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# "STUDY OF GENERAL INSURANCE IN BANKING SECTOR AND CONSUMER – BUYING BEHAVIOR WITH A FOCUS ON MARKET SEGMENTATION"

***Ms. Rajni Bansal,***

Asst. Prof., TIAS, New Delhi

**Abstract:**

The liberalization of the Indian insurance sector has been the subject of much heated debate for some year. The policy makers where in the catch 22 situation wherein for one they wanted competition, development and growth of this insurance sector which is extremely essential for channeling the investments in to the infrastructure sector. At the other end, the policy makers had the fears that the insurance premier, which are substantial, would seep out of the country, and wanted to have a cautious approach of opening for foreign participation in the sector.

As one of the rare occurrence, the entire debate was put on the back burner and the IRDA saw the day of the light thanks to the maturing polity emerging consensus among factions of different political parties. Though some changes and some restrictive clauses as regards to the foreign participation were included, the IRDA has opened the doors for private entry into insurance.

Whether the insurer is old and new, private and public, expanding the market will present multitude of challenges and opportunities. But they key issues possible trends, opportunities and challenges that insurance sector will have still remains under the realms of the possibility and speculation. What is the likely impact of opening up India's insurance sector? The large scale of operations, public sector bureaucracies and cumbersome procedures hampers nationalized insurers. Therefore, potential private entrants expert to score in the areas of customer service, speed and flexibility. They point out that their entry will mean better products and choice for the consumer.

The critics counter that the benefit will be slim, because new players will concentrate on affluent, urban customer as foreign banks did until recently. This seems to be a logical strategy. Start-up costs- such as those of settings up a conventional distribution network- are large and high-end niches offer better returns. However, the middle-market segment too has great potential. Since insurance is a volumes game. Therefore, private insurance would be best served by a middle-market approach, targeting customer segments that are currently untapped.

***Key points: customer loyalty, general insurance, marketing of insurance in India, different channels, banking sector, market segmentation***

## Introduction

In 1818, the British established the first insurance company in India in Calcutta, the oriental life insurance company. First attempt at regulation of the industry were made with the introduction of Indian life insurance companies Act In 1912. A number of amendments to this Act were made until the insurance Act was drawn up in 1938. Noteworthy features in the act were the power given to the government to collect statistical information about the insured and the high level of protection the Act gave to the public through regulation and control. When the act was changed in 1950 this meant far reaching changes in the industry the extra requirements included a statutory requirements of a certain level of equity capital a ceiling on share holdings in such companies to prevent dominant control (to protect the public from any adversarial policies from one single party), stricter control on investment and, generally, much tighter control. In 1956, the market contained 154 Indian and 16 foreign life insurance companies. Business was heavily concentrated in urban areas and targeted the higher echelons of society. "Unethical practices adopted by some of the players against the interest of the consumer "then led the Indian government to nationalize the industry. In September 1956, nationalization was completed, merging all these companies into the so-called Life insurance corporation (LIC). It was felt that "nationalization has lent the industry fairness, solidity, growth and reach"

Largely, the success of most small businesses depends on their ability to create and maintain customer loyalty. In the first place, selling to brand loyal[1] customers is far less costly than converting new customers (Reich held 1996, Rosenberg and Czepiel 1983). In addition, brand loyalty provides firms with tremendous competitive weapons. Brand loyal consumers are less price sensitive (Krishnamurthy and Raj 1991). A strong consumer franchise gives manufacturers leverage with retailers (Aaker 1991). And, loyalty reduces the sensitivity of consumers to marketplace offerings, which gives the firm time to respond to competitive moves (Aaker 1991). In general, brand loyalty is a reflection of brand equity, which for many businesses is the largest single asset. Brand equity reflects the value added (or subtracted) to a product that results from brand knowledge—for example, the value added to a cola drink, when the drinker knows it is Coca Cola. Brand loyal consumers who purchase Coke time after time illustrate the brand's high equity. Arguably, for small businesses, with relatively fewer resources, a loyal customer franchise is the most important source of competitive advantage. For retailers, who, of course, sell many brands, the concept of brand loyalty may apply specifically to the store's brand if there is one; but, it can also generalizes to store loyalty. Thus, retailers with high store loyalty enjoy similar competitive advantages, including less price sensitivity and leverage relative to suppliers.

- Despite the importance of brand loyalty, many small business managers may give it insufficient consideration because the typical measures are expensive, cumbersome, and difficult to communicate or understand. This paper presents a simple operationalization of brand loyalty, based on measures of brand preference and previous purchase. The two measures can be taken in a single data collection. The results can be interpreted directly from the resulting matrix, with additional statistical analysis available. The data collection tasks are relatively simple, the concept is clear, it has the advantages of both attitudinal and behavior measures and it offers insights into competition that can benefit marketing strategy.

- Loyalty Concepts and Measures Perhaps the most cited conceptual definition of brand loyalty comes from Jacoby and Chestnut (1978, p. 80): "The biased, behavioral response, expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (decision-making, evaluative) processes." Consistent with this definition are two broad categories of operational definitions. The first stresses the "behavioral response, expressed over time"—typically a series of purchases. (For example: The purchase pattern, "Coke, Coke, Coke, Pepsi, Coke" suggests higher loyalty than "Coke, Pepsi, Store brand, Pepsi, Coke.") The advantages of the behavioral measure include the focus on the most relevant criterion for managers—purchase, the avoidance of situational effects by measuring over time across several incidents, and the relatively straightforward nature of the data.

- As Day (1979) observed, however, the major limitation of behavioral measures is the failure to identify motive and the resulting confusion between brand loyalty and other forms of repeat buying. For example, repeat purchases may result from either low involvement or distribution limits. Two consumers may regularly purchase morning doughnuts from the Jan's bakery. One does so because he loves Jan's doughnuts; he would drive across town to get them. The other buys them because he catches the bus outside the bakery. Although he likes doughnuts, he actually prefers other brands to Jan's, just not enough to go out of his way to buy them. Clearly, the baker should value the ability to distinguish between these types of consumers. Purchase behavior alone is insufficient. The major alternative operational definition is based on consumer attitudes, preferences, and purchase intentions. These measures stress the cognitive "bias," and the "psychological (decision-making evaluative) processes" underlying loyalty. Also, because attitudinal measures are typically collected from surveys, they can more accurately be directed to the "decision-making unit" than can behavioral measures, which may come from anonymous sales data. Other advantages of attitudinal measures may include identification of the reasons underlying loyalty and greater protection against the effects of temporary conditions, such as stock-outs or short-run competitive promotions. The limitations of attitudinal measures of loyalty are similar to those of any measure of attitude—concerns for the specificity of the attitude object (particularly attitude toward the brand versus attitude toward buying the brand), the possibility of demand effects resulting in the construction of a false attitude (usually from a poorly worded questionnaire), and the possibility of attitude change (especially since attitude measures are typically one-shot measures).

- In a recent review of the concept, Oliver (1999) proposed four categories of brand loyalty. The four are based on the classic hierarchy of effects notion that consumer's first process information to form beliefs, use those beliefs as the basis for attitudes, and then make behavioral decisions based on relative attitude strengths. Oliver argues that the value to the firm of loyalty increases as the basis moves from attribute beliefs, to attitudes, to behavioral intentions, and, in the fourth category, he adds, to a behavior pattern that is strong enough to resist most obstacles. The additional insight provided by Oliver's framework is valuable, but it does not contradict the basic distinction between the attitudinal and behavioral conceptualizations. He elaborates by proposing two levels of each—relatively weak and strong attitudes and relatively weak and strong behavioral tendencies. In fact, even the latter pair, the two strongest forms of loyalty are distinguished essentially by strength of attitude. What Oliver calls "ultimate loyalty" is driven by behavioral intentions based on very strong attitudinal preference.

**General Insurance**

The insurance industry in India dates back to the industrial revolution and the subsequent increase in trade across the oceans in the 17th century. As for life insurance, the British brought general insurance to India, and a similar path was followed in the development of this industry. A number of private companies were in existence for years and years until, in 1971. The Indian government decided that the public interest would be served by nationalizing the industry merging all the 107 companies into four companies, depending on the sort of business transacted (marine, fire, miscellaneous). These were the national insurance company ltd. the oriental insurance company ltd. the new India assurance company ltd. and the united India companies as its subsidiaries Insurance company ltd. located in Calcutta, New Delhi, Bombay and madras respectively. The general insurance corporation (GIC) was set up in 1972 as a 'holding' company having these four.

**MARKETING OF INSURANCE IN INDIA:**

Insurance is in a manner of speaking the last frontier in the financial sector to open. it is also open a sector , which leads to benefits across the full spectrum ,from the individual who now have wider choices, to the economy, which see increased savings , to the infrastructure sector ,which economy , newer channels of distribution have to be utilized to intensify the reach of insurance both in urban and rural markets. This will create huge employment opportunities not only within insurance companies but also as agent's consultants of insurance companies.

**Marketing mix policies:**

Different companies can choose to position themselves differently and hence the marketing mix is different. However, there are certain common characteristics that one can cull out from the possible strategies that companies adopt.

**Product:**

The development of flexible products to suit individual requirements is what will differentiate the winners from the also ran's. The key to success is in providing insurance solutions, not standardized insurance products. The concept of riders/optimal benefits has already been a huge innovation brought about by the new players, which has lead to customization of products for individual needs. However, companies may difference themselves on the basis of products segments that they choose to focus on and excel in.

**Place:**

Different companies may however choose different channels and different geographic to focus on. The channel option are –tied agency force, corporate agents and brokers and this is an area where different choices. Many companies like HDFC ERGO GENERAL INSURANCE are focusing on all channels where as companies like MAX NEW YORK GENERAL is focusing on tied agency forces only. Customer interface will be a key challenges for general insurance companies and includes every that interaction that the customer has with the company , such has sales ,new business underwriting ,policy servicing ,premium payments ,claim processing and so on. Technology can play a crucial role in delivering the highest standards of service s set by the company and it will be imperative for any serious player to excel in all of these.

**Price:**

Price is relevant differentiator only in two segments – pure terms insurance and in pure annuities. Here too service delivery and financial strength will need to present at a minimum acceptable level for price to be a relevant differentiator. In case of savings, oriented products long-term return generated are more relevant than just the price of the products. A focus on generating good investment performance and keeping a tight control on cost help in generating good long-term maturity value for customers. Norms have been laid down on all of these by IRDA and adhering to these while delivering good returns will be challenge.

**Promotion and advertising:**

The level of demand is latent and will have to be activated considerably. The markets need to be developed. Greater awareness of insurance and the need to have it as a protection tool rather than as a tax planning measure needs to be appreciated by the Indian people various communications tools including advertising ,direct marketing and the shows contribute to all this and different companies take different approaches on these.

**Process:**

**CASHLESS SETTLEMENT**

One of the most defining and customer – friendly changes that we have seen in recent years relates to the way claims settlements are made. The advent of the third –party administrator (TPA) regime has facilitated the transition to the hugely convenient era of cashless settlement of health and auto insurance claims. TPAs are entities who process claims on behalf of insurance: the IRDA licenses them after it is satisfied that they have the financial strength, the trained manpower, the infrastructure and the skill to undertake this activity.

Likewise, with auto insurance, the TPA ties up with garages and authorized service centers for cashless settlement of auto insurance claims.

**Lower premium:**

The spirit of competition and the broadening of the risk experience of insurance companies have contributed to a fall in premium over the year. That is because, other things being equal, an insurer who cover the lives of say, 100 people. Further, a broader base will provide greater efficiencies on cost such as distribution, management and claims. A broad basing of the mortality experience therefore gives insures the elbowroom to compete by lowering premiums and those trends is expected to continue

**Premium payment flexibility:**

Insurance have imparted certain flexibility to premium payments options in order to address this concern. For instance, ne now have the option to pay your premium upfront, which is then carried forward for the tenure of the policy. The yearly premiums are drawn from the initial corpus. Insurance have also introduced the concept of automatic cover maintenance' to protect your policy from lapsing owing to your omission to pay your premium on time. Under this in the event of you are not paying the premium the insurer dips into your investment account to the extent of the premium. of course this comes with an inbuilt drawback your investment portion diminishes year on year to the extent of the amount paid to cover your risk.

**Physical evidence**:

This can play a very significant role for marketing in the Indian scenario, since interest users are comparatively lesser than countries such as US; the offline mode will be preferred in India. Although the distribution model is largely agent –based wherever the customer is in contact with the company, this factor can play a significant role in luring the customer.

**People:**

The most important factor that materializes sales and maintains customer relations on a long term basis is this factor no matter what distribution strategy a company adopts customer relationships has to be taken care of in order to maintain the customer bases on a long – term basis.

**OBJECTIVE OF STUDY:**

- To determine reasons behind opting for an insurance.
- To provide the company with information of customer's insurance policy if they have any and reasons for opting for that particular policies.
- To know the most preferred policy.
- INSURANCE has the most comprehensive list of products for progressive employers who wish to provide the best and most innovative employee benefits solution to their employee. We offer different products for different needs of employee's superannuation and leave encashment.

- We now offer the following group products to our esteemed corporate clients.
- An investment solution that provides funding vehicle to manage corpuses with gratuity .
- To determine customer perception towards private insurance companies and their expectations from private insurance companies.
- To determine the feedback on services provided by any other insurance agent.
- To study the types of benefits provided by insurance services.
- To determine the use of internet for valuable information and decision making process

**SCOPE OF THE STUDY:**

A big boom has been witnessed in insurance industry in recent times. A large number of new players have entered the market and are vying to gain market share in the rapidly improving market. The study deals with HDFC ERGO GENERAL INSURANCE in focus and the various segments that it caters to. The study than goes on to evaluate and analyses the findings so as to present a clear picture of trends in the insurance sector.

**1 SIGNIFICANCE OF THE STUDY**

1.1 ***SIGNIFICANCETOFTHEINDUSTRY:***
This is a limited study which takes into consideration the responses of 100 people. This data can be exported to take in the trends across the industry. The significance for the industry lies in studying these trends that emerge from the study. It is a rapidly changing and evolving sector. People are only beginning to wake up to its vast possibilities. A study like this can attempt to guide the future of the industry based on current trends.

***SIGNIFICANE FOR THE RESERCHER***:
To facilitate and provide all the useful information of the stud, the company, the insurance industry and also provide marketing ways , method of HDFC ERGO GENERAL INSURANCE.

**FACTS AND FINDINGS:**

1. As the people think that insurance is a tool to protect their family & a tax saving device. They are aware of the facts &realizing its importance. The companies try to expand & build up its infrastructure because there is a large potential for insurance in India.
2. Company should come up with its branch in CHENNAI. With the objective and goals to meet the demands & expectations of the public. Because the entrance of private players will increase the competition and it would be a tough task to secure a good position in the market.

3. Since HDFC ERGO GENERAL INSURANCE LTD. is leading with several companies policies it should be easy for them to penetrate into the market and secure a good position if they pay greater attention to the service part provided to their customer and their by forming a long and trusted relationship .

4. As seen from the survey that at percent 70%of the customer are having insurance policy out of which 87.5% of the customer are planning for new investment. So it can be a good potential for the company and they should make an attempt to trap these customer.

## 2 CONCLUSION

Our exhaustive research in the field of general insurance threw up some interesting trends, which can be seen in the above analysis. A general impression that we gathered during data collection was the immense and knowledge among people about various companies and their insurance products.People in general have been impassioned by the marketing and advertising campaigns of insurance companies. A high penetration of print, radio and television and campaigns over the years is beginning to have its impact now

Another hearting trend was in terms of people viewing instrument as much a proactive one. A very high number of respondents have opted for insurance for such proposes and it shows how insurance for such purpose and it show how insurance companies have been successful to attract public money in recent times.

The general satisfaction levels among public about policy and agents still requires improvements. But therein lies the opportunity for a relatives new comer like HDFC ERGO GERNEAL INSURANCE COMPANY LIMITED. NATIONAL INSURANCE COMPANY never been know for prompt service of customer oriented methods and HDFC ERGO GERNEAL INSRANCE COMPANY LTD. CAN BUILD THESE FACTOR.

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