*International Journal of Business and Management Invention*
*ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X*
*www.ijbmi.org Volume 3 Issue 4‖ April. 2014‖ PP.42-47*

# Image of Life Insurance Services – An Expectation-Experience Gap Analysis (Customer Cost Dimension).

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***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:

Investors have a wide array choice while making investment decision relating to avenues of investment. Stock market is very good option through which a retail investors can park their surplus money, again it involves risk of losing hard earned money, so investors start liking mutual funds and then finally ULIPs as these are offering Investment and Risk coverage in the same plan. 1
Insurance industry in India has now been through a cycle involving high growth and more recent moderation.

The next wave of growth will be of different nature and complexity, led by players who change the market dynamics through innovation. With a decade of experience and learning about customer behaviour and business economics, Indian insurers are well-placed to select and diffuse innovative ideas. 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 Tezpur towns**.** The data were collected using questionnaire during January 2012 to May 2013.

## II. HISTORY OF LIFE INSURANCE IN INDIA:

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu ( *Manusmrithi* ), Yagnavalkya (*Dharmasastra* ) and Kautilya ( *Arthasastra* ). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular. 1818 saw the **advent of life insurance business in India** with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era,

[1] Equity Investors' Expectation And Experience – A Gap Analysis By Tarak Paul*; Ekta Garodia**Asia Pacific Journal Of Marke
Ting & Management Review Vol.1 No. 3, November 2012, Issn 2319-2836
[2] Http://Www.Deloitte.Com/Assets/Dcom-India/Local%20assets/Documents/Indian%20insurance%20sector.Pdf
[3]Don E. Schullz, Stanley I. Tannenbaum, Robert F. Lauterborn(1993)"Integrated Marketing Communications,"Ntc Business Books, A Division Of Ntc Publishing Group.

however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies. In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. 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 private sector.

## III. SURVEY OF LITERATURE

Bala Murugan[4] opined that the existing insurer, LIC and GIC, have created a large group of dissatisfied customers due to the poor quality of service. Hence there will be shift of large number of customers from LIC and GIC to the private insurers. Nirmal Bang[5] opined that Insurance in India has been viewed as a tax-saving instrument and risk cover in life insurance was purely incidental. The mindset continues to be the same, although unit-linked instruments are becoming popular. The emergence of pure risk products has thus taken a back seat. Lapsation is a serious issue. The Life Insurance market in India is an underdeveloped market that was only tapped by the state owned LIC till the entry of private insurers. The penetration of life insurance products was 19 percent of the total 400 million of the insurable population. The state owned LIC sold insurance as a tax instrument, not as a product giving protection. Most customers were under- insured with no flexibility or transparency in the products. With the entry of the private insurers the rules of the game have changed[6]. The opinion of Imtiyaz.H Ltd.VASI DO[7] indicative of that retaining a customer is four times cheaper than acquiring a new one. The retention of the customers is of utmost importance in the insurance industry in specification as Insurance business is of the relationship building process. Here one customer leads to the building of other one. A satisfied customer is an initiator of word of mouth advertisement for the company. The needs of the existing customers should be identified and satisfied well rather than only concentrating at the new accounts. All possible measures needs to taken to retain the customers as it is lesser costlier as well as provides stability to the business. **Sahu** & et.al. [8] believe that the consumer's perception towards Life Insurance Policies is positive. It developed a positive mind sets for their investment pattern, in insurance policies. Still some actions are needed for developing insurance market. The major factors playing the role in developing consumer's perception towards Life Insurance Policies are Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client Relationship .on the other hand, The results of the study conducted by Masood and et. al. [9] revealed that in respect of the service quality dimensions of life insurance industry in India the gap-scores are negative and the gap scores were statistically significant, The study of Tarak Paul pointed out that there is a significant gap between the mutual fund investors‟ expectations and experiences10, The study of

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[4] Bala Murugan **Globalization and Its Impact on Insurance Industry in India**
http://ezinearticles.com/?Globlization-And-Its-Impact-Of-Insurance-Industry-In-India&id=669312

[5]Nirmal Bang **The Real clinchers for SBI Life have been customer loyalty and performance**
http://www.stockmarketsreview.com/extras/the_real_clinchers_for_sbi_life_have_been_customer_loyalty_and_performance_20100119_2413

[6] http://www.indiacore.com/insurance2.html

[7] Imtiyaz.H Ltd.VASI DO **Retention of the Customers is the essence of Insurance business** Retention of the Customers is the essence of Insurance business, Insurance Times (Pg 20).Feb 2007

[8] Praveen Sahu, , Gaurav Jaiswal, and Vijay Kumar Pandey A STUDY OF BUYING BEHAVIOUR OF CONSUMERS TOWARDS LIFE INSURANCE POLICIES, Article No: NRC301 ISSN 0974 – 9497, August 2009 Volume 3, Issue 3/4

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[10]

AN ASSESSMENT OF GAP BETWEEN EXPECTATIONS AND EXPERIENCES OF MUTUAL FUND INVESTORS, By Tarak Paul, International Journal of Marketing, Financial Services & Management Research Vol.1 Issue 7, July 2012, ISSN 2277 3622

Pankaj Bihani & Prof. Amalesh Bhowal reveals that there does exists a Gap between the customer solution expected and experienced11

## OBJECTIVES OF THE STUDY

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

**Hypothesis of the study**

**Ho:** There is no significant difference between the level of "customer cost dimension expected' and 'the customer cost dimension experienced' of marketing mix with respect of Life Insurance as perceived by the investors of Tezpur.

## IV. METHODOLOGY

**TYPE OF RESEARCH:** 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 the "CUSTOMER-COST" dimension of marketing mix of Life Insurance service in Tezpur Town of Assam.

**DATA COLLECTION DESIGN:** 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:

| Sl. No. | Items |
|---|---|
| | |
| 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: T**he samples were selected randomly and questionnaires were served to a total 100 and finally response from 61 persons received.

**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.

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IMAGE OF LIFE INSURANCE SERVICES – AN EXPECTATIONEXPERIENCE GAP ANALYSIS, By Pankaj Bihani and A. Bhowal, Asia Pacific Journal of Marketing & Management Review ISSN 2319-2836 Vol.2 (4), April (2013) Online available at indianresearchjournals.com

**ANALYSIS AND INTERPRETATION:**

**Table-1: Table of Age Group of Respondents**

| Age | No. of Respondents | Percentage |
|---|---|---|
| <25 Years | 12 | 19.67 |
| 25-40 Years | 20 | 32.79 |
| 40-55 Years | 18 | 29.51 |
| >55 Years | 11 | 18.03 |

Source: Survey Data

The table is indicative of that around 32% of the respondents are from the age group 25-40 Years, followed by 30% from 40-55 Years, and remaining is almost equally shared by around 19% by below 25 and above 55 Years age group.

**Table-2: Table showing Genders of Respondents**

| Sex | No. of Respondents | Percentage |
|---|---|---|
| Male | 44 | 72.13 |
| Female | 17 | 27.87 |

Source: survey data

Majority of the respondents of the study are male[ 72%].

**Table-3: Table showing Educational Qualifications of Respondents**

| Educational Qualification | No. of Respondent | Percentage |
|---|---|---|
| Matriculate | 18 | 29.51 |
| Senior Secondary | 12 | 19.67 |
| Graduate | 19 | 31.14 |
| Post Graduate | 12 | 19.67 |

Source: survey data

The Table reveals that the majority of the respondents i.e. 31% are Graduate followed by, Matriculate (30%), Post Graduate (19%) and Senior Secondary (19%).

**Table-4: Table showing Annual Income of Respondents**

| Annual Income | No. of Respondent | Percentage |
|---|---|---|
| <1 Lacs | 8 | 13.61 |
| 1-2 Lacs | 6 | 9.83 |
| 2-3 Lacs | 15 | 24.59 |
| >3 Lacs | 32 | 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 standard deviation 19.07. | One-Sample Kolmogorov-Smirnov Test | .309 | Retain the null hypothesis. |
| 2 | The distribution of total of experience is normal with mean 1.54 and standard deviation 18.34 | One-Sample Kolmogorov-Smirnov Test | .151 | Retain the null hypothesis. |

Asymptotic significances are displayed. The significance level is .05.

**SIGNIFICANT**

To ascertain whether there is gap in the 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 |
| a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples | | | | | | | |

## V. CONCLUSION

Therefore, given the methodology, it is construed that the image of Life Insurance Service from the perspective the dimension of the 'Customer Cost' is favourable. In other words, there exists no gap between the customer's expectation and experience with respect to 2nd "C" or "P" of the Marketing Mix.

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