Kumar Ashok, 1991). With the same perspective, the prime objectives of the study are:

- (i) To know about the various promotional tools of Private and Public insurers in India
- (ii) To make a comparative analysis of customers' perception for promotional strategies of private and public sector insurance companies in India
- (iii) To find out the key promotional tools for insurance services on the basis of customers' responses.

**Research Methodology** The present study is descriptive in nature, which is based on empirical evidences in the form of primary data. The data collection has been done from 300 customers presently availing of insurance companies. The respondents were approached with systematic random sampling where every 3rd visitor was approached when he/she was coming out of the insurance office after availing the service. The response rate was found to be 65%. The branches of the industry have been selected out of the representative districts of the states of J and K on judgment bases for making the samples true representatives. The study includes the customers of 10 leading insurers out of which only one is from public sector (LIC of India) and 4 from private sector (ICICI Prudential, HDFC Standard, BIRLA Life Insurance, and Bajaj Allianz Life Insurance Company Ltd.). A structured questionnaire has been used for collection of data comprising open and close-ended questions. Likert scale has been used as a scaling technique in the questionnaire. Structured interviews have been taken of 2-2 employees of the above stated companies for getting the initial information about the promotional strategies adopted by leading private and public sector insurance companies in India.

### **Data Analysis and Interpretation**

The responses have been captured in a scale of 5 to 1 from strongly agreed to strongly disagree. Similarly in other questions „5“ is for very effective and „1“

is for not at all Effective. Table 1 show that the promotional strategies of private and public sector companies are almost similar. Both types of companies take the help of almost all type of media to promote their services. The first objective of the study deals with the analysis of the promotional strategies adopted by both. The analysis is done on the basis of review of existing literature and with personal contact and informal interview with the personnel of the private and public sector companies. The major difference in the promotional strategies adopted by companies is in the two techniques of the promotion and they are “Personal Selling” and “Direct Marketing”. The difference is that public sector companies that is LIC of India does not adopt the strategies of promotion as personal selling and direct marketing; on the other hand the same are adopted by private sector companies. The reasons for this are high reliability and less profit orientation of LIC of India. It does not go for innovative strategies of promotion, however they go for interactive marketing through internet but that is not promoted so much like private sector companies.

This has been demonstrated in Table 2 that the respondents in the present study are mixed and are seem representative. Majority of the respondents were in the age group of 35–44 years of age (33.9%) followed by 25–34 years of age (27.3%). Only 9.1 per cent of respondents were in the age group of  $\geq 65$  years of age. Males constituted 61.6 per cent and females 38.4 per cent of the respondents. 83.1 per cent of respondents were Muslims while 16.9 were Non-Muslims. 62 per cent of the respondents stayed in nuclear family and 38 per cent in the joint family, 54.1 per cent of the respondents belonged to middle socio-economic status. 36.8 per cent and 9.1 per cent of the respondents belonged to low and high and low socioeconomic status respectively. 42.1 per cent of the respondents had monthly family income between Rs. 1000 and 5000 and 3.6 per cent respondents had an income of  $\geq$  Rs. 25001.

Table 3 states that the maximum respondents (48.33%) were availing the services of saving Investment, which is followed by uncertain risk (28.33), only few are availing the service of deposits for Lucrative returns (11%) and others (12.37%).

Most of the respondents answered that they were influenced by Friends and Relatives (42%) for choosing the services from a particular company. This is the power of “word of mouth”. This shows that the impact of opinion leadership and reference group is very much in insurance services however advertising (21%) also affects the decision of selecting a particular insurance company (Table 4). As per the responses given in Table 5, the difference between public and private sector insurance company is known to the maximum number of people (85%). Table 6 gives a clear idea about the question related to the perception of customers about private and public sector insurance company the

results are not so surprising. People think that the advertisements and promotional efforts of private sector company are more effective than public sector insurance company( LIC) with a weighted mean score 3.51 for 5. The respondents strongly agreed that Private Sector companies do more advertisement than Public Sector Company (LIC) (3.81). Further, one more aspect, that is very important in the case of services and especially in financial services i.e. truthfulness, and completeness in advertising. The respondents look agrees with the statement that the information provided by Public Sector Company (LIC of India) is more reliable than private sector banks because that is true and completes (3.62).

This has been narrated in Table 7 that private sector companies are slightly better in catching the awareness of people than Public Sector LIC in mass media advertising. 69% respondents accepted that they have exposure of advertising on television and 61% of advertising in newspapers in case of Private Sector Company. However in the case of public sector LIC it is 66% and 52% respectively. Table 8 gives descriptive idea about the exposure of various promotions. In outdoor advertising and online marketing, private sectors Companies are again more successful to spread awareness than public sector Companies, but the total awareness level has stayed low. In public sector LIC 21% of the respondents were accepted that they have an exposure of outdoor advertising while the respondents for it in case of private sector Companies were 28%. As online marketing is not so much adopted by public sector LIC only 7% customers have the exposure of the same, while for private sectors Companies the exposure of respondents is 17%. Telecalling and personal selling did not show high exposure. Almost 26% people are exposed to telecalling. Another important aspect has been discussed in Table 9. When customers were asked about the most effective tool for promotion of Insurance services, very meaningful results have came. The most effective tools in respondents' opinion is advertising on television with weighted mean value 3.84 and advertising in newspapers was at second place (3.59). This is followed by personal selling (3.43) and advertising in journals and magazines (3.26). Advertising on Television has been given the first rank and Publicity (2.25) is given the last. However there is no so significant variability in the factors if we move from one. The variability as per standard deviation is 0.5274.

## **Conclusion**

Promotion has different aspects for different industries, products and services. Its final goal is to communicate positive word of mouth among existing and potential customers about the corporate, product and service. In Insurance sector

the customers must be ensured that services provided by a particular company have been designed to give them maximum value of their money and adequate risk cover. In brief, it can be said that in India wherever the dilemma of private and public sector comes always two things are considered. Public sector is more reliable but not so good in the quality and innovativeness. Private sector is not considered so reliable, there may be hidden charges in the services and false and misleading information in the advertising but they are better in the service quality. Private sector companies must be more true and reliable first. They have to win the hearts of the customers, after that they will be able to win minds as well. Private Sector companies are adopting more push strategies to attract and catch the customers. This creates the difference between promotional strategies adopted by Public and Private Sector Insurance companies.

### Scope for Future Research

The study is related to the districts of Jammu and Kashmir State, which are adjacent to Srinagar. The future researches can be conducted by taking other areas as population. A comparative analysis of Semi-Urban areas can be done of promotional strategies. The future researches may include public, private, other companies exclusively on the same topic. As information technology is now entering into villages and in semi urban areas also, the scholars may concentrate on carrying out research on direct marketing and Internet marketing tools as well as Internet advertising of insurance services. Further the various components of promotional mix can be studied exclusively.

Table 1: Promotional Strategies by Public and Private Sector Insurers.

Promotional Tool	Public Sector LIC	Private Sector companies
Advertising on Television	Yes	Yes
Advertising in Newspapers	Yes	Yes
Personal Selling/Personal Contact	No	Yes
In Journals and Magazines	Yes	Yes
Tele Calling by Sales Persons	No	Yes
Outdoor Advertising Hoardings etc	Yes	Yes

Schemes/Gifts/Prizes for Customers	No	Yes
Public Relations/Events/Programmes	Yes	Yes
Online Marketing/E-Mail	Yes	Yes
Pamphlets/Propaganda	No	Yes
Letter/Mail/ with Relevant Material	No	Yes
Publishing News in Newspapers	Yes	Yes

Source: Survey data collected by the scholar for the present.

### Demographic Characteristics of the Respondents.

Characteristics of the Respondent	Number	Percentage
<b>Age (years)</b>		
25 – 34	66	27.3
35 – 44	82	33.9
45 – 54	36	14.9
55 – 64	36	14.9
>= 65	22	9.1
<b>Sex</b>		
Male	93	61.6
Female	149	38.4
<b>Religion</b>		
Muslim	201	83.1
Non-Muslims	41	16.9
<b>Type of family</b>		
Nuclear	150	62.0
Joint	92	38
<b>Socio-economic status</b>		

High	22	9.1
Middle	131	54.1
Low	89	36.8
<b>Family income (Rs.) monthly</b>		
1000 – 5000	93	42.1
5001 – 10000	65	29.4
10001 – 15000	32	14.5
15001 – 20000	16	7.2
20001 – 25000	7	3.2
> = 250001	8	3.6

**Source: Survey data collected by the scholar for the present.**

**Table 3: Types of Services availed by the Customers**

<b>Types of Services Availed</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Saving Investment	48.33	48.33
Uncertain Risk		28.33
Lucrative returns	33	11
Others	37	12.34
Total	300	100

**Source: Survey data collected by the scholar for the present.**

**Table 4: Influencers for the Purchase Decision of Services**

<b>Influencer</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Advertisement	65	21.67
Through Salesperson	34	11.33
By Friend/Relative	127	42.33
Others	74	24.67
Total	300	100

**Source: Survey data collected by the scholar for the present.**

**Table 5: Awareness about the Difference between Public and Private Sector Insurers.**

Responses	No. of Respondents	Percentage
Yes	255	85
No	45	15
Total	300	100

**Source: Survey data collected by the scholar for the present.**

Table 6: Comparative Analyses of Public and Private Sector Insurers on the Basis of Volumes of Advertising, Truthfulness in Advertising, and Effectiveness of Advertising.

Statements	Weighted Mean Score (out of 5)	SD
Private Insurers do More Advertisement	3.81	1.15
Private Insurers Ads are More Effective	3.51	1.18
Public Sector Insurers Ad's Information More True	3.62	0.97

**Source: Survey data collected by the scholar for the present.**

**Table 7: Comparative Look on the Exposure to Promotional Tools Public LIC of India vs. Private Insurers.**

	Exposure (Out of 255 Respondents Those who were known to the difference between Public and Private Sector Insurers)	
Promotional Tools	Public	Private

Advertising on TV	Total Responses		Total Responses	
Advertising in Newspapers				
Outdoor Advertising Hoardings etc				
<b>Online Marketing</b>			<b>71</b>	

**Source: Survey data collected by the scholar for the present**

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