

## **An Empirical Assessment of Service Marketing Functions of Life Insurance Companies: Bangladesh Perspective**

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### **Abstract**

*Life insurance marketing has become a very challenging venture and many companies in Bangladesh are struggling to be effective in services marketing functions. The main objective of this study is to assess the functional efficiency of service marketing of selected life insurance companies located in Chattogram, Bangladesh. An extensive literature review was conducted to identify the research gap and to discover the variables of service marketing mix of life insurance companies. A total of 130 policyholders from ten life insurance companies are randomly selected as respondents and a close-ended questionnaire was used for data collection. A descriptive statistical analysis has been conducted to assess the functional efficiency of the service marketing operations and the mean values are used for data analysis and interpretation. The main findings of this study project the weakness of the life insurance companies in offering competitive insurance products and they are found incompetent in the service delivery process. The study recommends an extensive service digitalization to accelerate the service delivery process and service customization to add value to the life insurance products.*

**Keywords:** *Life Insurance, Service Marketing Functions, Bangladesh.*

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### **I. Introduction**

Life Insurance elevates the standard of living of a society (Reza& Iqbal, 2007) and it is considered as the icon of modern civilization (Outerville, 1996). The life insurance sector vastly contributes to the economy of a developing nation (Srivastava et al., 2012). It is a financial service provided to the clients to cover risk (Huda, 2016). Life insurance companies charge a small amount of insurance premiums in this regard. There are different types of services offered by the life insurance companies including death, pension, retirement, and to cover other unsure events of life. Hence, the sustainability of a life-insurance business is highly dependent on an effective service marketing practices (Morrill, 1959) and more importantly the service marketing functions to be audited in this regard. The financial sustainability of a life insurance business is reliant on service marketing performance (Chou& Chang, 2011). Therefore, the service marketing functions of a life insurance company must be framed effectively so that the performance of the functions in delivering service to the clients can be measured with due diligence. The main mission of this study is to assess the service marketing functions of the selected life insurance companies located in Chattogram District, Bangladesh.

Historically, the insurance business of Bangladesh is originated from British periods (Mamun, 2013) and Jiban Bima Corporation is the first life insurance company of Bangladesh incorporated by the Insurance Corporations Act 1973. We have 30 private life insurance companies in service and they offer different schemes and products. These life insurance companies have an investment of over 45% in government securities and related instruments and this industry currently employs about 23,530 full-time and another 600,000 part-time employees to serve the clients. However, the life insurance business is comparatively weaker than other financial service sectors, and an intense competition among the private life insurance companies made this industry very vulnerable. According to Reza & Iqbal (2007), the business of life insurance companies is suffering in different ways due to traditional service marketing and poor people management. Quite a big number of researches on life insurance business are available in the existing literature but empirical studies on service marketing performance are very limited. To fill the gap in the existing literature, this study will take an account of service marketing functions with the aim to measure the effectiveness of their service marketing mix and provide policy prescription in order to expedite the insurance service delivery and maintain excellence in service operations.

### **The objective of the study**

The main objective of this study is to assess the performance of service marketing functions of selected non-Islamic life insurance companies located in Chattogram District of Bangladesh. The research will make a specific endeavor to identify the effectiveness of the major elements of the service marketing mix.

## **II. Literature Review**

Life insurance is a financial contract between insurers and insured which covers the risk of death or other forms of health hazards within a specific timeframe (Mishra, 2003). The life insurance business is very popular among middle-income groups (Morrill, 1959) and innovative service marketing strategy is essential in achieving sustainability in this business (Huda, 2018). Though this industry has some remarkable contribution to the national economy of Bangladesh, a gap in service performance is visible among the private life insurance companies due to deceptive marketing practice (Reza, & Iqbal, 2007). Life insurance business should function ethically and its services should be elegant to meet the expectation of the clients (Maynard, 1956). According to Srivastava et al. (2012), insurance products and relevant post-sales services should be designed by changing needs of the valued policy holders and an effective service marketing practice and sales force management are inevitable in this regard.

8 Ps of service marketing mix namely Product, Price, Promotion, Place, People, Process, Physical Evidence, and Productivity is a popular and well-established model of service marketing function by Lovelock & Wirtz (2007) and the life insurance companies could offset its competition if this model is applied in the true sense and regularly audit its performance (Lehtonen, 2014; Huda, 2015). Bangladeshi life insurance industry has achieved a sound growth in interest time but it could be damaged the deceptive marketing practice prevails in business operation (Mamun, 2013). Companies must focus on product innovation and development to differentiate their product offers and pricing strategies (Watkins, 1988). Hence, Bickley (1967) has suggested focusing on new product and service delivery instead of going at price war to maximize profit.

Effective people development through better human resource development initiatives is also a mandatory issue to ensure excellence in personal selling (Radhakrishnan & Jins Joy, 2012). The practice of internal marketing is a critical factor in outstanding service delivery by financial associates (Shiu, and Yu, 2010; Huda, 2019). The philosophy of relationship marketing could drive business sustainability if managed intelligently (Crosby & Stephens, 1987). According to Morgan & Chadha (1993), client-focused service management could be a game-changing factor if they are groomed with the philosophy of customer relationship management. Hence, the promotion of insurance products through advertising may attract valued clients, but the companies should also focus on achieving lifetime customer value to ensure sustained growth (Onn, and Mercer, 1998). Pricing of the premiums should be communicated maintaining transparency by maintaining physical ambiance of the company to build long term relationships with the clients (Keneley, 2004; Huda, 2015).

### **The methodology of the Study:**

This is an empirical research where the decision has been made based on the outcome of a quantitative inquiry. Both primary and secondary data are used in this research and the relevant literature from indexed journals and research database is reviewed to identify the research gap. To assess the service marketing functions, ten Bangladeshi non-Islamic Life Insurance Companies were randomly selected as a sample and a close-ended questionnaire survey was conducted randomly on 130 policyholders. 16 variables of insurance service marketing mix were used to develop the questionnaire and a popular 5-point Likert scale was used to measure the effectiveness of the service marketing functions. A simple statistical method is used for data analysis and the mean value of every variable is reported for interpretation.

The researcher tried to unveil the performance of the service marketing functions of some randomly selected life insurance companies in Bangladesh. However, no study is perfect and has some limitations. The main shortcoming of this research work is the limited scope of the study as it does not represent all the life insurance companies of Bangladesh. The sample size was also limited to 130 policyholders only. Hence, the demographic data of the respondents are not reported and not considered for data analysis and interpretation. This research work was bias to only service marketing mix models for marketing performance evaluation of the life insurance companies. Islamic Life Insurance Companies are not included as their nature of business and products are different from conventional life insurance companies.

### III. Data analysis & Findings

Table 1: Performance of Service marketing function of the life insurance companies.

| SL | Variables of Service Marketing Functions | Mean Value | Standard Deviation | t    | Sig  |
|----|--|------------|--------------------|------|------|
| 1  | Product variety                          | 3.45       | 1.12               | 6.88 | 0.02 |
| 2  | Differentiated offers                    | 3.04       | 1.28               | 6.75 | 0.00 |
| 3  | Competitive insurance premium            | 3.09       | 1.13               | 7.71 | 0.00 |
| 4  | Attractive profit rate                   | 2.85       | 1.20               | 7.23 | 0.06 |
| 5  | Convenient location of the branches      | 2.66       | 1.33               | 7.45 | 0.07 |
| 6  | Adequate number of branches              | 2.89       | 1.25               | 6.60 | 0.05 |
| 7  | Attractive promotional offer             | 2.37       | 1.16               | 7.54 | 0.08 |
| 8  | Communicative advertising                | 2.70       | 1.35               | 7.89 | 0.05 |
| 9  | Efficiency of the financial associates   | 4.21       | 1.18               | 7.74 | 0.00 |
| 10 | Well-behaved financial associates        | 4.07       | 1.31               | 6.94 | 0.02 |
| 11 | Well-groomed financial associates        | 4.12       | 1.22               | 6.59 | 0.00 |
| 12 | Comfortable office ambiance              | 3.11       | 1.27               | 7.76 | 0.00 |
| 13 | Offices are well furnished and decorated | 3.56       | 1.38               | 7.31 | 0.03 |
| 14 | Prompt service delivery process          | 2.32       | 1.09               | 6.77 | 0.00 |
| 15 | Swift claim settlement process           | 2.69       | 1.36               | 6.85 | 0.00 |
| 16 | Use of modern technology                 | 2.78       | 1.29               | 7.60 | 0.00 |

Source: Compiled by Author

Table 1 represents the outcomes of descriptive analysis which includes the results of the opinion survey and projects the performance of the service marketing function of the sample life insurance companies. The result of the study depicts that the insurance companies have somewhat successful in offering a variety of products to the insurance market and the mean value is 3.45. They are partially successful in providing differentiated offers (3.04) to the policyholder. It is true that most of the life insurance companies do not have varieties of products like Indian life insurance companies and the offers are very traditional. It is also obvious from the research that the companies are not that successful to offer competitive premiums to the clients (3.09). Bangladeshi companies are also very traditional in this regard. However, the policyholders are not happy with the profit rate as the mean value of this variable is very low (2.85). The mean value of the “Convenient Location” variable is also low (2.66). The reality of this result is, the clients hardly interested in the location issue as the financial associates (FA) of the company mostly collect the premiums. Therefore, the clients are not also concerned about the adequate number of branches (2.89) as there is no need to visit there.

The variable "Communicative Advertising" also shows a pessimistic result (2.70) as all the information regarding insurance policy is provided by the FAs. However, advertising of insurance products and the companies are very rarely visible in mainstream print and electronic media. The result regarding “Attractive Promotional Offer” is also impressive with a low mean value 2.37 and it is projected that the practice of most of the life insurance companies does not initiate sales promotion programs. The sample life insurance companies have shown very promising results with regard to internal marketing practice and the people factor of the service marketing function is addressed properly. According to the respondents, the FAs of the sample life insurance companies are efficient in service delivery (4.21), they are well-behaved (4.07) and also well-groomed (4.12). It means that the sample life insurance companies are investing in people development. The sample life insurance companies are somewhat successful in ensuring “Comfortable Office Premises” (3.11) and their “Offices are well furnished and decorated” (3.56).

However, this result is not very important as clients' contact with the office is very less as the FAs remain in contact with the client. It is evident from the study that the process part of the service marketing functions of the sample life insurance companies is a little bit weak. The mean value of all the variables is very poor i.e. "Prompt service delivery process" (2.32), "Swift Claim Settlement" (2.69), and "Use of modern technology" (2.78). According to the experts of the life insurance business, the companies are not prompt in service delivery and are not speedy in claim settlement because of the traditional framework of insurance law and the claim settlement are usually delayed due to vast documentation and lengthy paperwork. According to some experts, the companies having liquidity crisis mostly fails to swift settlement of their insurance claims. Hence, most of the life insurance companies have failed to adapt to modern technology (2.78) and their service operations are traditional and manually operated.

### IV. Discussions & Managerial Implications

It is quite evident from the research findings that, the sample life insurance companies are struggling to optimize the performance of service marketing functions and are weak in many areas. The companies are advised to offer differentiated insurance services to potential clients and come out of traditionalism. They must keep provisions like service customization where the clients may tailor the insurance policy according to personal needs and affordability. A fourth-generation life insurance company has launched COVID 19 insurance

policy which is very innovative and time befitting. As the policyholders are complaining about the profit rate, the top management should decide on increasing the rate. Though the performance of the FAs is very promising, the companies must invest in human resource management practices to accelerate their sales & marketing performance. Huda (2019), in his research work, has suggested initiating employee branding initiatives to ensure the sustainability of the business.

Top management of life insurance companies may invest in advertising. They could use digital and online marketing media to promote their products. Appearance in social media and YouTube-based advertising may expedite the sales of insurance products at low cost. The companies are suggested to provide sales promotions in the form of discounts, loyalty points, and gifts to attract and retain clients. Different types of social programs could be arranged for the policyholders to strengthen their loyalty level. Such a program with the clients may increase the publicity of the company and could work as a platform for public relations.

Though the place and the physical evidence issue is not very important for the clients as they stay in minimum contact with the office, the top management of the sample life insurance companies are advised to maintain the initiative in this regard as a growing number of policyholders are becoming interested in physical visit of the branches to pay the installments of the insurance premium. The sample life insurance companies should come out from the shell of the traditional insurance business. They should develop a transparent and quick service delivery system adopting modern digital technology. Provisions must be made for the electronic insurance system and should reengineer their business process to provide prompt service. Online service should be made available to the clients for purchase and payment. Guarding Life Insurance Company of Bangladesh has developed a “Mobile App” in this regard.

## **V. Conclusion and potentials for further research**

Life insurance is an unsought product and marketing is very challenging in this business. The insurance companies of Bangladesh have bumped into many social and economic barriers to make their business profitable. The study has discovered some weaknesses of the service marketing function in the area of product development and service delivery process. However, life insurance companies are doing well in the area of people development. According to the study, it is revealed that life insurance products are quite not quite compatible and the profit rate is somewhat attractive to the policyholders. Hence, the companies have overcome challenges of people development factor by initiating effective training & development program to the life insurance professionals. In order to ensure on-time service delivery and insurance claim settlement adaptation, digital technology is recommended. Researchers are suggested to extend this study using the SERVQUAL model to test the performance of the life insurance companies in attaining effective service quality.

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