CHAPTER - III

RESEARCH METHODOLOGY

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Chapter Overview

This chapter deals with the methodology based on which this study is conducted. First, it outlines the research questions to be answered based on which the objectives and the resultant hypotheses are formulated. Then, it discusses the research design which includes data collection and the data collection zone, i.e. study area. Further, it outlines the measures based on which the questionnaires are designed. Finally, it summarises the sample design and selection.

3.1. RESEARCH QUESTIONS

1. Which demographic characteristics influence the customers most in buying a life insurance policy?
2. Do demographic variables affect the perception of the customers and the executives regarding the SMM elements?
3. Which elements of the SMM influence the customers most in buying a life insurance product (from both the customers’ and the executives’ points of view)?
4. Is there any difference between the perceptions of the customers and the executives regarding the elements of SMM?
5. Does the organisation/company have an impact on the perceptions of the customers and the executives regarding the various SMM elements?
6. Is there any difference between the perceptions of the urban customers/executives and the rural customers/executives regarding the elements of SMM?

3.2. MAJOR OBJECTIVES OF THE STUDY

A. To determine the impact of various demographic characteristics of the customers on their decision to buy a life insurance policy.
B. To analyse the impact of various demographic variables on the perception of the customers and the executives regarding the SMM elements.
C. To examine the perceptions of the customers (buyer) towards the various elements of the SMM.
D. To assess the perceptions of the executives (seller) involved in the marketing of the life insurance products towards the various elements of the SMM.
E. To investigate the differences in the perception of the executives and the customers regarding the various SMM elements.

F. To assess the impact of organisation/company on the perceptions of the customers and the executives regarding the various SMM elements.

G. To compare the perceptions of the urban customers/executives and the rural customers/executives regarding the elements of SMM.

3.3. MAJOR HYPOTHESES

\( H_{01} \): There is no significant difference in the perceptions of the customers and the executives with respect to the elements of SMM.

\( H_{02} \): There is no significant difference in the perceptions of the customers of the LIC and the customers of the private companies regarding the elements of SMM.

\( H_{03} \): There is no significant difference in the perceptions of the executives of the LIC and the executives of the private companies about the SMM elements.

\( H_{04} \): There is no significant difference in the perceptions of the customers of the LIC and the executives of the LIC regarding the elements of SMM.

\( H_{05} \): There is no significant difference in the perceptions of the customers of the private companies and the executives of the private companies with respect to the elements of SMM.

After the public presentation of the synopsis, there was a suggestion made for comparison between urban and rural respondents creating another four hypotheses.

\( H_{06} \): There is no significant difference in the perceptions of the urban customers and the rural customers regarding the elements of SMM.

\( H_{07} \): There is no significant difference in the perceptions of the urban executives and the rural executives about the SMM elements.

\( H_{08} \): There is no significant difference in the perceptions of the urban customers and the urban executives regarding the elements of SMM.

\( H_{09} \): There is no significant difference in the perceptions of the rural customers and the rural executives about the SMM elements.

These hypothetical relationships are explained in the figure-3.1.
Figure 3.1

HYPOTHESES IN A NUTSHELL

(Developed by the researcher)
3.4. RESEARCH DESIGN

For this study, the descriptive approach was adopted rather than experimental research method because the theme of this study was on analysing the perception of the customers and the executives regarding the given SMM variables with respect to their own demographic characteristics which can be better assessed through descriptive research methods. For this study, both the buyers (life insurance policy holders) and the sellers (front line executives/agents) of life insurance products were included. Organisation wise, LIC (2 branches) and 4 private life insurers were included in this study. It also investigates the socio-economic status and the life insurance policy buying behaviour of the targeted population in the study area.

3.4.1. A Brief Profile of the Study Area (Data Collection Zone)

This study was conducted in south Odisha which is pre-dominantly rural in nature. The data collection zone was limited to two districts of this region, namely, Ganjam and Gajapati. It consists of two towns with more than one hundred thousand populations and rest of the area is semi-urban and rural. Both these districts share boundary with Andhra Pradesh in south.

These two districts have a population of 3.42 million. This area comes under most backward category on the socio-economic scale of the state and the country. Majority of the population live below poverty line. All major life insurers have a presence in this area, especially in urban areas. LIC has a vast network all over these two districts whereas private insurers are new to this region. Life insurance penetration is very low and awareness about life insurance products is also not so good. In this region, it is almost an agent-driven business. Level of education and level of income of the general population is on the lower side. But, this area holds a great potential for the life insurers as on the development scale, it can go upwards only raising the education and income levels. Further, more and more private companies are coming to the area and competition is heating up with more options before the prospective customers. The area highlighted (yellow) in the figure- 3.2 is the study area.
3.4.2. Data Collection

The data collection method was basically primary on the basis of a sampling design consisting both convenient and quota sampling strategies. The data collection domain was limited to two districts of south Odisha and the period was between July-November 2010. The required information was obtained through a structured
Life Insurance Agents During an Awareness Campaign in a Remote Village

The Researcher with a Self-Employed Youth (tea stall owner)/ a Proud Life Insurance Policy Holder

The Researcher Conducting a Workshop for Life Insurance Agents along with a Development Officer (L.I.C.)
questionnaire (with personal presence) containing all the above mentioned SMM variables and their scaled items derived from the review of literature. Two different set of questionnaires were prepared based on the different kinds of perceptions of the customers and the executives regarding the SMM elements. For this purpose, a five-point rating (from 1 to 5) has been adopted with 1 being “Strongly disagree” and 5 being “Strongly Agree”.

3.4.3. Measures

In their path-breaking study, Booms and Bitner¹ (1981) have changed the concept of services marketing. Not only they added three more elements in to marketing mix which is called the services marketing mix (7P’s), the nature of old elements also changed to suit the service product. They added lot of elements in to the mix to make it more humane to suit customers of the service product. These visionaries were joined by Cowell² (1984), Brunner³ (1989), Ruston and Carson⁴ (1989), Fryar⁵ (1991) and Grove et al⁶ (2000). Based on these great works and other reviewed literatures, the various scales and corresponding items were developed to suit Indian life insurance sector. The 8P’s concept has been taken from “principles of service marketing and management” by Lovelock & Wright⁷ (2002). Wherever previously successfully used scales were available (with proven validity and reliability), they were used. Otherwise, based on the literatures available, new scales were innovated with respect to Indian context. These new scales were tested for validity and reliability before using them in this study.

A detailed description of the various scales with their corresponding items are presented below for both the customers and the executives:

Product/Policy Elements

All components of the service performance that create value for customers should be included. When a person or an organisation buys an Insurance policy from the insurance company, he not only buys a policy, but along with it the assistance and advice of the agent and the facilities of claims and compensation. Policy quality, Brand name, Features and options, Usefulness Flexibility, Tax components,
Comparison with Other investment options, Service line and Support, Terms and conditions well explained are the various items of this scale.

Scale: Product/Policy (customers)  [Strongly Disagree -1, Strongly Agree -5]  
Items:

- Company/product’s brand name affects me while buying a policy
- The features and options of a policy influences my choice
- The policy is useful to me as per my needs
- The policy is flexible as per my requirements
- It is a better investment option than other opportunities
- The terms and conditions of the policy is brief, well explained and simple to understand
- It helps me solving my tax problems
- A good service line and support is available for the policy

Scale: Product/Policy (executives)  [Strongly Disagree -1, Strongly Agree -5]  
Items:

- Company/product’s brand name helps me while selling a policy
- The features and options of a policy influences the customer
- The policy’s usefulness to the customer is important
- The policy’s flexibility as per the customer’s needs is important
- It should be a better investment option than other opportunities
- The terms and conditions of the policy should be brief, well explained and simple to understand
- It should help in solving the customer’s taxation issues
- A good service line and support is a must in this industry
Policy pricing

Price level, Terms of payments, Customer’s own anticipated value, Policy quality and price comparison, Differentiation, Flexibility, Clearly laid price structure, Incentives and discounts are the various items of this scale.

Scale: Policy Pricing (customers) [Strongly Disagree -1, Strongly Agree -5]

Items:

- The price level of the policy is affordable for me
- The terms of payment is flexible and convenient for me
- The price of the policy is as per my anticipation regarding its worth
- The pricing is unique and better compared to other alternate policies
- The price structure is simple and clearly laid
- This price level provides good amount of discounts /and incentives

Scale: Policy Pricing (executives) [Strongly Disagree -1, Strongly Agree -5]

Items:

- The price level of the policy is affordable to the customer
- The terms of payment is flexible and convenient for the customer
- The price of the policy does not exceed the anticipation of the customer regarding its worth
- The pricing is unique and better compared to other alternate policies
- The price structure is simple and clearly laid
- This price level provides good amount of discounts /and incentives to the customer

Policy Distribution (Place)

This P deals with the distribution channels available in the Indian life insurance sector. This component of the marketing mix is related to two important facets –
Managing the insurance personnel and locating a branch. Channels involved, Channel coverage, Intermediaries, Direct or indirect sales, Accessibility, Locating a branch, Managing the insurance personnel, Technological advancements are the different items of this scale.

Scale: Policy Distribution (Place) (customers) [Strongly Disagree -1, Strongly Agree -5]

**Items:**

- The nearest branch of the company/agent is **easily accessible and is conveniently located**
- The branch and the personnel involved are **technically advanced**
- The use of **intermediaries (brokers) is good** for the company
- I prefer to buy the policy **online** (through the internet)
- The **branch coverage** of the local population is good
- Various **innovative channels** (bancassurance, telcassurance, shopassurance, postassurance) of distribution are good for the customer

Scale: Policy Distribution (Place) (executives) [Strongly Disagree -1, Strongly Agree -5]

**Items:**

- The local branch of the company/agent is **easily accessible and is conveniently located**
- The branch and the personnel involved are **technically advanced**
- The use of **intermediaries (brokers) is good** for the company
- **Online selling** is a good option for the company
- The **branch coverage** of the local population is good
- **Management of marketing personnel** is good in the company
- Various **innovative channels** (bancassurance, telcassurance, shopassurance,
postassurance) of distribution are beneficial to the company

Promotional Activities
This P deals with the various promotional measures taken up by the life insurance companies to educate the consumers. The insurance services depend on effective promotional measures. Advertising and publicity, Personalized selling, Incentives to policyholders, Community life insurance marketing, Unity and honesty, Creative strategy, Targeting an ideal mix of customers, Rational and tangible reason to buy the policy are some of the items developed for this scale.

Scale: Promotional Activities (customers) [Strongly Disagree -1, Strongly Agree -5]

Items:
- Advertising and publicizing affects my choice of a policy
- Personal selling is an effective promotional strategy
- The incentives offered by the company affects my buying behaviour
- Unity and honesty of the company is the best promotional measure
- A rational and tangible reason to buy a policy is provided
- The selling system is personalized and one-to-one basis

Promotional Activities (executives) [Strongly Disagree -1, Strongly Agree -5]

Items:
- Advertising and publicizing affects the customer’s choice of a policy
- Personal selling is an effective promotional strategy
- The incentives offered by the company affects the customer’s buying behaviour
- Unity and honesty of the company is the best promotional measure
- There must be a rational and tangible reason to buy a policy (should be
provided by the company)

- **Creative strategy** is adopted by the executives
- **Community/ group life insurance marketing** should be promoted
- **An ideal mix of high worthy customers** with more disposable income should be targeted

**People Involved**
Understanding the customer better allows designing appropriate products. Being a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas to look into. Here both the customers and the employees are considered as people. *Employees, Customers, Training, Incentives, Promoting interaction programmes, Educating the customer, Understanding the consumer, Promoting customer's involvement, More humane approach* are the various items under this scale.

**Scale: people involved (customers)**  [Strongly Disagree -1, Strongly Agree -5]

**Items:**

- The company **educates the customers** about the policy
- The company **understands the customers and their needs**
- **Customer’s involvement and suggestion** is promoted by the company
- **Interaction programme** between the executives and the customers is promoted by the company

**Scale: people involved (executives)**  [Strongly Disagree -1, Strongly Agree -5]

**Items:**
• The company **educates the customers** about the policy

• The company **understands the customers** and their **needs**

• Customer’s involvement and suggestion is promoted by the company

• Interaction programme between the executives and the customers is promoted by the company

• **Proper incentives** is provided to the performing executives

• There is a **good training infrastructure** in the company for the executives

**Process Details**

A process describes the method and sequence in which service operating systems work. The process should be customer friendly in insurance industry. The speed and accuracy of payment is of great importance. The processing method should be easy and convenient to the customers. *Customer involvement, Customer advice, Employee’s discretion, Customer friendly, Smooth flow of policy delivery mechanism, Efficient back office support, IT and Data warehousing, Transparent and speedy process* are some of the items of this scale.

**Scale: process details (customers)**

[Strongly Disagree -1, Strongly Agree -5]

**Items:**

• The **policy delivery process** is smooth and steady without any hurdles

• The **back office support** is efficient and punctual

• The entire process is **transparent and customer friendly**

• Customer’s advice and involvement is highly recognised

• **IT and data warehousing** is implemented in the company

**Scale: process details (executives)**

[Strongly Disagree -1, Strongly Agree -5]

**Items:**

• The **policy delivery process** is smooth and steady without any hurdles
• The **back office support** is efficient and punctual
• The entire process is **transparent and customer friendly**
• **Customer’s advice and involvement** is highly recognised
• **IT and data warehousing** is implemented in the company
• The frontline **executive is taken in to confidence**

**Physical Evidence**

The appearance of buildings, landscaping, vehicles, interior furnishing, equipment, staff members, signs, printed materials, and other visible cues all provide tangible evidence of a firm's service style and quality. Service firms need to manage physical evidence carefully because it can have a profound impact on customers’ impressions. *Tangible clues about company’s service quality and style, Company infrastructure, Careful maintenance of Company’s physical environment, Employees dress code, signage, Logo etc. Guarantees on policies, Immovable assets for emergency financial downturns* are the various items described under this scale.

**Scale: physical evidence (customers)**  [Strongly Disagree -1, Strongly Agree -5]

**Items:**

• Company’s ***physical infrastructure*** influences my choice of a policy
• **Signage** of a company, i.e. logo, symbol, punch line etc influences my choice
• **Tangible items** (pen, letter pad etc. provided by the insurer) reduces the intangible nature of the policy
• **Policy certificate and premium payment** receipts at regular intervals given by the insurer enhances the trust in the policy and company

**Scale: physical evidence (executives)**  [Strongly Disagree -1, Strongly Agree -5]

**Items:**

• Company’s ***physical infrastructure*** helps in selling the policy
• **Signage** of a company, i.e. logo, symbol, punch line etc is helpful

• **Tangible items** (pen, letter pad etc. provided by the insurer) reduces the intangible nature of the policy

• **Policy certificate and premium payment receipts** at regular intervals given by the insurer enhances the trust in the policy and company

**Productivity and Quality**

Improved productivity is essential to keep costs under control but managers must beware of making inappropriate cuts in service levels that are resented by both customers and employees. Service quality is essential for product differentiation and for building customer loyalty. The product should be worthy of its buying price. *Service quality, Value addition to customer, Policy differentiation, Essential for customer loyalty, Policy must be worthy of its buying value, Transparent comparison among similar policies, Satisfying the customer’s needs, Minimizing cost of operations* are the different items taken for this scale.

**Scale: productivity & quality (customers) [Strongly Disagree -1, Strongly Agree -5]**

**Items:**

- The **service quality** of the company is good
- The policy or company **adds value** to my current status
- My **loyalty depends** on the quality of the service
- My **specific needs** are satisfied by this specific policy
- There is a **transparent comparison** with other alternate policies
- This policy is **different** from others

**Scale: productivity & quality (executives) [Strongly Disagree -1, Strongly Agree -5]**

**Items:**

- The **service quality** of the company is good
• The policy or company **adds value** to the customer

• This ongoing marketing system helps in **minimizing operational costs**

• The customer’s **specific needs are satisfied** by this specific policy

• There is a **transparent comparison** with other alternate policies

• This policy is **different from others** in various ways

### 3.4.4. Pilot Study

The researcher has used pilot study to verify the reliability of the scaled items under various factors. A few customers and executives were put through the process. Some questions were dropped and some questions were modified to get a direct response. Except one variable, ‘productivity’, all variables were found to be having a reliable scale of items. The variable was kept for the final study to test against a bigger sample though some questions were modified.

### 3.4.5. Sample Design and Selection

The study area in question has three major branches of LIC and 11 major branches of the private life insurers. The population is defined as follows: “customer” means people who have bought a policy in the last quarter (3 months) and “executive” means people who have sold a policy in the last quarter (3 months). It was found that more than 30000 people have bought life insurance policies in the last quarter whereas more than 900 executives have sold at least one policy.

An item-respondent ratio of 1:6 was recommended by Hinkin (1995) and Heir et al. (2006) suggest a higher ratio of 1:5. Though, the ratio of 1:10 is a standard accepted worldwide, an item:respondent ratio of more than 1:10 was adopted for this study. Due to time constraint, the sample size for the customers was limited to 405. The details of sampling is given as follow:
### Table-3.1
Sample Design and Selection

| Total number of branches = 14 | Sample branches = 6, 
|                             | LIC (2) and private (4) |
| Total customers = 30000+     | Sample customers = 405 retained out of 440 
|                             | LIC (201) and private (204) 
|                             | Urban (163) and rural (242) |
| Total executives = 900+ (active) | Sample executives = 207 retained out of 230 
|                             | LIC (101) and private (106) 
|                             | Urban (92) and rural (115) |

Developed by the researcher

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