

# AN EMPIRICAL ASSESSMENT OF DEMOGRAPHIC DIVERGENCE IN MANAGING CUSTOMER VALUE

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**Abstract:** *This paper examines the gender difference among the customers regarding customer value in Life Insurance Sector in J&K. It is a fact that Life Insurance players in J&K have realised that their business advantage depends on customers preference based upon their gender to select the company or insurance plans. The study is based upon the primary data obtained from customers of four leading life insurance companies operating in Jammu & Kashmir through purposive sampling. A questionnaire was framed containing items of demographics and statements managing superior customer value based upon seven point Likert scale. The findings indicate that the demographic variables viz., gender, purpose of insurance and insurance plan wise, there is no significant difference regarding customer value in the perception of customers of life insurance companies operating in state.*

**Keywords:** *Customer Value, Gender, Insurance Plan, Purpose of Insurance*

## INTRODUCTION

Customer value is vital for the attainment of organisational goals and serves an important source of competitive advantage for the organisation (Spiteri & Dion, 2004; Woodruff, 1997). Many players in the service industry have diverted towards delivering superior customer value as the fundamental basis for their marketing activities (Holbrook, 1996; Woodruff, 1997). While, for long term objectives, customer value is required to achieve customer loyalty (Sirdeshmukh, Singh & Sabol, 2002). The term customer value has become strategically significant tool to attract more and more customer and retain them for long time by delivering superior value as compare to their counterparts (Khalifa, 2004; Slater, 1997; Wang *et al.*, 2004). In order to deliver superior value, companies should recognise what customer value is; how value is perceived by their customer; which value does the customer values the most and how to decode value into performance measures. Customer value is needed in product development, pricing and distribution. Information of customer value can also be used for customer enrichment (Menon, Homburg & Nikolas, 2005; Parasuraman 1997; Simpson, Sigauw & Thomas, 2001). More importantly, customer value varies for different countries, different relationship context and different environmental situations (Menon *et al.*, 2005). Thus customer value needs to be investigated in different business areas, different customer characteristics and different competitive environment. Today's service market

is very complex due to the intense competition between marketers and their contradictory perception to understand and deliver fair value to customer. So, the notion of customer value has become more popular in the marketing arena during last two decades. However, the marketers and the customers have different perception toward the concept of customer value. Currently, the customer wants the best deal in product and service for which he is paying. So, it is very important for marketers to understand the concept of customer value to deliver the fair value desired by their customers. However, many researchers have acknowledged that it is difficult to define customer value (Piercy & Morgan, 1997; Woodruff, 1997; Khalifa, 2004). These difficulties arise from the subjectivity and ambiguity of value which is compounded by the fact that customer value is a dynamic perception that is developed over a period of time (Jaworski & Kohli, 1993; Neumann, 1995; Khalifa, 2004). More often than not, commentaries on customer-oriented management practice provide only a vague sense of what customer value means. Fortunately, some of these commentaries recognize that making customer value strategic work begins with an actionable understanding of the concept itself. Customer value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. (Zeithaml, 1998) Value in business markets is the perceived worth in monetary units of the set of economics, technical, service and social benefits received by a customer firm in exchange for the price paid for a product, taking into consideration the available suppliers' offerings and prices

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(Anderson, Jain & Chintagunta, 1993). Buyers' perceptions of value represent a trade-off between the quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price (Gale, 1994). By customer value, we mean the emotional bond established between a customer and a producer after the customer has used a salient product or service produced by that supplier and found the product to provide an added value (Butz & Goodstein, 1996)

## REVIEW OF LITERATURE

The extant research studies reveal that if a company focuses primarily on creating the superior quality of a product and service in isolation to other intangible attributes, it will be difficult for it to survive in a highly competitive environment (Anderson *et al.*, 1993). There is growing evidence to suggest that the most important factor for the success of a firm is its ability to deliver better customer value on sustainable basis rather than on mere notion of enjoying competitive or dominant position in the market. "If a firm maximizes customer value relative to competitors, success will follow" (Naumann, 1995). While conducting study on gaining strategic business advantage through customer value measurement (CVM), it was found that by following certain steps in the CVM process, the client obtains excellent value for their purchase decisions. Such steps include the adoption of a comprehensive customer value perception, understanding client's strategic business objectives, establishing market share, building a market database, paying close attention to purchase decision attributes, being careful what is to be measured, reviewing the CVM table point-by-point and identifying business strategy (Farace & Meola, 2000), whereas another study examined the concept and measurement of productivity in the service sector. The study divided the concept of service productivity into quantity and quality dimensions, and further into output and input elements. The study also suggested, the issue of measurement is analysed to show the problems related to the elaborated concept of productivity (Ismo, Raija & Uolevi, 1998). Further, Andreoni and Vesterlund (2001) found males' and females' "demand curves for altruism" cross, and that men are more responsive to price changes. Furthermore, men are more likely to be either perfectly selfish or perfectly selfless, whereas women tend to be "equalitarians" who prefer to share evenly. Bohnet and Fery (1999) observed that in public goods games, for example, some have found all-male groups to be more cooperative than all-female groups, and others have found the opposite. In ultimatum bargaining games, men and women were found to be no different in the offers they make, but women are more willing to accept unfair offers than men. In the dictator game, there are also mixed results, with some finding no differences by sex, while others find all-female groups to be more generous than all-male groups (Kruse & Hummels, 1999). Moreover,

Tripathi (2008) conducted a research based study on buying pattern in the insurance industry with a special focus on HDFC LIFE insurance. The various segments of the markets divided in terms of insurance needs, age groups, satisfaction levels etc. were taken into account to know the customer perception and expectation from private insurers.

In addition, Mantise and Farmer (1968) analysed that marriage, birth, personal income, population size, relative price index, and employment could affect the insurance purchase. Many studies have been conducted to estimate the demand for insurance or to test risk-aversion. Anderson and Nevin (1975) in the study looked at the life insurance purchasing behaviour of Young newly married couples. The study suggested that the wife and the insurance agent play an influential role in the type of insurance purchased by young married households. Chen, Wong and Lee (2001) revealed that insurance demand of baby boomer generation is quite different from that of previous generations using cohort analysis. Customer service is a vital part of life insurance organisation. It is essential to identify the achievement factors in life insurance industry, in terms of customer satisfaction so as to stay alive in extreme competition and increase the market share. The study is based on 206 insurance customers from four major cities of India. This study emphasizes the role of technology to improve quality and hence customer satisfaction. The study intends to promote a better theoretical understanding and recognition of the complexities to service quality and its measurement with respect to life insurance (Upadhyaya & Badlani, 2011). A study undertaken by Krishnan, Ramaswam, Meyer and Damien (1999) on drivers of customer satisfaction in a financial services company tested Bayesian analysis based on data collected from customers. The study found that satisfaction with product offerings is a primary driver of overall customer satisfaction. The results indicate that relational outcomes in general are important to customer loyalty (Butcher & Kenneth, 2000). Every customer has a different value, and it is essential for organisations to calculate the value that a customer brings to the organisation; this enables the company to select customers on the basis of the results of the measured value of the customers. In other words, measuring customer profitability in order to retain the right and valuable customer plays an important role from this viewpoint of customer value. In addition, the method of measuring customers' value has also been emphasized in this perception of customer value (Evans, 2002; Zeithaml *et al.*, 2001). While focusing on outcomes from the customer perspective it was found that products and services are simply means to helping customers fulfill their needs and needs are simply customers' desired outcomes. The objective of value enhancement is to understand what jobs our target customers are trying to get done and what outcomes indicate the job is done well (customer value measures) (Venkatraman, 1989, Alessandro & McKnight, 2009).

The value of a life insurance agreement may differ depending on whether it is looked at from the customer's point of view or that of the insurance company. Study presumes that the insurer is able to repeat the life insurance agreement's cash flows via assets traded on the capital market and can hence apply risk neutral valuation techniques. The policyholder, on the other hand, will take risk preferences and diversification breaks into account when placing a value on that same agreement. Customer value is represented by policyholder's willingness to pay and depends on the contract parameters, that is, the assured interest rate and the annual and terminal surplus sharing rate. The results suggest that a customer segmentation based on the different ways customers evaluate life insurance contracts and embedded investment guarantees while ensuring fair values, is worthwhile for insurance companies as doing so can result in substantial increases in policyholder willingness to pay (Gatzert, Holzmueller & Schmeiser, 2012). Every customer has a different value, and it is essential for organisations to calculate the value that a customer brings to the organisation; this enables the company to select customers on the basis of the results of the measured value of the customers (Evans, 2002; Zeithaml *et al.*, 2001-02). While conducting a study on Crafting Customer Value: The Art and Science (Duchessi, 2002), it was found that the key success in today's business world is customer value which indicates that the companies must create value for their customers (Grace & Jerry Lin 2006; Bhote, 1996).

In the previous literature though various researchers have dwelled on customer value but only a few have concentrated on the effect of demographic variables on customer value and particularly in J&K state it is the foremost study which examines customer value and effect of demographic variables on customer value. The service sector in J&K is growing tremendously and entry of new private players have posed strong threat to Life Insurance company in J&K which aroused the need to assess the extent of customer value and how it is affected by the demographic indicators. This study shall help the insurance companies, policy makers and prospective researchers for new insights.

## PROFILE OF SELECTED LIFE INSURANCE COMPANIES

The insurance industry plays a vital role in an economy. As far as Indian insurance industry is concerned, it is ranked 11<sup>th</sup> among the 88 countries and major contributor in national income for the year 2014 (IRDA Annual Report 2013-14). According to World Insurance Report 2014, India's share in global life insurance market was 2.0 percent during 2013. The India's economy continued to observe a modest growth rate of 4.7 percent during 2013-14 and the share of insurance sector increased by 2.0 percent in GDP in the year 2014. Life Insurance Corporation of India came into existence on 1st

September, 1956, with the core objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. Today LIC functions with 2048 fully computerised branch offices, 109 divisional offices, 8 zonal offices, 992 satellite offices and the Corporate office. LIC's Wide Area Network covers 109 divisional offices and connects all the branches through a Metro Area Network. Another selected company is ICICI Prudential which is first private sector insurance company began its operation in J&K state in 2001-02 after LIC. ICICI Prudential is the Indian largest private sector insurance company with 13 full-fledged online branches in J&K state. ICICI Prudential was amongst the first private sector insurance companies to begin operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). ICICI Prudential Life's capital stands at Rs. 37.72 billion (as on March, 2008) with ICICI Bank and Prudential holding 74 and 26 percent stake respectively. The third insurance player is MetLife (India). In Jammu and Kashmir, J&K Bank renders services for MetLife India as its corporate agent at different branch locations. MetLife has 8 independent branches in the state. MetLife India Insurance Company Limited (MetLife) is an affiliate of MetLife, Inc. and was incorporated as a joint venture between MetLife International Holdings, Inc., The Jammu and Kashmir Bank, M. Pallonji and Co. Private Limited and other private investors. MetLife is one of the fastest growing life insurance companies in the country. Finally, Bajaj Allianz initiated its operation in J&K state in 2003-04. Now it is working as the second largest and growing private sector insurance company after ICICI Prudential with more than 12 independent branch locations in the state. Bajaj Allianz Life Insurance Co. Ltd. is a joint venture between Allianz SE, one of the world's largest insurance companies, and Bajaj Finserv. Allianz SE is a leading insurance corporation globally and one of the largest asset managers in the world, that manage assets worth over a trillion.

## HYPOTHESES AND OBJECTIVES

The present study is based upon the following hypotheses and objectives:-

- H1:** Gender wise respondent do not differ in their perception about customer value.
- H2:** Purpose of Insurance wise respondent do not different in their perception about customer value.
- H3:** There is no significant difference among the customer opting different insurance plans regarding customer value.

The objectives of the study are:-

1. To find out the extent of customer value in Indian insurance sector.

2. To elicit gender wise differences among the perception of customers regarding customer value in Indian insurance sector.
3. To investigate purpose of insurance wise differences among the perception of customers' regarding customer value.
4. To bring forth perceptual differences regarding customer value among the customers having different insurance plans.

## RESEARCH METHODOLOGY

The various aspects of research methods are discussed as under:-

### Questionnaire

For gathering the primary data, a questionnaire was developed specifically for the study after thorough review of extant literature and deliberations with experts. The questionnaire comprised of six items relating to demographics and 40 items based on seven point Likert scale ranging from 7 to 1, where 7 means 'excellent' and 1 means 'don't know'. The general information included the gender, insurance policy with and purpose of insurance. The other items representing the various dimensions of customer value in insurance sector in J&K.

### Survey

The primary data were collected from 515 customers of various life insurance companies from various districts of J&K through purposive sampling. The number of male respondents (73%) was higher than female counterparts

**Table 1: Demographic Profile**

Variables	Frequency	Percentage
<i>Gender</i>		
Male	377	73
Female	138	27
<i>Insurance Policy With</i>		
LIC	202	39
ICICI Prudential	131	25
MetLife	94	18
Bajaj Allianz	88	17
<i>Purpose of insurance</i>		
Security	127	25
Savings	170	33
Tax Benefit	65	12
Investment	77	15
All	76	15

(27%). Study revealed that majority of the respondents were PG and above contributing 39% of the total respondents followed by graduates(35%) whereas (26%) of them were under graduates and about one-third of the respondents were government employees. Out of total respondents 39% have life insurance policy with LIC, 29% have policy with ICICI prudential, 18% have policy with MetLife and other 17% have policy with Bajaj Allianz. 33% respondents invested with security motive, 25% invested with safety motive, 15% invested as investment, 12% invested to avail tax benefit and rest 15% invested by considering all as important (Table 1).

### Descriptive and Reliability Statistics

To check the reliability, Cronbach Alpha values have been worked out (Malhotra, 2008, p. 285). The data proved quite satisfactory as Cronbach Alpha values came to be above 0.7. Validity is the extent to which a scale or set of measures accurately represent the concept of interest assessed in terms of content validity. The content validity has been worked out by reviewing the literature and discussions with the experts and researchers (Table 2).

**Table 2: Descriptive and Reliability**

Dimensions	Mean	Standard Deviation	Alpha Value
Customer Service and Product Value	4.73	1.08	0.875
Image Value	4.79	1.19	0.785
Customer Loyalty	4.89	1.44	0.807
Price	4.11	1.43	0.780
Ethical and Physical Excellence	4.72	1.26	0.865
After Sale Service Delivery	4.44	1.24	0.847
Overall Customer Value	4.61	0.96	0.851

## FINDINGS OF THE STUDY

### Gender wise Analysis

The perceptual gap has been measured to examine the difference in male and female life insurance customers of J&K state and their opinions towards customer values measurement in life insurance practices. It covers 377 male respondents which is 73% of total respondents and 254 female respondents i.e. 27% of total respondents. To test the significant mean differences, independent t test has been used. The results of t test exhibit significant mean differences between male and female respondents for two factors viz. 'price' (0.07) and 'ethical and physical excellence' (0.03). However, for the remaining factors there are insignificant

mean differences (Table 3). In addition, female respondents accorded higher mean scores to majority of the factors viz. “customer service and product value” (4.82), “Price” (4.37), “ethical and physical excellence”(4.90), “after sale service delivery” (4.57). While male respondents accord high mean score to “customer loyalty” (4.91) and both males and females respondents accorded equal mean score to “image value” (4.79) which indicates that both have same opinion regarding public image of life insurance companies in state. Thus, the first hypothesis is accepted.

### Purpose of Insurance wise Analysis

The customers have made investment in various life insurance plans of selected companies with different goals viz. security, savings, tax benefit, investment and all. The majority of the respondents had taken life insurance policy with saving purpose (33%) followed by security (25%), investment (15%), all (15%) and tax benefit (12%) purposes. For exploring the mean differences among respondents having different perception regarding customer value, Univariate analysis of variance has been performed. On overall basis ANOVA portrays insignificant mean differences regarding the customer value among the respondents belonging to different occupations, (F=.418, Sig. =.795, Table 4). Further, dimension wise analysis also reveals insignificant mean differences in all dimensions of customer value viz. customer service and product value (.219), image value (.788),customer loyalty (.936), price (.357), ethical and physical excellence (.135), after sale service delivery (.856). Overall, customers who had taken insurance policy with investment purpose accorded the highest mean score (4.66) to

customer value followed by the customers taken policy with the purpose of security (4.65). Further on individual basis the customer who had taken policy with investment purpose accorded the highest mean score to customer service (4.98) followed by the customer taking policy with savings (4.91) purpose. However, the respondents with all purposes of this category accorded least mean score to tax benefit (3.91). So, the customers of selected life insurance companies has taken insurance policy weather it is readymade or tailor made as per their long term or short term requirements (Table 5). Thus, the second hypothesis is accepted.

### Insurance Plan wise Analysis

The perception of various life insurance customers having investment in various life insurance plans in selected companies viz. traditional plans (42%), ULIP (23%), pension plans (19%) and child plans (13%). To find out the mean difference in the perception of various respondents having insurance plans with selected life insurance companies ANOVA has been applied. ANOVA results indicates insignificant mean difference in most of the factors underlying customer value viz. customer service and product value (.224), image value (.153), ethical and physical excellence (.969) and after sale service delivery(.406) except two item with significant mean difference to customer loyalty (.028) and price (.015). On overall basis ANOVA portrays insignificant mean differences regarding the customer value among the respondents insured under different life insurance plans (F=1.692, Sig. = 0.168, Table 6).Further, dimension wise analysis also discloses insignificant mean differences in most of the dimensions of customer value viz. customer

**Table 3: Gender Wise Analysis (t-Test)**

Dimensions	Male		Female		Mean Difference	t-Value	Sig.
	Mean	Std. Dev.	Mean	Std. Dev.			
Customer Service and Product Value	4.69	1.11	4.82	0.97	-.133	-1.32	.188
Image Value	4.79	1.20	4.79	1.14	-.002	0.15	.988
Customer Loyalty	4.91	1.43	4.82	1.48	.093	0.65	.519
Price	4.01	1.47	4.37	1.27	-.360	-2.73	.007
Ethical and Physical Excellence	4.64	1.28	4.90	1.17	-.266	-2.13	.034
After Sale Service Delivery	4.39	1.26	4.57	1.18	-.181	-1.47	.143
Overall Customer Value	4.57	0.98	4.72	0.87	-.150	-1.59	.113

**Table 4: Purpose of insurance ANOVA**

Variables		Sum of Squares	df	Mean Square	F	Sig.
CSPV	Between Groups	6.721	4	1.680	1.443	.219
	Within Groups	593.807	510	1.164		
	Total	600.528	514			
IV	Between Groups	2.419	4	.605	.428	.788
	Within Groups	719.973	510	1.412		
	Total	722.391	514			
CL	Between Groups	1.706	4	.426	.203	.936
	Within Groups	1068.846	510	2.096		
	Total	1070.551	514			
PR	Between Groups	8.982	4	2.245	1.098	.357
	Within Groups	1043.265	510	2.046		
	Total	1052.247	514			
EPE	Between Groups	11.071	4	2.768	1.764	.135
	Within Groups	800.299	510	1.569		
	Total	811.371	514			
ASSD	Between Groups	2.053	4	.513	.333	.856
	Within Groups	785.910	510	1.541		
	Total	787.963	514			
OVERALL	Between Groups	1.534	4	.383	.418	.795
	Within Groups	467.324	510	.916		
	Total	468.857	514			

\* CSPV = Customer Service and Product Value, IV = Image Value, CL = Customer Loyalty, PR = Price, EAPE = Ethical and Physical Excellence, ASSD = After Sale Service Deliver, CV = Customer Value..

**Table 5: Purpose of Insurance factorial mean of Marketers**

Purpose Of Insurance	CSPV	IV	CL	PR	EAPE	ASSD	Overall
Security (N=127)	Mean= 4.79	4.84	4.89	4.26	4.77	4.46	4.65
	S.D.= 1.15	1.23	1.67	1.39	1.39	1.26	1.04
Savings (N=170)	Mean= 4.80	4.79	4.91	4.10	4.66	4.52	4.61
	S.D.=1.05	1.16	1.38	1.47	1.22	1.24	0.96
Tax Benefit (N=65)	Mean= 4.47	4.66	4.75	3.82	4.72	4.36	4.48
	S.D.= 0.94	1.20	1.38	1.33	1.09	1.10	0.75
Investment (N=77)	Mean= 4.62	4.88	4.94	4.18	4.98	4.41	4.66
	S.D.=1.25	1.15	1.46	1.49	1.07	1.32	0.95
All (N=76)	Mean=4.76	4.71	4.92	4.04	4.46	4.36	4.58
	S.D.=0.94	1.20	1.23	1.41	1.37	1.24	0.98

\* CSPV = Customer Service and Product Value, IV = Image Value, CL = Customer Loyalty, PR = Price, EAPE = Ethical and Physical Excellence, ASSD = After Sale Service Deliver, CV = Customer Value..

service and product value (Sig = .224), image value (.153), ethical and physical excellence (.969) and after sale service delivery (.406, Table 6). While two factors of CV has significant mean differences viz. customer loyalty (.028) and price (.015). The respondents investing in traditional plans of selected life insurance companies accorded the highest mean

score to customer value (4.68) followed by pension plans (4.64). The least mean score was accorded by respondents' investment in ULIP (4.46, Table 7). The reason may be that the respondents of selected insurance companies having interest towards saving and security rather than investment. Thus, the third hypothesis is accepted.

## CONCLUSION AND FUTURE RESEARCH

The present study examined the effect of gender, purpose of insurance, and insurance plan on managing superior customer value in life insurance sector of J&K. The findings reveal no significant differences on the basis of all the aforesaid demographic variables in managing superior customer value. The female respondents accorded higher mean scores to

majority of the factors, viz., customer service and product value, price, ethical and physical excellence, and after sale service delivery, whereas male respondents accorded high mean score to customer loyalty and finally both male and female respondents have same opinion regarding image value in life insurance companies in the state. Further the study also depicts that those customers who have taken insurance policy with investment purpose perceived higher customer value followed by taken with security and saving purposes. Finally, insurance plan wise those who have invested in traditional

**Table 6: Insurance Plan wise ANOVA**

Variables		Sum of Squares	df	Mean Square	F	Sig.
CSPV	Between Groups	5.109	3	1.703	1.462	.224
	Within Groups	595.419	511	1.165		
	Total	600.528	514			
IV	Between Groups	7.401	3	2.467	1.763	.153
	Within Groups	714.990	511	1.399		
	Total	722.391	514			
CL	Between Groups	18.846	3	6.282	3.052	.028
	Within Groups	1051.705	511	2.058		
	Total	1070.551	514			
PR	Between Groups	21.376	3	7.125	3.532	.015
	Within Groups	1030.871	511	2.017		
	Total	1052.247	514			
EPE	Between Groups	.399	3	.133	.084	.969
	Within Groups	810.972	511	1.587		
	Total	811.371	514			
ASSD	Between Groups	4.468	3	1.489	.971	.406
	Within Groups	783.495	511	1.533		
	Total	787.963	514			
OVERALL	Between Groups	4.612	3	1.537	1.692	.168
	Within Groups	464.245	511	.909		
	Total	468.857	514			

**Table7: Insurance Plan wise factorial mean of customer**

Insurance Plan	CSPV	IV	CL	PR	EAPE	ASSD	Overall
Traditional Plan (N=218)	Mean= 4.74	4.89	5.09	4.26	4.69	4.45	4.68
	S.D.= 1.09	1.09	1.44	1.30	1.27	1.22	0.96
ULIP (N=136)	Mean= 4.57	4.60	4.69	3.78	4.75	4.31	4.46
	S.D.=1.18	1.31	1.38	1.57	1.30	1.28	0.97
Pension Plan (N=96)	Mean= 4.81	4.86	4.68	4.17	4.74	4.51	4.64
	S.D.= 1.02	1.18	1.52	1.37	1.27	1.31	0.96
Child Plan (N=65)	Mean=4.85	4.73	4.91	4.24	4.69	4.60	4.63
	S.D.=0.88	1.19	1.41	1.53	1.12	1.11	0.88

\* CSPV = Customer Service and Product Value, IV = Image Value, CL = Customer Loyalty, PR = Price, EAPE = Ethical and Physical Excellence, ASSD = After Sale Service Deliver, CV = Customer Value.

plans of selected life insurance companies perceived superior customer value followed by pension plans. The study shall be significant for the academicians, researchers, policy makers, government and private insurance companies for future insights and further research. However, the study is confined to insurance sector and further, extended to other products and services sectors and may cover geographical areas and different culture from other parts of the country as well.

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