Marketing Practices of LIC of India: Innovative Ways of Marketing Strategies

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Insurance has become an integral aspect in everyone’s life today. The insurance scenario faces multiple challenges such as increased costs of operation, regulatory pressures, and inflexible technology infrastructure. These pressures are compounded by low to moderate premium growth & the increasing burdens of regulatory compliance. The term Insurance Marketing refers to the marketing of Insurance services with the aim to create customer and generate profit through customer satisfaction. The Insurance Marketing focuses on the formulation of an ideal mix for Insurance business so that the Insurance organization survives and thrives in the right perspective. It is important for a marketer to understand the need of the market and formulate a marketing mix which can help the insurance marketer in attracting and retaining customers. The Insurance business deals in selling services and therefore due weightage must be given to the formation of marketing mix for the Insurance business. The marketing mix includes sub-mixes of the 7 P's of marketing i.e. the product, its price, place, promotion, people, process & physical evidence. The Marketing Mix section covers 4Ps and 7Ps of more than 300 brands in 2 categories. LIC of India is associated with insurance and finance industry. It is owned by Government of India and is of Indian origin. LIC India was founded in the year 1956September 1st by merging nearly two hundred and forty-five provident societies and insurance companies prevalent at that time. It has become largest Indian insurance company with rupees 25.72 crores assets value. Marketing Mix of LIC (Life Insurance Corporation of India) analyses the brand/company which covers 4Ps (Product, Price, Place, Promotion) and explains the business & marketing strategies of LIC of India.

Keywords: Insurance, LIC of India, Marketing, Strategies
1. Introduction

Insurance has become an integral aspect in everyone’s life today. The insurance scenario faces multiple challenges such as increased costs of operation, regulatory pressures, and inflexible technology infrastructure. These pressures are compounded by low to moderate premium growth & the increasing burdens of regulatory compliance. Keeping all the above problems around the study would attempt to study all the factors that contributed to the effective marketing strategies. This paper presents different marketing strategies that are taken up in life insurance services keeping in view external and internal environment of the firm. Marketing strategy is the basic approach that the business units will use to achieve its objectives, and it consists of broad decisions on target markets, market positioning and mix, and marketing expenditure levels. As the financial services sector has become more competitive, financial institutions need to consider, ways of developing relationships with their existing customers in order to defend their market share. Strategic dimension of marketing should focus on the direction that an organization would take in relation to a specific market or set of markets in order to achieve a specified set of objectives. Every insurer must recognize that its "strategic posture" depends partly on the competitive environment, partly on its allocation of marketing resources. An insurance firm strategy is a plan for action that determines how an insurer can best achieve its goals and objectives in the light of the existing pressures exerted by competition, on the one hand, and its limited resources on the other hand.

Wherever there is uncertainty there is risk. We do not have any control over uncertainties which involves financial losses. The risks may be certain events like death, pension, retirement or uncertain events like theft, fire, accident, etc. Insurance is a financial service for collecting the savings of the public and providing them with risk coverage. The main function of Insurance is to provide protection against the possible chances of generating losses. It eliminates worries and miseries of losses by destruction of property and death. It also provides capital to the society as the funds accumulated are invested in productive heads. Insurance comes under the service sector and while marketing this service, due care is to be taken in quality product and customer satisfaction. Marketing is a predominant activity in Life and General Insurance. It is important for marketers to understand the needs of the market and formulate a marketing mix which can help the in attracting and retaining
customers. The Insurance business deals in selling services where the product is intangible and requires a considerable amount of explanation of the intricacies of various products and therefore due weightage must be given to the formation of marketing mix for the Insurance business. The marketing mix includes sub-mixes of the 7 P's of marketing i.e. the product, its price, place, promotion, people, process & physical evidence. The present paper focuses on the performance of the Indian Insurance sector in the recent past and further examines the role of marketing mix in marketing insurance services in India.

**According to Philip Kotler** - Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

**According to P.F Ducker** - Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of the final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise. At the time, the production concept worked fairly well because the goods that were produced were largely those of basic necessity and there was a relatively high level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose job it was simply to execute transactions at a price determined by the cost of production. The production concept prevailed into the late 1920's.

### 2. The Sales Concept of Marketing

By the early 1930's however, mass production had become commonplace, competition had increased, and there was little unfulfilled demand. Around this time, firms began to practice the sales concept (or selling concept), under which companies not only would produce the products, but also would try to convince customers to buy them through advertising and personal selling. Before producing a product, the key questions were. The sales concept paid little attention to whether the product actually was needed; the goal simply was to beat the competition to the sale with little regard to customer satisfaction. Marketing was a function that was performed after the product was developed and produced, and many people came to associate marketing with hard selling. Even today, many people use the word "marketing" when they really mean sales.
Marketing of Insurance

The term Insurance Marketing refers to the marketing of Insurance services with the aim to create customer and generate profit through customer satisfaction. The Insurance Marketing focuses on the formulation of an ideal mix for Insurance business so that the Insurance organization survives and thrives in the right perspective. It is important for a marketer to understand the need of the market and formulate a marketing mix which can help the insurance marketer in attracting and retaining customers. The Insurance business deals in selling services and therefore due weight age must be given to the formation of marketing mix for the Insurance business. The marketing mix includes sub-mixes of the 7 P's of marketing i.e. the product, its price, place, promotion, people, process & physical evidence.

Distinct Features of Insurance Marketing

Marketing is a continuous activity in any insurance and includes various functions like sales promotion, advertising, public relations, efficient servicing, monitoring etc., which is achieved by the marketing organization. A typical insurance company may include the following marketing personnel, whose designations however may vary. The network of insurance market consists of Green various authorities and channels such as Regional Marketing Manager, Senior Branch Manager, Asst. Branch Manager, Development Officers (Select, train, motivate, supervise agents, liaise with policy holder etc), Permanent employees (also called Field Officers in General Insurance) Agents (Canvassing policies, sale and service of policies, avoid adverse selection, settlement of claims. Agents can be Part time, Full time or Career agents). Marketing is all about identifying the needs of the policyholders and making them profitable. It is much broader in nature than sales and also includes pre-sales and post sales activities. Broadly marketing can be studied under the 7 P" s of services marketing mix, which include: Product, Place, Promotion, Price, People, Process and Physical evidence. Developing product designs and pricing according to the requirements of the policyholder will enable a company to fare well in the market. The makeup of the insurance premium is a function of pure premium and loading. The insurer must also make allowance for the credibility factor or extent to which he can rely on the loss experience. Various distribution channels have been devised to reach out to the policyholder fast. Customer relationship management is gaining significance to maintain and expand the customer base.
Need for Marketing Insurance Services

The need for marketing insurance services arises due to following factors:

- The insurance products have a distinct feature where benefits of the product come at the later date and at times after a considerable time.
- The demand unlike consumer-products is not inbuilt.
- Among the financial services, the insurance sector gets the least priority as other investments avenues provide immediate yields.
- In case of life insurance, the case is further complicated as in India people have belief, traditional culture and religious background and tendency to leave everything to fate. This happens especially in rural areas.
- The rural market is still untapped. The insurance sector is yet to exploit this segment which has vast potentialities.
- The concept of proper financial planning, taxation and investment is still lacking among the middle-class strata.
- The General insurance have wide scope for marketing as small and medium business entrepreneurs are yet to reap the benefits of general insurance schemes.

Scope for Growth of Marketing Insurance Services

The scope for marketing insurance services is vast and thereby marketing of insurance services needs a re-look. There are number of impending changes that are likely to make this sector more dynamic. The Insurance Regulatory and Development Authority (IRDA) has been established in 1999 for promoting, regulating and strengthening the insurance sector.
The following factors may further induce promotion of marketing activities in the insurance sector.

1. IRDA aims at promoting the regulating professional organizations connected with insurance and re-insurance business.

2. The insurance sector is thrown open to private and corporate sector. This will certainly expand the business dimensions.

3. There is also a move to specify the percentage of life insurance business as well as general insurance in rural and social sector.

4. With the increased spirit of investment education and awareness there are already indications of increased participation.

5. The yield on other avenues of investments such as banks, other financial institutions, mutual funds, capital market have come down and almost at par with insurance investments. This trend will further enhance the scope of marketing insurance services.

6. Service standards are bound to improve and insurance premium should come down once the insurance reforms takes place. With such a positive development the marketing scope would further increase.

7. The process of privatization will bring in many customer friendly insurance products.

8. The marketing of insurance services would take together new shape once banking services, insurance selling and fund management are all interrelated.

9. Though the market of general insurance is smaller in comparison to life insurance nevertheless the scope of growth is ample.

10. The Budgetary provisions have provided additional tax saving opportunity to certain specified insurance products such as pension policies. This will give further fillip to marketing strategies.

Components of Marketing Strategies

- Pricing
- Personal selling
- Advertising
- Word of mouth selling
- Institutional image
3. **Product/Service Differentiation**

In case of product differentiation, new products, customized products, tailored products, bundled products can be introduced and new target segments can be identified. For example, life, health and personal accident insurance can be bundled together. Similarly, Home Loan and insurance covering fire and burglary can be put together. The life insurance companies provide only packaged policies whereas new players have been providing several Riders. Rider in insurance parlance is an option that gives the policyholder additional coverage without disturbing the fundamental risk coverage. The service in the field of life insurance has improved greatly with the entry of multinationals and rising competition. The customer should have the option to continue or to switch over or to come out of the given policy. The service in the field of life insurance has improved greatly with the entry of multinationals and rising competition. The customer should have the option to continue or to switch over or to come out of the given policy.

**Advertising and Sales Promotion**

Advertising and publicizing have a positive effect on the prospective customers as well as personal selling. Both the direct and indirect strategies have to be balanced and mixed well to get the desired result. Discounts and incentives promised along with the policy have to be presented in detail to the customers. The companies must provide a tangible and rational reason to the customers to buy a policy. Unity and honesty must be maintained by the company and the frontline executives at any cost to attract the customers in the long term. Various creative and innovative strategies should be developed to promote various life insurance policies. Finding an ideal mix of customers with high disposable income and targeting them with specific policies is another good promotional strategy. Life insurance may be one of the most difficult products to sell, but with an effective promotional strategy it can be sold easily.

**Technology**

Information Technology progress is a major driver behind the structural change in the Life
insurance industry to enhance risk transfer efficiency. E business opens up new ways to reduce costs while lowering market entry barriers and facilitating the break-up of the traditional insurance value chain. Insurance clients will benefit from greater transparency, lower prices and improved services – not just in the sales area, but also in claims management. New information and communication technologies are making it easier for insurers to break up the value chain and outsource individual functions to specialized providers. In the long-term basis the information technology units control the potential for new service delivery since all new products represent a more sophisticated delivery of the service. Although it is argued that service innovations are often non-technological, this is still the center of much analysis and debate (Kandampully, 2002).

**Customer Relationship Management**

Insurance companies experiencing competition from within and abroad. Making this problem-situation into an opportunity lies always on the prudent management adopting or adapting tactics and strategies. In line of this, customer relationship management is a measure of winning competitiveness as it is the information-driven approach to customer analysis and process automation; and thereon supplement customer-value proposition. An action on tangible services – prompt and accurate issue of document, prompt and fair settlement of claim, good listening mechanism, better problem solving approach, reliable manner of service and meet requirement of customers on time every time - in lieu of intangible promises would give utmost satisfaction to customers, the customer relationship management provides better service to the insured protecting him against perils or risks and the insurer enabling to retain the existing customers and bringing in new customers in his ambit of business

**Distribution Channels**

The distribution network is most important in insurance industry. Insurance is not a high cost industry like telecom sector. Therefore, it is building its market on goodwill and access on distribution network. We cannot deny that insurance is not bought, it is sold. The market has a great scope to grow. This can be better done by more innovative channels like a super market, a bank, a post office, an ATM, departmental store etc. these could be used to increase channels of insurance. But such growth in channels shall increase with time. Till then agents seem to be the most important distribution channel in this industry. Agents connect with people and influence them to buy any insurance policy. For the same such agents charge
commission on the policies they get for the company. There is a fixed percentage of commission for which these agents work. In the field of distribution channels, many innovative techniques can be adopted. For example, Bancassurance and selling through postal network will make a great deal of difference. In Europe 25 percent of insurance policies are sold through banks. Bancassurance, as a package of financial services that can fulfill both banking and insurance needs, if implemented correctly can bring vast benefits to stakeholders such as banks, insurance companies, shareholders and consumers. Bancassurance will facilitate mass selling of insurance products through banks. Banks can act as large financial supermarkets. Distribution of insurance will be smoother through wider number of branches of the banks. Customer database, personalized service, rural penetration, cross-selling of products (e.g. car loan along with car insurance), being cheaper than agents are some of the greatest advantages of Bancassurance. At present the distribution channels that are available in the market are listed below

• Corporate agents
• cooperative societies
• SHG’S & their Federations
• NGO’S /MFI’S/CBP
• Post offices
• Formal Banks and RRB’S
• Internet & Rural kiosks

4. Strategies for Effective Marketing

Selling of services is different from goods in that, they are sold before production and consumption take place. Goods are purchased first then sold and consumed. Services also have characteristics such as their intangibility and variability where they are difficult to standardize. This makes it more difficult for customers to evaluate them (especially when they have no understanding of the service being provided and are relying on professional competence). This assumes significant importance in case of insurance services. Opening of insurance to private insurers has potential of increasing sales in different segments because of

• Sophisticated and knowledgeable selling by qualified agents,
• Cost effective products,
• Increased use of “Family Package” policies (A good product-mix)
Role of Other Institutions in Marketing of Insurance Services

An open entry has been permitted to private corporate sector, foreign institutions, banks and other financial institutions to the insurance sector. The systematic and planned marketing strategies by new entrants in the market will certainly give a different shape to marketing practices for various kinds of insurance services. We may mention the possible outcome benefits as under:

- Banking services, insurance selling and fund management are related synergies. Therefore, insurance selling by banks are mutually beneficial to banks and insurance companies. Banking products offer insurance product through the banking channel will complement banking.

- With the entry of corporate sector with sophisticated technology, the quality of services will improve significantly and so are the cost-effective products. This will certainly widen the market horizons.

- The regulations and controlling measures by IRDA would provide protection to investor.

- The professional training institutes will also have important contribution in training the personnel and thereby sharpening their professional skills. It will have positive development on marketing of insurance services.

5. LIC of India Marketing Mix

About Life Insurance Corporation of India

LIC of India is the largest insurance and investment company in India. It is owned by the government of India. Though the concept of life insurance existed in India for a long time, LIC of India came into existence of its current form in the year 1956 September 1st. After the LIC of India Act was passed by the parliament of India. It is headquartered in Mumbai, the commercial capital of India. LIC of India is one of the largest functioning insurance companies in the world. Headed by V K Sharma, LIC of India is a dominant force driving the growing economy of India. Browse 4Ps Analysis of more brands and companies like LIC of India Marketing Mix. Today LIC of India function with 2048 branch offices, 113 Divisional offices, 8 Zonal offices, 1408 Sati light offices, 1240 Mini offices, 1,14,773 Employs, 11.31 Lacs Agents, 29 crores policy holders (Approximately)
The Marketing Mix section covers 4Ps and 7Ps of more than 300 brands in 2 categories. LIC of India is associated with insurance and finance industry. It is owned by Government of India and is of Indian origin. LIC India was founded in the year 1956 September 1st by merging nearly two hundred and forty-five provident societies and insurance companies prevalent at that time. It has become largest Indian insurance company with rupees 25.72 crores assets value. Marketing Mix of LIC (Life Insurance Corporation of India) analyses the brand/company which covers 4Ps (Product, Price, Place, Promotion) and explains the business & marketing strategies of LIC of India.

**Product**

LIC of India is the leading insurance company in India. LIC of India provides various schemes for its customers. It’s on the customers paying capability and prerogative which basically becomes the decision-making factor for LIC agents while providing or suggesting their client to go for a scheme. The product worth of LIC of India includes AAM ADMIBIMAYOJANA(AABY), Special Plans, Pension Plan, Unit Plans, Micro Insurance Plans, Withdraw Plans and Health Plans. All these are the product strategy in the marketing mix of LIC of India. AAM ADMI BIMA YOJANA provides a cover of ₹30,000 for its customer. LIC of India provides a wide amount of insurance plans, they are further categorized by Endowment Plan, Money Back Plans and Term Assurance Plans. These are further sub divided into various other plans all varied in interest rate, premium to be paid and term of insurance. Special plans are updated from time to time, basically launched during auspicious moments like festivals. LIC’s Jeevan Akshay and LIC’s New Jeevan Nidhi are the pension plans provided by LIC of India for support of individual after retirement. Micro Insurance Plans are a mixture of insurance and investment. LIC of India has insurance plans not only for individuals and families, but also for enterprises.

**Price**

LIC of India has got several products and hence a diverse price range as well. Initially in the insurance sector there was only one large player, but now there is tough competition specially from private players; so, price plays an important factor for dominance in this sector for Life Insurance Corporation. Premium for LIC of India AAM ADMI BIMA YOJANA starts from as low as ₹200 per annum. Price of the insurance schemes depend on the term of scheme and return that it gives. In the pension schemes the price of LIC’s Jeevan Akshay scheme requires
a minimum purchase of ₹100000 or ₹150000 and a minimum age of 30 to up to 85 years. Service Tax is levied under pension scheme; this increases to price amount to a very less extend. In the endowment schemes premium is paid on monthly, quarterly, half yearly or annually; thus, making it convenient for customers to avail such schemes. For the Health insurance schemes from LIC of India, the premium starts form as low as ₹1400, price depends on the age of the insurer and the gender of the insurer. This gives an overview on the pricing policies in its marketing mix.

**Place**
Life Insurance Corporation has got an exceptional geographic reach across India. With headquarters based in Mumbai, LIC of India has an extensive network in India. LIC of India has 2048 branch offices spread across India. With 8 zonal offices, 113 divisional offices, 1408 satellite offices, and 1240 mini offices; LIC of India has the largest insurance network in the country. Life Insurance Corporation of India also has many of the foreign offices. Foreign branches are present in Port Louis in Mauritius, Suva and LaToya in Fiji Islands and Wimble in United Kingdom. Also, it has got joint ventures with various other insurance companies in many other countries, in a way increasing their wide outreach. LIC of India is also present in the online channel, its website provides its customers all required information for any scheme in a very precise manner. LIC of India has got an app in all platforms; this helps customers to easily access them anytime and anywhere.

**Promotion**
LIC of India undertakes various promotional activities in its marketing mix strategy. Its primary mode of promotion is via Television Advertisement. Other modes of advertisements include print media and distribution of Pamphlets. LIC of India undertakes various CSR activities, a famous one includes awarding meritorious students of 12th standard with sum amount of money so as to continue their future studies comfortably. Social media, electronic and bill boards are also incorporated into their promotional activities. LIC of India also sponsors in various sports activities like basketball and football. LIC of India sponsors in cricket; which is hugely popular and is followed by the large part of Indian population. Since this is a service marketing brand, here are the other three Ps to make it the 7Ps marketing mix of LIC of India.
Process
LIC of India has got several business processes in place for its customers and business activities. Insurance is a type of service sector where customers do not come by itself to avail it, companies need to reach out to the customers in order to sell it. So, quality of service should be at the utmost level in case of insurance sellers. Life Insurance Corporation keeps this in mind and thus maintained a seamless process which they cater for the public. It needs to follow strict IRDA rules and guidelines to provide quality service. From buying of any policy or scheme till the delivery of the sum amount, LIC of India follows a meticulous process such that customers and LIC of India are on the same page at any point of time.

People
LIC of India focuses on people management very meticulously. To be consistent market leader in the insurance sector, it is very important to have a team of people to be able to constantly deliver the products and services. LIC of India boasts in having a strong agent network across India. LIC of India has a total of 2016565 number of agents on the field reaching out to potential customers every day. Total number of white collar officers working for LIC of India is 247541. This level can be reached only by qualifying competitive examinations specially designed for LIC of India. The LIC of India AAO entrance examination serves this purpose. It helps in recruiting direct recruit officers and trains them further before posting them to their respective branches.

Physical Evidence
LIC of India has got extensive physical presence across all parts of India. This is due to the fact that customer trust plays the most important part in order to sell any insurance. The huge amount of offices present in every district in India remains a testimonial to this fact. The physical presence of LIC of India can also be felt by the wide distribution of pens, calendars, pamphlets and diaries, such things are tangible evidence to its physical presence. The thousands of offices of Life Insurance Corporation are also the physical evidence of the brand along with the website. Hence, this concludes the marketing mix of LIC of India (Life Insurance Corporation of India).

Product in the Marketing Mix of LIC of India
LIC India is an insurance company that offers a diversified product portfolio to its clients.
The objective of LIC India is to offer a sense of security in monetary terms in case of any loss by offering complete financial and insurance solutions. LIC offers Insurance plans that assure a certain sum to be given in the event of the insured person’s death to his/her nominee or to be paid to him on the maturity of the deal. It also offers Bema Account Plans that ensure liquidity with liberal risk cover to the policy holder.

**Place in the Marketing Mix of LIC of India**

LIC India has spread its network to every part of rural and urban India with its headquarters base at Mumbai in Maharashtra. It believes in personal dealings with clients and has a strong distribution channel that includes wholly computerized 2048 branch offices, 113 divisional offices, 8 zonal offices and 1381 corporate and satellite offices. Many service hubs are 25 and customer zones 54 and these are spread across various Indian towns and cities. For efficient handlings and dealings with its customer base, LIC India has appointed a well-connected human channel that includes 98 brokers, 89 referral agents, 242 corporate agents and 1,337,064 individual LIC agents along with 42 banks.

**Price in the Marketing Mix of LIC of India**

At the end of the financial year 2015, LIC India had estimated revenue worth rupees 88.400 billion. This has been possible because of the pricing policy of LIC India. It caters to a mass market and hence has adopted a rational pricing plan that is suitable and affordable for every section of society.

The company has a diversified product portfolio and has implemented several pricing schemes but one common factor amongst all of them is that they are reasonably priced to suit common masses. It offers premium options like monthly, quarterly, yearly and half-yearly payments. LIC India offers best value-added services to its customers as it is state-owned and tries to work for the betterment of society.

**Promotions in the Marketing Mix of LIC of India**

LIC India has adopted several promotional policies to market its various products in the consumer market. It realizes the importance of marketing and hence has adopted a strategy that includes creating ad campaigns that are simple and informative. These are shown via electronic, social and print media in television, newspapers, billboards, magazines, radio, sides and backs of various vehicles and online platforms. The company has its own
official website where related and relevant information is posted and upgraded periodically to satisfy customer queries. In order to create further brand awareness, it has taken other steps like direct dealings via personal selling and participating in various events and activities. LIC of India distributes gifts to its policyholders like calendars and diaries so as to retain its hold on loyal customers.

**Present Scenario of Insurance Industry**

India with about 200 million middle class household shows a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. Indians, have always seen life insurance as a tax saving device, are now suddenly turning to the private sector that are providing them new products and variety for their choice. Consumers remain the most important center of the insurance sector. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry. Computerization of operations and updating of technology has become imperative in the current scenario. Foreign players are bringing in international best practices in service through use of latest technologies. The insurance agents remain the main source through which insurance products are sold. The concept is very well established in the country like India but still the increasing use of other sources is imperative.

6. **Conclusion**

Life insurance industry requires new strategies to survive and service successfully. To tap the insurance potential to maximum industry needs to frame such plans and strategies that will help to capture the market. Companies instead of focusing only on improving the variety of products needs to focus on targeting new segments and implement innovative strategies to achieve sustained growth and ensure profitability of business as well as growth of insurance coverage.

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