International Journal of Advances in Engineering and Management (IJAEM)
Volume 3, Issue 1 Jan-Feb 2021, pp: 42-47 www.ijaem.net ISSN: 2395-5252

Image of Life Insurance Services – AnExpectation-Experience Gap Analysis (Customer Cost Dimension). A Study on Marketing Mix on Life Insurance in Kolkata

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Submitted: 10-01-2021 Revised: 19-01-2021 Accepted: 22-01-2021

ABSTRACT: Life Insurance Industry is in development phase and daily new developments are going on with respect to Product and services. Today the biggest challenge the Life Insurance companies are facing is the competition in all aspects, so the Gap study between the Expectation and Experience is of vital importance. The present study has been conducted with a view to understand the difference between the Expected and Experienced "CUSTOMER-COST" i.e. PRICE dimensions of marketing mix with respect to Life Insurance in Assam. The study is conducted based on the primary data collected from Tezpur town - the districts headquarter through questionnaire. Given the Empirical Research methods and specially designed Scaling technique, the study revealed that the difference between the degree of customer cost expected from the insurance and the degree of customer cost experienced is statistically not significant.

KEYWORDS: Image, Gap, Insurance, Life Insurance, Price.

I. INTRODUCTION

Insurance is described as a social device to reduce or eliminate risk of loss to life and property. A large number of people form an association that shares the risks attached to individuals. The risks, which can be insured against, include fire, death, accidents and burglary etc. any risk contingent upon these may be the collective bargaining of risk.

Every human being has the tendency to save, as protection against risks, losses or future events. Insurance is one form of saving. People can save their earnings in the form of gold, fixed assets, or in banking and insurance. All these savings represent a country's gross domestic savings. In India, although the savings rate is high, people prefer to invest either in gold or fixed assets in the hope of appreciating value. Hence the insurance sector is still virtually untapped in India.

Insurance is a form of risk management which is used primarily to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of loss, from one entity to another, in exchange for payment. This payment is called as premium. It is a protection against financial loss that may occur due to an unexpected event.

However, this would require that insurers bring about fundamental difference in mindset on how they perceive the role of innovation in achieving profitable growth. The insurers will need to align the people strategies to create a culture of generating new ideas and implementing those using optimal resources. Insurers have the choice of adopting innovation and leap ahead or lag behind. 2 Schultz, Tannenbaum, Lauterborn[3]proposed a consumer oriented 4C model in 1993. 4C model replaces the 4P, here the focus is on customer and the study is all about the second C of this model i.e. Customer Cost or Price in earlier 4P model. The study is made with particular reference to Image Gap Analysis of Life Insurance Services with respect to–Customer Cost‖in Tezpurtowns. The data were collected using questionnaire during January 2012 to May2013.

History of Life Insurance in India:

In India, the history of life insurance can be traced to 1818 when Anita Bhavsar started the Oriental Life Insurance Company in Kolkata.

This organisation was basically founded to serve European clients and hence Indians who opted for an insurance cover were charged a much higher premium. The reason given was that Indians had a lower life expectancy on account of their lifestyle, while in fact this was a planned effort to keep Indians out of any kind of progress. The company failed in 1834.Then, in 1870 the British Insurance Act was passed and the last three decades of nineteenth century saw the emergence of the Bombay Mutual Life Assurance Society (1871), which became the first organisation to charge the same premium from all residents of India irrespective of their origin or nationality. The Oriental (1874) and Empire of India (1897) insurance companies began their activities in the Bombay Residency in the late nineteenth century. This period, however, was dominated by foreign insurance offices such as Albert Life Assurance, Royal Insurance, and Liverpool and London Globe Insurance, which did good business in India.

The history of general insurance can be traced to the Industrial Revolution in the West and the consequent growth of sea-faring trade and commerce. A legacy of British rule, General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd in 1850 in Calcutta. Its first Indian counterpart, the Indian Mercantile Insurance Ltd, which launched its operation in Bombay in 1907, was the first company of its type to transact all general insurance business.

In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers. The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business. An Ordinance was issued on 19th January, 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the privatesector.

II. LITERATURE REVIEW

In an article, Kapse and Kodwani (2003) wrote about insurance as an investment option. At national and individual level, the excess of income can be used as funds for investment of savings. Surplus funds can be invested in either real assets or financial assets. The purpose of investment is to protect one's wealth against erosion of value due to inflation and to earn a risk adjusted return. There are three motives which drive people to purchase insurance products in India.

- Desire to cover risk
- Tax benefit
- Saving motives

According IRDA report there is a speedy rate of growth in Life Insurance around 15-20%. Together with banking services, insurance services add about 7% to the country's GDP.

According WORLD ECONOMIC FORUM (WEF) India may rank low in terms of overall financial development globally, but it is the world's top ranked country in terms of Life insurance density.

(Life insurance density == Direct domestic premium for life insurance/ Per Capita GDP)

As per WEF's financial development report 2012, India has been ranked 40th in terms of overall financial development of a country, but it is placed better than many larger economics like the US, UK, Japan & China for life insurance density.

In a research made by Carin Huber about behavioural Insurances make an empirical analysis that neither price bundling nor price optic has a statistically significant effect on consumer evaluation or a consumer purchase intention of the product. In addition combinations of different forms of price optic (guarantee prices in different absolute & relative terms) have no substantial impact on the decisions of the participants.

Headen and Lee (1974) studied the effects of short run financial market behaviour and consumer expectations on purchase of ordinary life insurance and developed structural determinants of life insurance demand. They considered three different sets of variables:

- First, variables stimulating demand as a result of insurer efforts (e.g. industry advertising expenditure, size of the sales force, new products and policies, etc.);
- Second, variables affecting household saving decision (e.g. disposable, permanent and transitory income, expenditure expectation, number of births, marriages, etc.) and
- Lastly, variables determining ability to pay and size of potential markets (e.g. net savings by households, financial assets, and consumer expectation regarding future economic condition). They concluded that life insurance demand is inelastic and positively affected by change in consumer sentiments; interest rates playing a role in the short run as well as in the long run.

In this research paper using Kolkata's dataset (sample from each ward of Kolkata municipal area) we examine the relationship between consumer penetrations regarding life insurance, insurance premiums and income.

III. OBJECTIVE OF RESEARCH

The objective of the study is to ascertain the gap between degree of customer cost dimension expected and experienced of marketing mix with respect to life insurance.

IV. HYPOTHESIS OF THE STUDY

Ho: There is no significant differences between the level of Customer cost dimension expected and thecustomer cost dimension experienced of marketing mix with respect of Life Insurance as perceived by the investors ofKolkata.

V. RESEARCH METHODOLOGY

The **Empirical Research Design** was followed for the study. This involved developing and using the scales to measure the Image gap about Life insurance which is in effect the function of the difference between the levels of ‗customer expected' and the customer experienced' with reference to theCUSTOMER-COST dimension of marketing mix of Life Insurance service in kolkata of west bengal.

VI. DATA ANALYSIS

In this research the type of data collection is [1] Primary data, and [2] Secondary data. The sources of collection of secondary data were: [i] Books, [ii] Websites, [iii] Magazines and,

[iv] Brochures. And the primary data were collected through questionnaire specially designed for the purpose. Level of Expectation and level of experienced were measured based on the scaling technique specially designed for the purpose. Items were selected from the survey of literature. Respondents were asked to rate the items in a five point scale from strongly agree to strongly dis-agree from the perspective of their expectation and experience. Items selected are:

1	It requires a continuous outflow of money which I do not have
2	Premium calculation in Life Insurance is very complex
3	Mode of Premium in Life Insurance is confusing, which one to choose- Annually, Half Yearly, Quarterly or Monthly
4	Direct Debit or ECS(Electronic Clearing System) is difficult to understand
5	It is very difficult to select the premium size for the Life Insurance
6	The Online Renewal Payment system is very good
7	Premium related information is readily available
8	Online comparison of Premium from other competitors is very easy
9	Complete information sheet about the Allocation charges, commission etc are readily available
10	Hand-outs on Cost Of Insurance and other related charges is available
11	There is complexity in rules & regulations in claim settlement
12	There is difficulty in claim settlement
13	There is unnecessary delay in claim settlement
14	There is always dispute with the amount of the claim

SAMPLING DESIGN: The samples were selected randomly and questionnaires were served to a total 700 persons.

DATA ANALYSIS DESIGN: For analysis the following tests were used: [1] Cronbach's Alpha, [2] Paired Samples t-Test to test difference between the scores or levels of Customer Convenience Expected and levels of Customer Convenience Experienced.

ANALYSIS AND INTERPRETATION:

Table-1: Table of Age Group of Respondents

Age	No. of Respondents	Percentage
<25 Years	138	19.71
25-40 Years	229	32.71
40-55 Years	206	29.42
>55 Years	127	18.16

The table is indicative of that around 32% of the respondents are from the age group 25-40 Years, followed by 29% from 40-55 Years, and remaining is almost equally shared by around 19% by below 25 and 18% above 55 Years age group.

Table-2: Table showing Genders of Respondents

Sex	No. of Respondents	Percentage
Male	505	72.13
Female	195	27.87

Majority of the respondents of the study are male[72.13%

Table-3: Table showing Educational Qualifications of Respondents

Educational Qualification	No. of Respondent	Percentag e
Matriculate	206	29.43
Senior Secondary	138	19.71
Graduate	218	31.14
Post Graduate	138	19.72

The Table reveals that the majority of the respondents i.e. 31% are Graduate followed by, Matriculate (29%), Post Graduate (19%) and Senior Secondary (19%).

Table-4: Table showing Annual Income of Respondents

Annual Income	No. of Respondent	Percentage
<1 Lacs	92	13.61
1-2 Lacs	69	9.83
2-3 Lacs	172	24.59
>3 Lacs	367	52.46

Source: Survey Data

Most of Life Insurance investors (52%) are from the income group of Above 3 Lakhs, followed by 2 to 3 Lakh Income group, and the respondent from the lower income groups i.e. below 1 Lakh and 1 to 2 Lakhs. Therefore it can be said that the Life Insurance service buyers are generally from higher income group.

Analysis and Interpretation

Cronbanch Alfa Calculation For Total Of Expectation = 0.985 Cronbach's Alpha Based On Standardized Items =0.986; Where As, Cronbanch Alfa Calculation For Total Of Experience=.982 And Cronbach's Alpha Based On Standardized Items = .983

If Data Follows Normal Distribution Or Not Was Tested Using One-Sample Kolmogorov Smirnov Test, Result Showed That Both The Distributions [Ie. Expectation And Experience] Follows Normal Distribution.

Hypothesis Test Summary

Null Hypothesis	Test	Sig	Decision
1. The distribution of TOTAL OF EXPECTATION is normal with mean 2.34 and S.D 19.07	One sample Kolmogorov Smirnov Test	0.309	Retain Null Hypothesis
2. The distribution of total experience is normal with mean 1.54 and S.D 18.34	One sample Kolmogorov Smirnov Test	0.151	Retain the Null Hypothesis

Asymptonic significances are displayed. The significance level is 0.05

SIGNIFICANT

To ascertain whether there is gap in the

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image with respect of DIFFERENCE BETWEEN THE TOTAL OF EXPECTATION‘ AND TOTAL OF EXPERIENCE paired t-test was applied. Since, samples were collected from infinite population, bootstrapping was applied along with non-bootstrapping method and Correlation between two scales considered for the studies. Given the methodology of the research, the result shows there is no statistical evidence that there exists gap between the expected image and Actual Image of Life Insurance Services from the perspective of Customer Cost Dimension based on the Expectation-Experience Gap Analysis.

[a] PAIRED SAMPLES STATISTICS

			Statistic	Bootstrap[a]			
				Bias	Std. Error	95% Confidence Interval	
						Lower	Upper
Pair 1	TOTAL OF EXPECTATION	Mean	2.3443	-.0471	2.4367	-2.4262	7.1467
		N	61				
		Std. Deviation	19.07344	-.17981	1.20171	16.47892	21.11082
		Std. Error Mean	2.44210				
	total of experience	Mean	1.5410	.0462	2.3325	-2.9508	6.2774
		N	61				
		Std. Deviation	18.33901	-.20048	1.09072	16.01676	20.25017
		Std. Error Mean	2.34807				

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

[b] Paired Samples Correlations

		N	Correlation	Sig.	Bootstrap for Correlation[a]			
					Bias	Std. Error	95% Confidence Interval	
							Lower	Upper
Pair 1	TOTAL OF EXPECTATION & total of experience	61	.811	.000	-.001	.075	.648	.939

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

[c] Paired Samples Test

		Paired Differences					t	Df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	TOTAL OF EXPECTATION - TOTAL OF EXPERIENCE	.80	11.51	1.47	-2.14	3.75	.545	60	.588

[d] Bootstrap for Paired Samples Test

		Mean	Bootstrap[a]				
			Bias	Std. Error	Sig. (2-tailed)	95% Confidence Interval	
						Lower	Upper
Pair 1	TOTAL OF EXPECTATION - TOTAL OF EXPERIENCE	.80328	-.09333	1.47466	.617	-2.27702	3.50820

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a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

VII. CONCLUSION

Therefore, given the methodology, it is construed that the image of Life Insurance Service from the perspective the dimension of the ‗Customer Cost' isfavourable. In other words, there exists no gap between the customer'sexpectationandexperiencewithrespectto2nd―C‖or–P‖oftheMarketingMix.

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