

Comparison Between Offline and Online Distribution Practices for the Insurance Industry in India

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ABSTRACT

Insurance has been the backbone of the Indian society and economy. For India, a developing country, insurance does serve the need to a limited extent as social security practices are absent in India compared to foreign nations. Insurance has been sold mainly through traditional channels with agency garnering a major share of the pie. The study started with a robust literature review, formulating the objectives to examine existing offline distribution channels for insurance and the relative significance of emerging online distribution channel for insurance. Accordingly, hypothesis were promulgated for understanding difference between online and offline insurance in terms of cost and convenience, difference between economies of scale and accuracy, beneficial to customer and/or company, and on the growing trend of young internet users being a high potential target market for insurance business suitable to the online channel. The study further gives suggestions and recommendations for promotion of online channels and highlights their relative significance to various stakeholders.

KEYWORDS

Challenges, Channels of Distribution, Customer Relationship Management, Offline Insurance, Online Insurance, Opportunities

INTRODUCTION

The insurance industry is very important for any country's economic development. A well-developed insurance sector promotes risk-taking in the economy, as it provides a certain amount of security in case of an unforeseen, loss-causing incident. It also provides much-needed financial security to family members in case of loss of life or health. Since the insurance companies having assets under management represent long-term capital, they also act as a funds pool to invest in long-term projects such as infrastructure development. The Indian economy's globalization and liberalisation in 1991 and formation of Insurance Regulatory Development Authority (IRDA) in year 2001 led to the sudden spike in growth of Insurance Industry. The spirited amplification of Indian Insurance industry is due to the evolving and unbelievable performance of various channels of distribution. These channels are interdependent mediums, interlinked in moving the products, services and information from business houses to consumers. They are considered as the most important links of Insurance Industry which bring an association between consumers; who are looking out to procure insurance policies or products and insurance companies; who are exploring ways to sell those policies or products. They

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are playing a strong intermediary role between buyer and seller and whose role is to study the overall market, matching the requirements of both parties and thereby helping their clients to choose from best competing offers. There are numerous channels involved in undertaking the business in the industry in the form of issuance of policies and collection of the premium amount. Firstly, independent agents are certified individuals who sell insurance policies or products on behalf of any insurance company. They receive commission from the company on all policies sold and serviced. As far as the marketing of insurance in Indian market is concerned, the agent has been instrumental and major factor in spreading the awareness with respect to market growth and insurance penetration. The only and major difference between individual and corporate agents is that, the latter are considered as employees of insurance companies who sell insurance policies on behalf of the company itself. Thereafter, another channel prevailing strongly in the insurance sector is Bancassurance, which is a joining hands and pact of banks and insurance companies, where insurance policies are sold by existing and upcoming banking networks. It is one of the low cost distribution channels which have emerged as a viable, most preferred and reliable insurance distribution channel in the market. The new and prevailing market condition for private participation has resulted in strong competition in the industry and thus a need for a new and specialized distribution channel was strongly felt that can bolster the clientele in the evaluation of their total risk exposure and present suitable insurance policies to cover such risks. Thus insurance brokers emerged as professional entities with the required technical expertise to offer customized insurance solutions. While an agent represents only one insurance company, a broker may deal with more than one insurer or both or multiple companies both in life and general insurance domain. With the growing awareness of insurance, many customers now prefer to transact either online or through phone or email. For such customers, there is a rise of direct selling channel. It is a process of selling insurance either online or through phone where the insurer sells directly to the insured via its employees.

STATEMENT OF THE PROBLEM

Focus of the Literature Review has been to improve the understanding of the important constructs and concepts. There is need to study the existing and emerging online distribution channel for life insurance and general insurance. It is necessary to study the viability and convenience of online and offline distribution channel. Marketing has been an ever-evolving field with marketing budget allocation spreading thin across various modes and ways of reaching out to customer. Advent of new technology and adoption of the technology by the mass and target audience is also a big push towards new ways of reaching to customers. One of the powerful tools used by marketers across the big corporate is Offline and Online Distribution Model. The researcher would like to study and analyse 'Online Distribution Model' and 'Offline Distribution Model and how the Corporates across the Indian context can use the same to their advantage. Another area to look at would be the relevance of Offline and Online Distribution Model to bring awareness to consumer.

While planning for the research study various aspects were explored and studied and following points came out very strongly which strengthened the need for the research study. They have been enumerated below: India as a country has a huge and young population and thus there is a huge potential for selling and distribution of Insurance. In spite of insurance industry having been there in the Indian market for many years, a very marginal population has been insured which brings us to the conclusion of India being an untapped market. As per IBEF report, insurance penetration was only 3.69% as of 2017. With the Indian population no more restricted to the rural sector and a lot of migrations happening to the urban sector, the concept of joint family system is giving way to nuclear family system with both spouses normally found working, thus the significance of Insurance. The rural to urban influx is happening not just physically but also virtually i.e. the advent of internet and smart phones have given rise to the shopping trend moving from offline to online. So a lot of scope is there for insurance companies to tap and harness this emerging trend. EMarketer estimates that a quarter of India's population will become digital shoppers by end of 2018, the figure touching 41.6%

by 2022. With the number of threatening and retarding accidents and illnesses on the rise, there is huge risk of life on the working population. Insurance also plays a very important role in the improved standard of living of individuals, family and society as a whole due to the innovative policies ensuring, health, accident and income protection along with wealth creation and retirement planning. Due to the increased literacy rate, the population is well aware of its needs and wants and insurance awareness has increased and the need for insurance is seeing an upward trend. With the Government bringing major legislations and policy changes with regard to insurance coverage for the population, there is a highly conducive environment for promoting insurance business.

With more than 460 million internet users, India is the second largest online market ranked only behind China. There will be about 635.8 million internet users in India by the year 2021. In spite of the large base of internet users in India, only 26 percent of the Indian population accessed the internet in 2015. This is surely a significant increase in comparison to the previous years, considering that the internet penetration rate in India stood at about only 10 percent in 2011. (Source: <https://www.statista.com/topics/2157/internet-usage-in-india>)

SIGNIFICANCE OF THE STUDY

Significance for Regulators and Economy: The economic reforms of 1991, viz. Liberalisation, Privatisation and Globalisation have introduced the structural change in the economy. All controls on business have been removed. The public sector model of growth has been dismantled and now Indian economy is integrated to the Global Economy. We are now in the Market economy. The Market is a nucleus centre to determine the demand, investment, consumption, choice and preferences of consumers/users. Thus, in a competitive market, the management is highly sensitised for Cost, Efficiency, Productivity and Profitability.

Social and Professional Significance: In this social market scenario, the insurance sector has been opened to the multi-national insurance companies. These foreign insurance companies with their marketing management expertise and modern information technology have introduced innovative insurance products and services profiles. This has created a cut-throat competition for business among the insurance companies.

Significance for Consumers and Regulators: India is one of the biggest emerging markets in the global scenario for insurance business. India has approximately 67% of large young, educated and working population according to IBEF report. These are the core group of internet users. Their number has recorded an increase at the rate of 32.8 percent year on year during 2000-2011. It is estimated that their number will surpass 700 million by 2020.

This constitutes the target group of potential buyers of insurance products. In view of this, the insurance companies have to explore the viable distribution channel for insurance products which can suit to their style, convenience and comforts. The Online Sales Channel can suit to their buying behaviour in terms of product profiles, clarifications, guidance, etc.

Significance for Insurance Companies: A global research study projections have shown that the online insurance industry witnessed 11 percent expansion during 2011-2018 (Research by IBIS World: <https://www.reportlinker.com/ci02109/Online-insurance.html>). The aggregate growth rate of industry is forecasted at 19 percent in 2020. This will generate \$ 107 billion to accelerate the effective demand, investment, employment and finally economic growth. Our country is witnessing a growing trend of young, educated working population embraced with internet applications in day to day. There is also increasing number of insurance players in emerging market due to growing insurance business in India. This has increased the competition for insurance business. Moreover there is a change in the buying behaviour of insurance buyers. So, an attempt has been made to conduct a research in exploring the emerging distribution channel of marketing of online insurance to exploit the growing potential of insurance business.

Significance to the Academia: The outcome of this research will add a lot of value for teachers, who want to teach the different types of distribution channels in the insurance industry. They can get

insights on digital marketing in insurance. They can also take insights on Consumer Behaviour and Customer Relationship Management. This study will also help the students of Insurance Management on enhancing their knowledge on the various types of distribution channels in insurance industry. They will get a good insight on the careers in the insurance industries distribution departments.

LITERATURE REVIEW

(McKinsey & Co., 2018) This report titled 'Digital Insurance in 2018: Driving real impact with digital and analytics' talks about digital insurance and trends driving insure tech, insurance claim settlement in digital age, impact of AI on future of insurance, insurance beyond digital and the rise of aggregators and their impact on traditional insurance. It also throws light on the pathways to digital acceptability. (Bimabazar, 2018) in this article 'The time has come for IRDAI to review its Insurance Distribution Policy' talks about insurance penetration and distribution playing an important role, sales relationships, thinking beyond traditional to increase penetration, focus on rural and downtrodden, sale of government sponsored products, creating a need for insurance and harnessing online channels for selling and overcoming rural challenges. It also talks about product innovations, controlling mis selling and exploring newer distribution channels. (Giri, 2018) in his PhD thesis studies four different aspects of the insurance market in India. First, we try to develop an econometric model for insurance demand at household level. Second, we investigate how individual beliefs, attitudes and social norms affect insurance purchase decisions. Third, we look at why individuals choose different types of policies, whether it is term, endowment or multiple policies, and whether this choice meets their individual needs or is led by social pressure. Finally, we look at the reasons that lead to lapsation of policies and whether this is related to the original motive for insurance purchase. The results from both the third and final chapters of this thesis are indicative of possible mis-selling of insurance in India, where individuals may purchase insurance due to social pressures and aggressive selling tactics by insurance agents. (Sarkar & Das, 2017) depicts that the retail sector is growing at a very fast pace in India. It is one of the pillars of the economy and accounts for about 10 percent of the country's GDP. The Indian retail market has an estimated value of US\$ 600 billion and is considered as one of the top five retail markets in the world by economic value. The Indian retail sector growth is one of the fastest globally. Indian consumers are very particular about their products. The consumer choices differ based on online shopping versus offline shopping preference. The online shopping and traditional one has their own advantages and disadvantages. Online shopping doesn't need long distance travelling, offers more choices, remains functional 24*7, offers huge discounts and provides customer reviews facility. In contrast, traditional shopping allows customers to physically examine products which is lacking in online mode. Consumers can use both online and/or traditional mode of shopping depending on their preferences at a particular moment, which results in primarily different behaviours across the two modes of shopping. This article tries to throw some light on the differences emerging out of online shopping behaviour and offline shopping behaviour. (Syed & Acharya, 2017) have given a general review which studies the distribution channels in the Indian non-life insurance industry and the trends that are evident after the liberalisation of the insurance industry with the entry of the private sector. Some new channels introduced in the recent past to improve the insurance penetration and help in the further spread and availability of insurance. The usefulness of each of the channels listed and the customer groups they are catering to have also been specified. The purpose of this study is to introduce the new incumbents to this space to the various alternatives available which is already known to the practitioner. We have also tried to map the progress of the distribution channel network and the trend it is displaying at present and the challenges likely to be faced by the insurance companies in future. (App Design, 2017) Rodney Johnson in his blog 'Mobile a Key Piece to Insurance Industry's Customer Experience Puzzle' says that if you stop and take a look at any technology vertical, mobile has quickly become the most leading thing. With the growth of smart phones, mobile is an extension of us as against just a way to communicate as most of the approximately six billion mobile subscribers across the globe will agree. With 24 billion connected devices by 2020, this mindset isn't going to

change anytime soon, and it's already having an huge effect on the insurance industry. Many insurers are following integrated multi-distribution strategies with high focus on creating mobile capabilities so consumers can easily calculate and buy an insurance product, file claims online and more. (Bawa & Chathha, 2016) have analysed the level of awareness among life insurance customers regarding services provided by distribution channels of life insurance industry in India. Using Ordered Probit Regression on primary study of 617 customers reveals that in spite of present efforts of insurance companies, the expected possibility of awareness among customers towards distribution channels is not at all up to the mark. They show complete awareness towards individual agent channel amid the other channels prevailing in the industry. The factors like television and internet are the major sources in spreading complete information among policyholders. The insurers have to improve the level of awareness by looking into the factors viz. information through phone and through friends/ relatives/ colleagues which are unsuccessful to spread complete understanding among their clients. From demographic variables; gender and education have a significant impact with regard to awareness of customers regarding services provided by intermediaries. The analysis shows that life insurers need to improve the understanding of their clients regarding various distribution channels. For successive and thriving growth of the industry, it is necessary to make watchful inspection of the varied alternatives related to various channels. (Mehta et al., 2016) in his research states that there are noteworthy differences between consumers fascinated to shopping online versus in traditional stores. The internet and traditional marketing each have separate features. Online shopping involves no travel, product carrying or limits on shopping hours, offering ease of access, convenience and time saving. In contrast, offline shopping allows physical examination of the products, interpersonal communication but requires high travel and search costs and also has limits on shopping hours. Consumers may use the two channels differently resulting in the same consumers showing different behaviours when shopping across online and offline channels. This study tries to provide a thorough review of past available literature of online vs offline consumer behaviour. (Ezhilarasi & Kumar, 2016) explore the perception of customers on the online insurance. The study tries to find out the factors influencing customers to purchase online insurance products and satisfaction level of online insurance products. This study does a city specific study on the thinking of customers towards online insurance and helps to draw strong conclusions on distribution channels. The appearance of new financial technology and rise of outsourcing services in insurance is creating a highly competitive market condition which has a strong impact on consumer buying behaviour. Thus, it is important for the insurance sector, to have a better understanding of their customer's perceptions towards technology and to ensure improved satisfaction of their customers using online insurance. If they are successful, insurance companies will be able to affect customer behaviour, which will become a major reason in forming suitable strategies in the future. This study finds that various factors are affecting the customers to buy online insurance products and customers are highly satisfied with the online insurance products which are offered by the insurers. (Subashini & Velmurgan, 2015) studied that online has been a catchphrase in India over the past few years across industries like travel, retail, tourism, insurance etc. The online business model needs the service provider and the consumer to become partners, a relationship that demands a certain level of trust. The insurer even allows the client to self underwrite. The new liaison in this world is "word of mouth" and the clients are compensated with cheaper premiums. The study focuses mainly on digital marketing, advantages and disadvantages of online insurance, Indian landscape, responsibilities to the insurers, E- insurance, challenges faced by the insurer to implement the digital strategy, etc. (Singhal & Shekhawat, 2015) states that consumer buying behaviour is the overall total of a consumer's outlooks, likings, purposes and decisions at the time of buying any product or service. The aim of the paper is to provide a comprehensive and extensive literature review of previous related studies since 1999 till date. The study of numerous literatures for last fifteen years, led to the data mining of various factors affecting online purchasing of various products and services. The most motivating factors have been acknowledged which push consumers to shop online. The study also highlights the various resisting factors, which act as hurdle and distract the consumers towards

traditional buying system. (Maheswari & Chandrasekaran, 2015) studied that insurance is a difficult product and is normally sold through channels like individual insurance agents, corporate insurance agents, or insurance brokers. The new style in insurance marketing is to sell the insurance policies through the Internet. Though the Internet is changing the way insurers engage with customers, traditional channels remain important. The agent channels continue to play a central role in the sales cycle in India. The present study looks at the online channel acceptance plan of the insurance agents for their work-related activities through the growth of e-consumption model. The e-consumption model has taken variables from the existing literature like System Quality, Information Quality Perceived Usefulness, and Perceived Ease of Use to understand the agents' technological prowess and has introduced appealing and coercing role of the insurer viz., Management involvement for training on technology and information access mandated by the company through the Agents' Portal. It is found that training for technology is more effective in influencing behavioural patterns than the coercive role. (Arya, 2015) studied that the consumer buying behaviour has always been a renowned marketing subject, widely studied and pondered over the last decades. It is believed that consumers make buying decisions on receiving small selectively preferred pieces of information. Thus, it is very important to understand what and how much information is needed by the customer for him to evaluate the goods and service offerings. (Bhavan, 2015) has studied entire online process of developing, marketing, selling, delivering, servicing and paying for products and services of Coimbatore city. The population is highly tech savvy and the city was filled with offices of many successful entrepreneurs. It has many industries, estates, corporate hospitals and engineering colleges. Future online shopping is bound to grow further in a big way because of the growing youth population there. (Gupta, 2015) in his case Study of Rourkela in Odisha' tries to analyse how consumers decide channels for their purchasing. Specifically, it studies a conceptual model that looks at consumer value proposition for using online shopping versus the traditional shopping. Past study showed that perceptions of price, product quality, service quality and threat strongly force apparent value and buying intents in the offline and online network. Studies of online and offline buyers can be looked at to see how value is shaped in both channels. The objective of this study is to analyse online shopping decision process by comparing offline and online decision making and finding factors that motivate customers to decide on doing online shopping or go for offline shopping. The study finds that females are more into online shopping than male. The last two years, as population is more aware of technology the online shopping has increased enormously. Age group 35 and above are less likely to do online shopping because they are less aware of the technology. However, the respondents said that they will love to do online shopping if price of the product is less than the market. (Subashini & Velmurgan, 2015) in article 'Swot Analysis for Online Insurance India' proposes a clear action agenda for insurers and lists specific imperatives for each of its element. It suggests that insurers should define digital goal, adapt a digital mindset, inculcate right capabilities within their organisations and accelerate their current digital efforts to benefit from this digital opportunity. (DNA Web desk, 2015) report titled 'Make in India-initiative to foster growth in insurance industry in 2016', industry heads say that in FY15, the insurance industry is witnessing a growth rate of around 12-13%, said M Ravichandran, President – Insurance, Tata AIG Insurance. He further expects the industry to outperform this number in FY16, and the growth rate would be around 15%. K G Krishnamurthy Rao, Managing Director and Chief Executive Officer, Future Generalli India Insurance said that the range of policy initiatives taken by the Government and the regulators have led to renewed optimism about the future prospects of the Indian economy. (Octane Research, 2015) in its report titled 'State of e-Marketing India 2015' talks that the last half decade has been a great journey for Indian online growth. The online users doubled from 120 million in 2011 to 278 million in 2014. Mobile also showed remarkable growth with 900 million mobile connections and 220 million smart phone shipments in India in 2014. They have surveyed 465 marketers who put in their efforts and time and shared their insights and ideas with us. They have also collaborated with DMAi, RAI and IAMAI who have given their support, helping them in extending their reach for this study. This study has

trending data, on how online marketing space in India has grown from 2011 to 2015. The study highlights newer insights that online marketing has seen in 2014. The last part of the research study tracks how Digital Marketing (Email & SMS) has changed and how digital marketers in India are using it. (PWC, 2015) carried out a survey “Future of India -The Winning Leap”, and inferred that emergence of new technologies in India, particularly mobile, has sparked a social change that’s difficult to compute. While mobile, internet, and social media incursion and growth can be quantified; describing the changes in social values and styles that have accompanied those trends is far more difficult. New technologies like virtual walls and virtual mirrors will further enhance the retail customer experience, thereby promoting greater consumption. Virtual mirrors let buyers ‘try on’ clothes and accessories virtually before making buying decisions. In their view, there is huge potential for online shopping companies owing to the ever-growing internet user base and technology advancements. However, it will have its share of challenges, be it operational, regulatory, or digital. (NagaRaj et al., 2014) states that the insurance sector in India came alive in the early period of the nineteenth century. Numerous acts have been passed from time to time for improved management of the insurance business. Two notable events in the history of insurance are i) the formation of the Life Insurance corporation of India in 1956, which acted as a monopoly till the year 2000 followed by ii) the opening up of the insurance sector to the private players in 1999, who were given the permission to operate either single headed or as joint venture with any other private player(s) and/or overseas partners. This extreme regulatory change ended the monopoly status of LIC and also coaxed the private players to enter into the insurance space. To keep pace with the dynamic industry environment, one of the functions that is capturing strategic space is the arrival of newer channels of distribution, which would take the business to newer markets and serve the customer cost effectively, over time and quickly. This study discusses the numerous different channels (that mushroomed in the deregulated period and changed the overall industry pattern). The research considered seven top private insurance players to understand the recent trends in distribution. The analysis clearly shows a change from the traditional channels by the private sector. (Business Standard, 2014) Masoom Gupte report titled ‘Go beyond the traditional’ talks that retail and service players are reshaping the methods of traditional distribution touch-points by exploring the unusual, meaning-Purchase a term-insurance policy or holiday off-the-shelf at a supermarket-Book a pre-packaged holiday as you visit a recovering friend at the hospital-Shop at a virtual store while you sip your coffee at your neighbourhood store. Aegon Religare, Kuoni-SOTC, Thomas Cook and Yebhi.com are few brands working hard to convince customers that abnormal can sometimes be more efficient. From the above review process, it has been observed that companies’ value chain which is also called P (Place) of Marketing Mix play a crucial role creating value proposition for the customer. The insurance industry which has been applying an offline value chain is in a position to implement the online distribution channel to deliver its products and services looking at the change in consumer buying behaviour shifting towards virtual mode. The penetration of internet and smart phones at throw away prices has increased the user base for the same drastically and these very users who are young and trendy are moving into the virtual market space by virtue of it being there as an app base and the young trying and exploring the new. Whereas the old offline methods of distributing insurance cannot be eradicated, however the virtual penetration can go up drastically. (Kumar, 2013) has studied ‘Electronic shopping: a paradigm shift in buying behaviour among Indian consumers’ and found that the consumers have accepted online shopping in a positive way. This clearly proves the recent growth of online shopping in the country. However, the frequency of online shopping is comparatively less in the country. Online shopping firms can use the applicable variables and factors inferred from the study, to form their strategies and plans in the country. Better understanding of consumer online shopping behaviour will help companies in acquiring more online consumers and growing their e-business earnings. Plus, due to discounts and benefits from E-commerce, consumers are more willing to make online purchases. With growing popularity of Internet, the number of Internet users will keep growing and more Internet users will become online consumers. (Guru, 2013) states that online shopping is mostly male, young, single

and educated. It's also found that internet usage trend like average time spent, place of accessing internet, main tasks accomplished and types of sites visited using internet between both buyers, and non-buyers are almost same. Most of the online buyers ask for product return/money refund in case of product dissatisfaction. It is observed that around 42% of the sample was unsure on buying or not in next 2/3 months. Three most important factors contributing to trust on online merchants were keep promises and commitments, care for customer welfare and help when in problem. (Bashir, 2013) states that online shopping is getting popular among the young generation as they feel more comfortable, find it time saving and convenient. It is found from survey that a consumer deciding to purchase online electronic goods was affected by multiple factors. The main important identified factors were time saving, best price and convenience. Price factor was popular among the consumers because online market prices were usually lower compared to physical markets. People normally compare prices in online stores, review feedbacks and rating about product before making the final selection of product. (Parikh, 2011) revealed that demographic indicators like age, gender, marital status, and income status have been customarily used in consumer behaviour study and market segmentation, shopping trends have also come up as dependable separators for categorising different types of shoppers based on their approach. Researchers have tapped into shopping trends to study loyalty behaviour among elderly consumers, window shoppers, out-shoppers and mall shoppers. By including this shopping behaviour pattern to online shopping, the study aimed at adding to the facts and understanding of consumer response to online shopping. It is becoming increasingly clear that to go on and more importantly to do well, online merchants should accept and actively follow elementary principles of good vending that apply to any medium. Based on the findings from this study, it is expected that the study of shopping trends can also help e-retailers recognize and understand those consumers who prefer to shop online and why. Additionally, shopping patterns could be used to fragment customers and form different strategies based on each segment's comparative inclination to adopt and use online shopping.

OBJECTIVES OF THE STUDY

1. To examine the existing offline distribution channel for insurance
2. To examine the relative significance of emerging online distribution channel for insurance
3. To make effective suggestions based on survey of literature and data analysis

Hypothesis

- H1 The existing offline distribution channel is relatively costly and less convenient to the users as compared to online channel.
- H2: The online distribution channel has relatively high economies of scale and accuracy as compared to the offline channel.
- H3: Distribution model of online insurance business is beneficial to customers as well as insurance company
- H4: A growing trend of young internet users is a high potential target market for insurance business suitable to online channel.

Questionnaire has been used as tool for data collection. The collected data from the respondents was analysed using SPSS 21. Reliability analysis has been done to ensure reliability of the questionnaire. Further individual statistics of items have been presented. Inter item matrix is another important component of the analysis which gives inter relationship between the variables. The co relation of item with each other is displayed in the matrix. Various scales have been used to rate the Questionnaire responses. The following are the Values of Cronbach 's Coefficient alpha: For the Instruments measuring Level of agreement/disagreement about the various reasons for using offline distribution

Table 1. Methodology of the study

Type of Research	Descriptive Research
Population	Consumers who are having insurance policy (Infinite – unknown)
Sampling technique	Non-probability (Convenience Sampling)
Sample size	Customers-78
Sample Unit	Consumers who hold at least one insurance policy either or insurance or both
Data collection instrument	Structured Questionnaire with 5-point Likert Scale
Medium of data collection	Personal and Email
Method of data collection	Primary Data-survey, Secondary Data
Time Period of Data Collection	December to March 2020
Response Rate	
Customers	78% (100 Distributed, 78 Complete Response)
Analytical Tests	Cronbach's Alpha for internal consistency (α), acceptable scale reliability is $\alpha \geq 0.70$ (Nunnally, 1978) Normality Test (Normality-Skewness and Kurtosis- Threshold values $-3 \leq \text{skewness} \leq 3$ (Bollen, 1989) c. Descriptive Statistics to describe composition of sample

channels for life insurance/ insurance (Cronbach's Alpha =0.925, N=11). Level of agreement/ disagreement about the use of online distribution channels while purchasing life insurance/ insurance (Cronbach's Alpha = NA). Various limitations faced by customers while dealing with online distribution channels for life/ insurance (Cronbach's Alpha =0.921, N=12). These Reliability values are high and considered to be fairly good enough measure for this study. The Skewness and the Kurtosis were found to be within the stipulated limits suggested for a Normally Distributed data. The researcher has tested the presumptions on the basis of data collected and interpreted using different techniques of analysis. No good research is complete without hypothesis validation. From this point of view the researcher has compared the statements of hypothesis with the findings drawn and has validated the basic assumptions of the study.

Hypothesis Testing & Validation

The researcher has tested the presumptions on the basis of data collected and interpreted using different techniques of analysis. No good research is complete without validation of hypothesis. From this point of view the researcher has compared the statements of hypothesis with the findings drawn and has validated the basic assumptions of the study.

Hypothesis No. 1

H0: The existing offline distribution channel is not relatively costly and less convenient to the users as compared to online channel

H1: The existing offline distribution channel is relatively costly and less convenient to the users as compared to online channel

Level of Significance $\alpha = 5\% = 0.05$

Statistical Test: One Sample t-Test

Table 2. One sample t-test for offline distribution channels

One-Sample t- Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
It is convenient than others channels	25.842	77	.000	3.69231	3.4078	3.9768
It has a cheaper premium	27.811	77	.000	3.62821	3.3684	3.8880
It has a low purchase cost as compared to offline version.	28.511	77	.000	3.66667	3.4106	3.9228
It saves operational cost and process is paperless.	28.157	77	.000	3.96154	3.6814	4.2417
Online purchasing is easy, efficient and eco-friendly	30.809	77	.000	3.97436	3.7175	4.2312
It is time efficient due to it takes only a minutes and no hassle of standing in long queues	27.222	77	.000	3.79487	3.5173	4.0725
Online insurance renewal is easy and one click process with auto-reminders.	28.788	77	.000	3.92308	3.6517	4.1944
Customer service is fast, quick and reliable.	30.295	77	.000	3.85897	3.6053	4.1126
Online Insurance claims settlements/fast settlements	26.435	77	.000	3.56410	3.2956	3.8326
Customer can compare and review insurance products	28.400	77	.000	3.84615	3.5765	4.1158

Source: Primary data and Computation

Interpretation

It is observed from one sample t test result that P value of the variables such as comparison of offline distribution channels and online distribution channels with cost and convenient factor is less than ($P < 0.05$) at 5% level of significance. Hence, it is revealed that the existing offline distribution channel is relatively costly and less convenient to the users as compared to online distribution channels. **It is concluded that online distribution channels are less costly and more convenient than offline distribution channels. So alternative hypothesis is accepted and null hypothesis is rejected at 5% level of significance.**

Hypothesis No. 2

H0: The online distribution channel does not have relatively high economies of scale and accuracy as compared to the offline channel.

H2: The online distribution channels have relatively high economies of scale and accuracy as compared to the offline channel.

Level of Significance $\alpha = 5\% = 0.05$

Statistical Test: One Sample t-Test

Table 3. One sample t-test for offline distribution channels

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Customer service is fast, quick and reliable.	30.295	77	.000	3.85897	3.6053	4.1126
Online Insurance claims settlements/fast settlements	26.435	77	.000	3.56410	3.2956	3.8326
Authenticity and accuracy of information on websites	26.134	77	.000	3.42308	3.1623	3.6839

Source: Primary data and Computation

Interpretation

It is observed from one sample t test result that P value of the variables such as comparison of offline distribution channels and online distribution channels with economies of scale and accuracy factor is less than ($P < 0.05$) at 5% level of significance. Hence, it is revealed that the online distribution channel has relatively high economies of scale and accuracy as compared to the offline channel. **It is concluded that online distribution channels have relatively high economies of scale and accuracy as compared to the offline channel. So alternative hypothesis is accepted and null hypothesis is rejected at 5% level of significance.**

Hypothesis No. 3

H0: Distribution model of online insurance business is not beneficial to customers as well as insurance company

H3: Distribution model of online insurance business is beneficial to customers as well as insurance company

Level of Significance $\alpha = 5\% = 0.05$

Statistical Test: One Sample t-Test

Interpretation

It is observed from one sample t test result that P value of the variables such as comparison of offline distribution channels and online distribution channels with beneficial variables factor is less than ($P < 0.05$) at 5% level of significance. Hence, it is revealed that distribution model of online insurance business is beneficial to customers as well as insurance company. **It is concluded that**

online distribution channels are beneficial to customers and company as well. So alternative hypothesis is accepted and null hypothesis is rejected at 5% level of significance

Table 4. One sample t-test for online distribution channels benefits

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Fastest and secured way to get insurance	29.207	77	.000	3.84615	3.5839	4.1084
Policy endorsement-a simple online self-declaration will change the details in policy.	31.747	77	.000	3.84615	3.6049	4.0874
Customer can easily read, understand and take his own decision to buy the policy, as all information is available online.	27.569	77	.000	3.67949	3.4137	3.9453
High flexibility than offline process.	23.147	77	.000	3.25641	2.9763	3.5365
It saves from mis-selling.	21.482	77	.000	3.23077	2.9313	3.5302
Availability of online help facility	26.214	77	.000	3.43590	3.1749	3.6969

Source: Primary data and Computation

Hypothesis No. 4

H0: A growing trend of young internet users does not have a high potential target market for insurance business suitable to online channel.

H4: A growing trend of young internet users is a high potential target market for insurance business suitable to online channel.

Table 5. Chi-square test for young internet users and potential target market for insurance business.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.198a	12	.182
Likelihood Ratio	16.804	12	.157
Linear-by-Linear Association	.047	1	.828
N of Valid Cases	78		

a. 15 cells (75.0%) have expected count less than 5. The minimum expected count is .04.

Source: Primary data and Computation

Level of Significance $\alpha = 5\% = 0.05$ Statistical Test: Chi-Square test

Interpretation

It is observed from chi-square test result that P value of the variables such as comparison of offline distribution channels and online distribution channels with beneficial variables factor is more than ($P > 0.05$) at 5% level of significance. Hence, it is revealed that a growing trend of young internet users do not have a high potential target market for insurance business suitable to online channel. **It is concluded that a growing trend of young internet users do not have a high potential target market for insurance business suitable to online channel. So alternative hypothesis is accepted and null hypothesis is rejected at 5% level of significance**

Findings and Outcome of Study

Objectives and Their Findings

Objective 1 - To examine the existing offline distribution channel for insurance

The current offline distribution channels being used by Insurance Companies and customers is Agency, Brokers, Bancassurance, Company Branch, Sales Force with the most preferred being Agency. It is observed from Table and Figure for rank analysis of Offline Distribution Channels that (51.3%) customers prefer agents as offline distribution channels to obtain insurance and it has given rank 1. Whereas, for rank 2 is sales force (16.52%), rank 3 is kiosk (11.31%), rank 4 is company branch (8.26%), rank 5 is brokers (6.96%) and rank 6 is bancassurance/bank (5.65%). It can be concluded that agents are considered as the most preferable offline distribution channels to obtain insurance.

Objective 2 - To examine the relative significance of emerging online distribution channel for insurance

Online purchasing is easy, efficient and eco-friendly, saves operational cost and process is paperless, Online insurance renewal is easy and one click process with auto-reminders, Customer service is fast, quick and reliable are major factors for using online distribution channels.

The programs undertaken to increase the awareness level of online insurance channels in order of ranking are social media, mobile apps and direct mailers.

Current online distribution channels used by Insurance Companies in order of ranking are web-based application, mobile apps and kiosks with Web based application the most preferred.

Emerging online distribution channel has the chance of frauds in the form of cyber crimes, data insecurity etc. and since it is an indirect channel there is no personal guidance on right purchase

Objective 3 - To make effective suggestions based on survey of literature and data analysis

The customers focus is more on the core distribution model concept in the findings and hence the effort on further refinement and augmentation of online distribution model needs a review. Companies need to analyse and focus on building a Hybrid Channel which will have all the benefits of Online channel and also provide personal guidance and support through virtual face to face help or personal visit.

Customers Findings

The following are the Values of Cronbach 's alpha Coefficient: For the Instruments measuring customers response.

- Level of agreement/disagreement about the various reasons for using offline distribution channels for life insurance/ insurance (Cronbach's Alpha, $\alpha = 0.925$, $N=11$).

- Level of agreement/disagreement about the use of online distribution channels while purchasing life insurance/ insurance (Cronbach's Alpha = 0.845).
- Various limitations faced by customers while dealing with online distribution channels for life/ insurance (Cronbach's Alpha, $\alpha = 0.921$, $N = 12$).

These Reliability values are high and considered to be excellent measure for this study.

- Lack of personal interface/service, doubts in safety of transaction/online scams/cyber security issues, contact updation are the major problems faced by customers while using online distribution channels.
- Online purchasing is easy, efficient and eco-friendly, saves operational cost and process is paperless, Online insurance renewal is easy and one click process with auto-reminders, Customer service is fast, quick and reliable are major factors for using online distribution channels.
- Direct Interaction between customer and agent/sales force.,
- Doubt resolution is easy, high tangibility and good customer relationship are the major reasons for using offline distribution channels for insurance.

CONCLUSIONS AND SUGGESTIONS

From the above findings, it can be inferred that the insurance sector is growing at an annual rate of 21.9%. However, insurance penetration in the country is very low. Most private insurance companies have had joint venture with recognized foreign players across the globe. To achieve success in the marketing of the insurance products, the entire business environment is required to be evaluated. The strategies are to be prepared based on the dynamics of the market trends. A company must have quality people, innovative management, be able to employ technology effectively, besides having the right products and distribution channels to be successful. The need for distribution channels can never be denied because these channels are the major reasons behind the successful working of insurance companies. This study is focused on the offline and online distribution channels in Insurance. It is observed that though offline channel has been there in various forms since inception of insurance, it is gradually losing its usage due to the advent of online distribution and a regular upgrade in the form of technological advancements. Regulatory and capital barriers to enter the insurance industry limit the impact of "standalone" technology companies. However, I believe the use of technical capabilities with a capital backing, regulatory fit and a recognized brand would be transformational for the insurance sector along with product innovations and aggressively leveraging the enabling technologies.

The customers focus is more on the core distribution channel concept in the findings and hence the effort on further refinement and augmentation of online distribution channel needs a review. In fact, the companies should focus on a Hybrid Channel where the online channel is combined with Offline channel to provide the option of personal guidance which will greatly add numbers and penetration. Companies need to appreciate that the events and facilities they provide as a part of their augmentation exercise deliver only marginal returns and some of these factors are critical for getting more customers to switch to online distribution model. Efforts have to be taken for increasing awareness of online insurance distribution channel. Similarly, efforts have to be taken by the companies to make online insurance channel user friendly by more demo usage meetings, user friendly web-based applications, mobile apps and kiosks. Current online distribution channels used by Insurance Companies in order of ranking are web-based application, mobile apps and kiosks with Web based application the most preferred. With the advent of smart phones companies have to create new apps and restructure existing ones. Companies have to make tie ups with Payment apps and give various discount offers for existing and new customers using online channel. Lack of personal interface/ service, doubts in safety of transaction/online scams/cyber security issues, contact updation are the major problems faced by customers while using online distribution channels. Companies have to

come out with innovative ideas like speaking apps, online chat options, bulletins and newsletters from government regarding online safety to build confidence among internet users. Companies should have separate section in Web based applications and Mobile Apps for contact updation in line with KYC options offered by banks. Companies should hire and appoint exclusive online business generation employees. Companies should also partner with online business aggregators for offering online insurance. The Insurance companies through their intermediaries and by adopting sound distribution strategies for both offline and online channels can reach the potential customers. There is a need to promote Internet Marketing and Worksite marketing as sales generating channels by both public and private insurance companies.

Hybrid Channel Model Recommendation

By combining traditional distribution with online channels, the companies that follow a Hybrid channel approach enjoy a better reach and coverage. For such companies, approaching consumers directly through digital channels allows them space to move into new and previously unreachable markets and achieve a greater share of their target market. Product selection can be offered to help customers move to higher margin online channel that match their products sold via their agency channel. An online approach to customer also provides existing companies more flexibility in launching and marketing products. Established insurance companies can influence real time data through digital tools to better analyse the expected performance of a pre launch product. Post launch, companies can initiate more targeted and personalized marketing strategies for their traditional as well as online channels.

Advantages of the Hybrid Channel

The table below shows the dimensions of each of the channels illustrating the many advantages that can be leveraged in a Hybrid channel.

Table 6. Channel comparison

Dimension	Offline Channels	Online Channels
Coverage	Limited	Infinite
Personalization	General mass market	Highly personalized
Allegiance	Basic	Superior
Customer Access	Finite and cyclic	Comprehensive, real-time
Pricing	Partial control	Full control
Speed to market	Slow	Fast
Merchandising	Limited control	Full control
Assortment	Limited	Full
Capital	High	Low
Overhead Costs	High	Low

Capitalizing on the digital platforms to extend a digital capacity can convey a lot of benefits across financial, operational and market dimensions:

Revenue growth - Companies can build their own direct links with customers, increasing involvement and conversion rates through their own digital channels.

Improved margins – Companies no longer have to negotiate margin sharing with wholesale brokers, Managed agencies and program administrators.

Expanded market reach – Insurance companies are not bound by geography or their promoters reach when they market and sell their products directly to consumers online. They can sell to various customer segments and go global overnight.

Reduced capital expenditures – Companies can cut down capital investment costs as they don't essentially need to develop costly, time consuming new agency channels to push growth. However, they have to invest in digital channels.

Improved customer data – Companies can utilize the huge data generated by digital tools and platforms to better comprehend their customers' preferences, styles, demographics and purchase. High value segments can be recognized and targeted, while pain areas in the customer journey can be worked upon.

Improved customer relationships – Companies can own their customer relationships by leveraging their data-driven understanding of customer behaviour to deliver a more targeted value proposition.

Comprehensive products – Companies can provide a full line of products across a customer's events like Business Owners Insurance, Workers Compensation, Liability, Home and Auto. The new opportunities for these companies lie in growing the profit share they create from their higher margin from direct channels. Insurance firms could achieve this by increasing bandwidth of their insurance product offerings. However additional capital investment will be required.

The Road Ahead

There is an incessant and noteworthy change in the approach of consumers towards Online Insurance. The change is seen in a phased manner from curiosity to attraction and then to action. The misconceptions, doubts, questions about Online Insurance as a distribution channel are still there as the entire model of Online Insurance is pretty new and unheard in India. Online Insurance distribution as a marketing revolution is of recent origin. The customers focus is still more on the traditional distribution channel concept in the findings and hence the effort on further fine-tuning and refinement of online distribution channel needs a reassessment. Insurance business in India needs special care as against other businesses as it is still in a very nasal stage. Both theory and practice have to be incorporated to provide best services to policy holders. This industry has to be prepared for more challenges due to in progress changes in the economy and employment modes. More world players have planned to enter into Indian market due to the high potential. In fact, it is very important to understand the customer expectation and attitude for this product. This is a time for business model re engineering. With several changes in regulatory framework leading to further change in the way the industry conducts its business and has customer engagements, the future looks promising for the insurance industry. A growing middle class, young insurable population and growing awareness of need for protection and retirement planning will help and support the growth of Indian insurance. The burgeoning usage of internet and that becoming an important channel of distribution for the insurance companies in various modes show a strong sign of the gradual movement of marketing from traditional mode to online mode with a strong focus on hybrid channel. The number of internet users in India is expected to reach 627 million in 2019, driven by speedy internet penetration and growth in rural areas, market research agency Kantar IMRB has said. Of the total user base, 87 percent Indians are categorised as regular users, having used internet in last 30 days. Approximately 293 million active internet users live in urban India and around 200 million in rural India. The report found that 97 percent use mobile phone to access internet. While internet users grew by 7 percent in urban India, reaching 315 million users in 2018, digital growth is now being pushed by rural India, registering a 35 percent growth in internet users over the past year. Bihar has shown highest growth of internet users across both urban and rural areas, with a growth rate of 35 percent over last year. The report also pointed that internet usage is better gender balanced than before with 42 percent of women using the internet. "It is captivating to note that the digital riot is now sweeping small towns and villages perhaps due to affordable data costs. The increased usage of internet in rural India,

where more than two-thirds of active internet users are now using the Internet daily to meet their entertainment, communication and shopping needs. Insurance Industry thus has a huge opportunity today where it can use digital distribution to reach its consumers both in urban and rural India and have a much better market penetration and coverage.

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