International Journal of Applied and Advanced Scientific Research (IJAASR)
Impact Factor: 5.655, ISSN (Online): 2456 - 3080
(www.dvpublication.com) Volume 3, Issue 1, 2018

EFFECTS OF INSURANCE: A SYSTEMATIC REVIEW

Dr. S. Beulah Mabel
Faculty in Business Administration, Lady Doak College, Madurai, Tamilnadu

Cite This Article: Dr. S. Beulah Mabel, "Effects of Insurance: A Systematic Review", International Journal of Applied and Advanced Scientific Research, Volume 3, Issue 1, Page Number 60-63, 2018.

Introduction:

Insurance Policy India provides the clients with the details essential for the coverage in the policy, date of beginning of the policy and their adopting organizations. It plays a vital role in the Indian insurance sector. The Insurance Policy India is regulated by certain acts like the Insurance Act (1938), the Life Insurance Corporation Act(1956), General Insurance Business Nationalization) Act(1972), Insurance Regulatory and Development Authority IRDA) Act(1999). The insurance policy emphasis the covers against risks, sometime opens investment options with insurance companies setting high returns and also informs about the tax benefits like the LIC in India.

Customer Orientation:

The study by Sonny Nwankwo (1995), developing a customer orientation pointed out in today's competitive environment, organizations could achieve on integrated customer orientation simply by organizing policies which praised the qualities of service to customers. The study suggested managers to pay serious attention to the internal dynamics of the organization; systems and structure which were supportive of, and well familiar to, an overall culture of customer orientation. The study also pointed out that each organization's customer orientation profile would vary according to variations in management beliefs and behaviour. Management behaviour created and reinforced by organizational characteristics. Consequently, a change in organizational behaviour in search of customer-driven goals required, first and foremost, a customer-oriented attitude on the part of the organizations top leaders and customer-driven organizational systems. The study summed up with a suggestion to sustained customer focus, organizations must imply strategic customer-orientation management with an effective organizational support. Stern et al (1996) defines marketing channels as sets of interrelated organization involved in the process of making a product or service available for use or consumption. The study by Anna Baines (1996), Designing customer service programmes explained that customer service programmes were as important to service organizations as quality programmes were important to manufacturing organizations.

Maya Mouawad and Brian H. Kleiner (1996), study new developments in customer service training explained that the ongoing customers were better educated than ever before and wanted value for their money. Customers also wanted good service and were willing to pay for it. The level of courtesy and assistance required from a customer service representative had increased dramatically over the past decade as a result of the customer's upgraded "acceptable" service standards; more kills were required. As a result, companies in various industries were induced to provide distinguished customer service in order to remain competitive. Learning was taking on strategic importance. Demand for customer service training was higher than ever before. The study summed up with suggestion that in today's volatile economy, providing excellent customer service could be the critical difference between a company's success and failure. The study by Robert Shaw (1996), creating a ring of commitment to customers concluded that solution to delivering on external customer commitments involved creating a ring of commitment inside your organization. Commitment could be by directive, from the top down, but must come from joint recognition of common interests. Commitment could be mandated, and obtaining it required negotiating rationally with many departments and making trade-offs between your customer objectives and their other objectives.

The study by Anna Baines (1996), Designing customer service programmes explained that customer service programmes were as important to service organizations as quality programmes were important to manufacturing organizations. The study found that number of organizations equated with customer courtesy, but customer care was much more than "smile training". It was common to send front-line staff on training programmes which taught them to be pleasant and courteous to customers but to ignore the real changes that must be made. A customer complaints section which dealt with complainants in a friendly manner would do little to help the company image if the complaint was still not attended to in a manner perceived by the customer to be appropriate and effective. Many dissatisfied customers would not lodge a complaint-their complaint would be made to their friends and colleagues, other potential customers. One dissatisfied customer (who has made no complaint) might result in a large number of lost customers. The aim must be to remove the cause of complaints and such negative word-of-mouth communication.

Relationships:

Dennis J. Adsit Rath & Strong Inc., and Steven Crom and Dana Jones Rath & Strong, Inc., (1996), examined the relationships between productivity, administrative effectiveness, customer satisfaction, and employee attitudes over time. The study identified feedback as an organization development tool and customer ratings as a guide to manage development. The study also found positive relationships between employee attitudes, departmental performance and customer satisfaction with service quality.

In this study Anger, catharsis, and purchasing behaviour following aggressive customer complaints Roger Bennett (1997) assessed that most of organizations looked closely at the problem to find out whether they could blame it on the customer or failing that on some other party to the transaction. Bennett explained that accepting the yelling was a part of the service. Organizations should help customers to remove anger/anxiety by providing someone to shout at. By encouraging the full volume complaint the company was letting the customer relieve their emotional reaction to the problem. Customer service representatives should not try to divert the anger but should sit and listen to it. Any apology fulfilled two functions-it acknowledged the error and it accepted that the company made the customer angry. The study suggested to these organizations that they must accept the need to handling the emotions associated with complaints is as important as solving the specific problem. By letting customers "have it out" with you there was an enhanced relationship even where the complaints was unresolved. The study explained well documented fact that the satisfactory resolution of complaints helped create loyal customers. This led many organizations to create dedicated channels for customers to express concerns and raise complaints. However, the study raised one dilemma i.e. some people did not like to complain and avoided complaining, will go elsewhere. The quiet, uncomplaining sort was more of a problem than the aggressive loud mouth who upset your staff. Bennett suggested that by providing easy and defined channels for complaint organizations could increase the chance of these stoical types coming to us with their problem rather than taking their custom elsewhere. The best way was to tell people how to complain and make the process easy. Businesses needed to assess how they handled complaints since however good our service and product there was still the chance of error or dissatisfaction. The findings of the study suggested that the direct approach resulted in more loyal customers rather than less. All you need was staff with nerves of steel and hides like rhinos.

Models of Service Quality and Customer Satisfaction:

Lesley Colyer (1997) carried a study on Avis as a case example of a company which had empowered its employees to take ownership of customer service and explained the importance of developing "cathedral" vision. The study highlighted six key management processes i. e. goals, practices, rewards, expectation, feedback and modeling, which must be aligned to the strategy of customer retention through empowerment as key to success for organization.

Although models of service quality and customer satisfaction had been well researched within the consumer goods and services area, much less attention had been paid to high involvement professional service satisfaction. This was surprising given the extensive use of professional services and that these types of services possessed a unique set of characteristics which might cause the customer satisfaction process for such services to differ from that of consumer services (Patterson et al. 1997). Further, to our knowledge only a few studies had been carried out in the context of consultant services (Patterson et al. 1997; Patterson &Spreng 1997).

Gavin Eccles and Philip Durand (1997), reviewed recent practice undertaken to improve customer service by the hotel sector of UK. The study found that at the time of increasing competition, hotel firms were aiming to use service enhancement as a means to gain competitive advantage and customer retention, and therefore developed and adopted a range of techniques like SERVQUAL to measure levels of service quality improvement. Hotels managers as "strategic thinker" would have started to manage his service quality levels beyond a cursory reaction to offerings provided by competitors. There was evidence this is happening in the UK hotel sector, and companies and customers alike were beginning to benefit.

Deborah L., William E. Youngdahl and David E. Bowen Thunderbird (1997), examined the relationship between customer participation and satisfaction. The study presented a typology of service customer's quality assurance behaviours and a conceptual model of the service customer's value chain. The study strongly embraced the usefulness of the value perspective for exploring the phenomenon of customer participation in service delivery. The tendency in the literature had been to treat customer participation as an input to the service firm's mix of production resources. The study encouraged treating customer participation as a variable in the customer's own value equation. Doing so created a rich set of implications in marketing, human resources and operations, for both researchers and managers.

Influences of Salespersons:

Michael R. Williams (1998), analysed the influence of salespersons customer orientation on buyer-seller relationship development. The findings from this analysis supported customer oriented behavior of salespeople as a strong and significant predictor of relationship development, explaining 72 percent of the variance.

It was argued that competitive advantage did not lie in access to intelligence but in the ability to effectively use it (Menon and Varadarajan, 1992; Moorman et al., 1992). Marcel van Birgelen, Ko de Ruyter and Martin Wetzels (2000), expressed that in the modern context of tremendous information availability through advances in information technology and research practice, use of customer satisfaction –related information did not always appear to be optimal. Decision –makers got frustrated when it turned out that, despite of repeated measurement and attention for quality- related issues, no changes in customer satisfaction levels were evident (Mulder, 1999).the results of Marcel van Birgelen, Ko de Ruyterand Martin Wetzels (2000) study showed a sequential flow from the attitude strength commitment dimension to intentions of selectively using customer satisfaction-related information.

Bhole (1999) comments that life insurance corporation of India and general Insurance Corporation of India dominate insurance sector prior to liberalization and privatization in Indian insurance sector. The govt. set up the Malhotra reforms committee in 1993 to give recommendations for privatization in Indian insurance sector. Consequent to it, six international insurance chains were allowed to enter the Indian insurance sector in the start of the year 1996 by tying up with India's leading industrial group but the process of privatization suffered a setback when the Insurance Regulatory Authority (IRA) Bill was withdrawn.

The study by Chris Drake, Anne Gwynne and Nigel Waite (1998), in Barclays Life Company to identify the determinants of satisfaction amongst customers and to assess the importance to each of these elements in determining customer loyalty, to develop a frame of reference concerning the elements of service which customers considered important. The study found that satisfaction could be considered as the consumer's evaluation of the product or service received. The importance of these customer evaluations came from the impact that satisfaction was posited to have on consumer behaviours such as loyalty. In the literature the construct of loyalty is divided into its behavioural, cognitive and affective elements (Gremler and Brown, 1996). The service management literature suggested that profitability and growth were largely determined by loyalty (Heskett et al.; 1994), and behavioural loyalty itself was a direct result of customer satisfaction (Reicheld and Sasser, 1990; Zeithaml et al., 1990).

Conclusion:

The argument in the marketing literature for this positive correlation between customer satisfaction, customer loyalty and profits was that increased customer satisfaction often led to a lower turnover of the company's present customers. The correlation between customer satisfaction and customer loyalty had also been well documented in empirical research. Kristensen et al. (1998), performed analyses based on data from The American Customer satisfaction Index 1994 (NQRC, 1995). The results showed a strong correlation between customer satisfaction and loyalty. Similar conclusions could be drawn on the basis of Norwegian data (Norsk Kundebarometer), which showed that in the automobile industry, out of 76 percent customers who were satisfied, 78 percent were loyal also (Kristensen et al., 1998). Thus, since the cost of attracting new customers was higher than keeping current customers, satisfaction and loyalty were associated with higher earnings. Timm (1990), stated that an average company lost 20 percent of its customers annually due to dissatisfaction. However, if the company was able to minimize the number of dissatisfied customers, it could increase its earnings considerably. Thus, Reichheld and Sasser (1990), find that as customer loss decreases by 5%, profitability increased by 35 to 85 percent depending on the industry. In addition to being loyal, satisfied customers were often said to be less price-sensitive and more willing to pay a higher price than other customers (Anderson et al., 1994). Therefore, there were several reasons why companies should give customer satisfaction high priority and continuously monitor its levels of customer satisfaction.

References:

1. Buchan, N. R., Croson, R. T., & Solnick, S. (2008). Trust and gender: An examination of behavior and beliefs in the Investment Game. Journal of Economic Behavior Organization, 68(3), 466-476.
2. Jorgenson, D. (1967). The theory of investment behavior. In Determinants of investment behavior (pp. 129-175). NBER.
3. Mincer, J., & Polacheck, S. (1974). Family investments in human capital: Earnings of women. In Economics of the Family: Marriage, Children, and Human Capital (pp. 397-431). University of Chicago Press.
4. Mistry, R. S., Biesanz, J. C., Chien, N., Howes, C., & Benner, A. D. (2008). Socioeconomic status, parental investments, and the cognitive and behavioral outcomes of low-income children from immigrant and native households. Early Childhood Research Quarterly, 23(2), 193-212.
5. Nagy, R. A., & Obenberger, R. W. (1994). Factors influencing individual investor behavior. Financial Analysts Journal, 50(4), 63-68.
6. Outreville, J. F. (1996). Life insurance markets in developing countries. Journal of Risk and Insurance, 263-278.
7. Ćurak, M., Lončar, S., & Poposki, K. (2009). Insurance sector development and economic growth in transition countries. International Research Journal of Finance and Economics, 34(3), 29-41.
8. Schoemaker, P. J., & Kunreuther, H. C. (1979). An experimental study of insurance decisions. Journal of Risk and Insurance, 603-618.
9. Yaari, M. E. (1965). Uncertain lifetime, life insurance, and the theory of the consumer. The Review of Economic Studies, 32(2), 137-150.

10. Hammond, J. D., Houston, D. B., & Melander, E. R. (1967). Determinants of household life insurance premium expenditures: An empirical investigation. Journal of Risk and Insurance, 397-408.
11. Reshmi, B., Nair, N. S., Sabu, K. M., & Unnikrishan, B. (2007). Awareness of health insurance in a south Indian population: A community based study. Health and Population: Perspectives and Issues, 30(3), 177-188.
12. Browne, M. J., Chung, J., & Frees, E. W. (2000). International property-liability insurance consumption. Journal of Risk and Insurance, 73-90.
13. Nandagopal, R., Sekkizhar, J., & Sathish, M. (2011). Customer Awareness With Respect To ICICI Prudential Life Insurance. Journal of Contemporary Management Research, 5(1).