

## A BUYER VS. SELLER PERSPECTIVE OF 7Ps IN POST-LIBERALISATION INDIAN LIFE INSURANCE SECTOR

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### **P**URPOSE

*THIS study attempts to assess the impact of 7Ps on the customers' policy purchasing decisions. It was widely assumed that both the customers (buyers) and the executives (sellers) involved in the life insurance marketing process have different perceptions regarding the impact of these various elements of 7Ps on the customers' decision to choose a policy. The causes and degree of these differences were examined further.*

**Design/methodology/approach:** *This study incorporates primary data which included 405 life insurance policy holders and 207 life insurance executives involved in the life insurance marketing process. The collected data was subjected to reliability and validity tests first and then ANOVA and t-Test were applied to compare the means of the various categories of respondents.*

**Findings:** *After a thorough empirical investigation, it was found that 'policy elements', 'policy pricing' and the 'people' associated with the policy marketing process influence the customers most to buy a life insurance product.*

**Research limitations/implications:** *The time and the area covered under the study were very limited owing to unavoidable constraints. The sample size was also not large enough to provide universally acceptable findings. But, this study has managed to explore an area which was not studied earlier as it directly dealt with the front-end players in the market.*

**Practical implications:** *This study will be very helpful to the Indian life insurers in understanding their executives and in reaching out to the prospective customers.*

**Originality/value:** *This study is a value addition to earlier studies in this field. It also brings a fresh breeze to the life insurance marketing process in India which is still based on traditional and obsolete strategies.*

**Key Words:** *7Ps, Buyer, Indian, Life Insurance, Seller.*

### Introduction

In the earlier part of the last century, the entire focus was on the sales volume and the core of any marketing strategy was the concerned product. But coming to the latter half of the 20<sup>th</sup> century, especially the last two decades, the customer and his needs have become the focus of any marketing designs. From the time of mass marketing and the concept of customer as just another part of the marketing strategy, the marketing concept has changed a lot. The customer's loyalty and opinions

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channels, promotion, brand building, and hedging the insurers. Patil (2003) critically examined the various available insurance products and their performances. He particularly singled out the performance of the agents as pathetic and their communication and demonstration of various insurance plans as not up to the mark. Dash and Khan (2011) have focussed on different elements of the life insurance product and the customers' perceptions about these features. Product pricing in Indian life insurance sector has been discussed by Mukherjee (2005). Life insurance product pricing is very important while selling a policy. Low pricing attracts the customers whereas relatively high pricing makes the policy unattractive. Mehr (1969) focused on the factors influencing insurance distribution channels and its effect on the players involved in the process. Rajesh et al. (2005) talked about how sales promotions are being increasingly used to influence the policy buying behaviour of consumers in a specific way as desired by the insurers. The major causes mentioned by them for the extraordinary use of sales promotional measures can be attributed to increased competition, declining brand loyalty, consumer's sensitivity to promotional deals and increased advertising clutter. Radhakrishna (2008) has provided a platform for a discussion on promotional mix elements such as personal selling, sales promotion, public relations and advertising aspects in service sector and its relative importance.

Understanding the needs of the customers help the insurance marketers in developing the services/products, better product pricing and maximizing their profitability (Raman and Gayatri, 2004). Grossman et al. (2004) examine factors that influence the implementation of e-commerce in the insurance industry, and suggest some future technological trends that will accelerate the transition to this new era of e-insurance. Sharma (2008) has mentioned about the customers' perception of the life insurance product with the physical evidence available for consideration. After a thorough empirical investigation, he found that physical infrastructure of the insurers and the employees have a significant effect on the customer's perception of the life insurance product.

After the review of numerous existing literatures and other available resources, the author has tried to make a compilation of various sub-elements involved with 7Ps in Indian life insurance sector (Dash, 2012a) (see Table 1).

## **Objectives of This Study**

The seven elements of 7Ps and their impact on the customers' policy purchasing decisions was the focal theme of this research paper. The foremost objective of this study was to find out the perceptions of the customers and the executives involved in life insurance marketing process (regarding the impact of 7Ps on the customers) and the possible differences in their perceptions. For this purpose, a comparison was made between the perceptions of the executives and those of the customers themselves, to assess the impact. Further, the differences between the customers/executives of the L.I.C. and those of the private companies needed to be analysed thoroughly to assess the impact of the selling company on their perceptions.

Hence, the research questions were outlined as: Which elements of the 7Ps influence the customers most in buying a life insurance policy? Are there any differences between the perceptions of the customers and the executives regarding the impact of 7Ps on the customers' policy purchasing decisions? Are there any differences between the perceptions of the respondents (customers/executives) of the L.I.C. and those of the private companies?

## **Methodology**

### **Null Hypotheses**

Based on the above mentioned objectives, the following hypotheses were formulated to be tested in this study.

**Ho1:** There is no significant difference in the perceptions of the customers and the executives with respect to the impact of 7Ps on the customers' buying behaviour.

**H<sub>0</sub>2:** There is no significant difference in the perceptions of the customers of the LIC and the executives of the LIC regarding the impact of 7Ps on the customers' buying behaviour.

**H<sub>0</sub>3:** There is no significant difference in the perceptions of the customers of the private companies and the executives of the private companies about the impact of 7Ps on the customers' buying behaviour.

### **Data Collection**

This study incorporates primary data which included 405 life insurance policy holders and 207 life insurance executives involved in the life insurance marketing process. The study area for the above mentioned sample population covered southern districts of Odisha. The period of data collection was from July 2010 – November 2010. The sample of both the customers and the executives were almost equally selected from both LIC and the private companies. All the private players in the study area were taken together. To collect the desired data, a well structured questionnaire with questions on their perceptions of the various elements of the 7Ps was developed. For this purpose, a five-point incremental scale (from 1 to 5) was adopted with 1 being “*Strongly disagree*”, 3 being “*Neither disagree nor agree*” and 5 being “*Strongly Agree*” (Dash, 2012b).

### **Sampling Details**

The study area taken for this study has three major branches of LIC and 11 major branches of the private life insurers (together). The population was defined as: “customer” means people who have bought a policy in the last quarter (3 months) which makes him/ her an active customer and “executive” means people who have sold a policy in the last quarter (3 months) which makes him/ her an active executive. An item-responder ratio of 1:6 (Hinkin, 1995) is widely used whereas the ratio of 1:10 is a standard accepted worldwide. This study has adopted an item:responder ratio of more than 1:6 for the executives. Due to time and geographical constraints, the sample size for the customers was limited to 405 which (the author thinks) is enough to represent the population. The sample consisted of two branches of LIC and four branches of the private players. Further, It was found that approximately 30000 people have bought life insurance policies in the last quarter whereas around 900 executives have succeeded in selling at least one policy in the same time period (Dash, 2012b). The sample consisted of 405 customers out of which 201 customers belonged to LIC and 204 customers belonged to private companies. Similarly, 207 executives were taken as sample out of which 101 executives belonged to LIC and 106 executives belonged to private insurance companies.

### **Measures**

This study deals with the various elements of 7Ps in the Indian life insurance sector and their impact on the buying decision of the customers. Product, price, place, promotion, people, process and physical evidence were these elements. The scales and various items under these scales (from the viewpoints of both the customers and the executives) were the measures to assess the respective perceptions. The items are already mentioned in Table 1.

### **Reliability and Validity of Measures**

Churchill (1979) has suggested coefficient alpha to check the internal consistency of items placed under a factor. Further, the alpha value of 0.6 and above was recommended by Heir et al. (2006). For both the customers and the executives with respect to all the elements of 7Ps, cronbach's  $\alpha$  was found to be more than 0.6. (See Table 2 and Table 3).

## **Empirical Findings and Discussions**

### **Customers vs. Executives**

The overall perception of all the customers is explained in Table 4. Means along with standard deviations were calculated for all the customers' perceptions of the 7Ps. These elements were ranked based on their mean scores. According to the customers, Life insurance policy pricing was the most

**Table 4: 7Ps t-Test for Equality of Means for Type of Respondents**

7P's	Respondents						t- Value	Sign. Level (2-tailed)	Null Hypothesis
	Customers			Executives					
	N=405			N=207					
	Mean	Rank	S.D.	Mean	Rank	S.D.			
Policy (P1)	3.731	3	0.781	3.798	4	0.811	-0.981	0.327	Accepted
Pricing (P2)	3.853	1	0.758	3.873	2	0.687	-0.327	0.744	Accepted
Place (P3)	2.915	6	1.223	3.525	6	0.888	-6.375	0.000**	Rejected
Promotion (P4)	3.790	2	0.732	3.810	3	0.673	-0.333	0.740	Accepted
People (P5)	3.426	5	1.082	3.892	1	0.654	-5.677	0.000**	Rejected
Process (P6)	3.504	4	1.071	3.647	5	0.852	-1.671	0.095	Accepted
Physical Evidence (P7)	2.901	7	1.149	3.022	7	1.130	-1.246	0.213	Accepted

\*\*significant at 1% level

Source: Primary Data / developed by the author.

important factor which influences the policy buying behaviour of the customers. It is closely followed by the promotional activities. Physical evidence is the least important element of the mix which affects the customer's decision (See Table 4).

The overall perception of all the executives is also explained in this table. These elements were ranked based on their mean scores. According to the executives, people involved are the most important factor which influences the policy buying behaviour of the customers. It is closely followed by the policy pricing. Physical evidence is the least important element of the mix which affects the customers' decision (See Table 4).

#### Testing of Hypothesis

H01: null hypothesis **H01** for P1, P2, P4, P6, and P7 is **accepted**. But for P3 and P5, the values of significance level for the t-test were found to be less than 0.05. Hence, **H01** for P3 and P5 is **not accepted**.

#### Customers (LIC) vs. Executives (LIC)

According to the customers of LIC, Life insurance policy pricing is the most important factor which influences the policy buying behaviour of these customers. It is closely followed by the process. Place is the least important element of the mix which affects these customer's decision (See Table 5).

The overall perception of all the LIC executives is also explained in this table. According to these executives, people involved are the most important factor which influences the policy buying behaviour of the customers. It is closely followed by the policy pricing. Physical evidence is the least important element of the mix which affects the customers' decision (See Table 5).

#### Testing of Hypothesis

H02: null hypothesis **H02** for P2, P4, P6, and P7 is **accepted**. But for P1, P3, and P5, the values of significance level for the t-test were found to be less than 0.05. Hence, **H02** for P1, P3, and P5 is **not accepted**.

According to the executives working for the private insurance companies, policy elements are the most important factor which influences the policy buying behaviour of the customers. It is closely followed by people involved. Place is the least important element of the mix which affects the customers' decision (See Table 6).

### **Testing of Hypothesis**

H03: null hypothesis **H03** for P2, P3, and P4 is **accepted**. But for P1, P5, P6, and P7, the values of significance level for the t-test were found to be less than 0.05. Hence, **H03** for P1, P5, P6, and P7 is **not accepted**.

### **Discussions**

The study area was predominantly rural with majority of the policy holders residing in rural area. Similarly, the public sector insurer, L.I.C. had the major chunk of the market with the private players following it restlessly. In addition to the major cause of the differences (which is obvious between any buyers and sellers of a product), there were numerous causes of these differences. The impact of selling organisation has also played its own part creating the varied perceptions. Further, generally the executives were more educated than the customers (some were even illiterate). The level of education made the executives' perceptions more positive than the customers. With more field experience under their belts, the executives were surer about the outcomes of the policies (they were selling) whereas the customers were very suspicious about the long-term benefits of the products (they were buying).

The customers and the executives across both the categories have hugely varied opinions about the impact of 7Ps on the customers' buying behaviour except policy pricing and promotional activities for which they have almost similar opinions. An attempt was made to analyse the differences in their respective perceptions by going through the primary data collected directly from the respondents. The cause and amount of these differences were dependent on the customers' expectation levels and their actual realisation provided by the life insurers/ agents. Life insurers/ agents always try to give less than required and to record a good profit whereas customers always want more and more. The old market economics comes to effect in this scenario. There must be an equilibrium which takes care of both the parties' interests with provision for maximum benefits and minimum costs. This persisting gap between demand (expectation) and supply (realisation) has to be addressed to achieve this equilibrium.

For the customers, the price/ cost of the policy was found to be the deciding factor to buy a policy rather than the other important aspects related with the product. Both the customers of LIC and private insurance companies were concerned with the price of the product they were buying. But, for the executives, the human element 'people' was the crucial factor to sell a policy. For them, the human touch and proper care of the customers and the executives by the life insurer can influence the prospective customers to choose a policy. The executives working for LIC have concurred with this opinion. But, the executives working for the private insurance companies have begged to differ. According to them, the policy elements and its features are more important to the customers than any other elements of 7Ps.

### **Conclusion**

Based on the empirical findings, it can be concluded that policy elements, policy pricing and the people associated with the policy marketing process are the most important elements of 7Ps which can influence the customers to buy a life insurance product. The brand name of both the policy and company should be made widely known through various promotional measures. Depending on the needs and capabilities of the prospective customer, flexibility and convenience of terms of payment for the particular policy must be followed. The nearest branch of the life insurer/agent/broker/intermediaries must be conveniently located as well as easily accessible. A good and balanced mix of the direct and the indirect promotional

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