CHAPTER 3

Objectives and Research Methodology
3.1 IMPORTANCE OF THE STUDY

With the Liberalization in 1990, the Indian Economy was thrown open for competition. Earlier being "Closed Economy", the Indian Economy was dominated by Public Sector Insurance Companies. Few Foreign Companies were there but they were not playing much role in industrialization as there were concentrated in Urban/Metropolitan areas only. The Government of India constituted many committees for the improvement of customer Services which was given by insurance companies. Committees like Malhotra committee, Mukherjee Committee & Insurance Regulatory Act (1999) gave number of recommendations for improving the Services thus moving in the direction of Customer Relationship Management in public sector companies. Post Liberalization era has boosted the competition among the various Insurance companies forcing the public sector companies to adopt the recommendation of the various committees for their survival. After 1990, Public sector and Private Sector Insurance companies started playing active role in Marketing of Insurance Services to Retail as well as to corporate clients. These Insurance companies started setting standards for Public Sector companies in Marketing of Insurance Services and building good relationships with the customers.

The new private sector companies are more enthusiastic to provide a whole range of services, such as; telemarketing, use of equipment and Technology, convenient working hours, branch of company at convenient location, providing services to the customer Instantly, settlements of claims without any delay, communicating customer about new schemes and about new product etc. For providing better and qualitative services to the customers, the new private sector companies have concentrated on modern techniques of attracting customers and retaining the existing one. Almost all the Insurance companies are using the CRM as a strategic tool to make their name in the Indian market. The employees of the Insurance companies are highly motivated so as to provide quality services along with building customer relationship. Thus the General insurance companies have much better operational infrastructure than Public sector companies. The Private companies are developing their basic infrastructure in such a way as to provide better and effective specialized and need-based services to the customers. The forces which are significantly affecting the financial services are: De-regulation, Technology and Globalization. Due to liberalization and de-regulation, the Insurance companies are free to choose
(a) their segments (b) Products/Services (c) Customers. Similarly the customers are also free to choose products/services from alternative sources. In order to survive the Insurance companies will have to be innovative in terms of products/services thus giving more emphasis on relationship management rather than on other activities. General insurance companies are moving towards new and innovative techniques to attract more and more customers and are moving into new directions along with their traditional methods. General insurance companies are operating today in highly competitive and rapidly changing environments. Too many institutions are in a fray eying on the common man who has the capacity to save. This bring to the force the need for the deliberate and well thought out marketing strategies on the part of the insurance companies in order to retain their supremacy and well established reputation of being the best conduit of saving with the public.

Although many studies have been done in the field of Marketing of financial Services, Customer Satisfaction, Technology for better Services quality management in insurance sector, publicity, etc (see Review of Literature), but not much is found in the most important field i.e. Customer Relationship Management. The field of Customer Relationship Management in with special reference to customers in Haryana, Punjab and Chandigarh remains unexplored, hence we take this study.

3.2 NEED OF THE STUDY

Despite the growing knowledge of marketing, many new products/services still fails. For above brand loyalty may be a reason or a reason in a way of new products to capture market share. Obviously there is a need for still better information about consumer characteristics.

The focus of this study is to empirically investigate the impact of CRM in Indian insurance sector. The impact of different demographical variable is also taken into consideration while examining the impact of CRM in Indian insurance sector. This study certainly strengthens the existing body of knowledge by providing some empirically tested insight in the Indian context.
Marketing has made a paradigm shift from transactional approach to relational approach. We are living in a globalized world. Where competition has become an unavoidable element of business and customers have become scarce. This has led to a situation where all the firms in the same industry are trying to attract the same customers in various ways, even while offering similar products and services. They are using relationship marketing approach to ensure that the customers remain loyal and come back to them for the same products and services. This study aims to understand the impact of CRM in insurance sector. It also discusses the impact of various demographic variables like gender, income and education, in association with marketing variables, on customer relationship management in relation to Indian insurance sector.

3.3 SCOPE OF THE STUDY

The study covers the period from 2001-02 to 2011-12. It is only after passing the IRDA Act in 1999 the results started showing some progress in terms of entry of private sector in general insurance business. The scope of the present study is very wide. The study has been conducted keeping in mind the changing present scenario, entry of private general insurance players in the non-life insurance sector, marketing strategies of different public and private general insurance companies in India and one of the most important objective for conducting this study is to analyze the extent of implementation of CRM practices by private and public insurance companies. The area of Customer Relationship Management in Indian Insurance Sector has never been given priority, as this area has always been considered to be non-important. But with the Liberalization of Indian Economy, the competition has crept in and Private Sector companies are giving tough competition to Public Sector insurance companies in India. Companies have started thinking that the survival of their business remains in maintaining customers and giving them the best of services, but, still there is no clarity, what type of Services will lead to a satisfied customer that leads to customer retention thus contributing to long term relationship and profits to the organization. As the area virtually remains unexplored, hence this project is undertaken.
3.4 OBJECTIVES OF THE STUDY

The present study has been undertaken with the main objective to know about the adoption of Customer Relationship Management by Public and Private General insurance companies. More specifically, the following are the objectives of the study:

Customer view point:-

1. To assess the awareness of consumers in respect of various insurance services and service providers and their CRM tradeoffs.
2. To examine the satisfaction level of customers as to various insurance services provided by insurance companies.
3. To analyze the impact of relationship marketing strategies of Private Sector insurance companies & Public Sector insurance companies.

Employees view point:-

4. To examine the promotional tools undertaken to attract the customers.
5. To identify and analyze the CRM as a strategic tool undertaken by insurance companies

3.5 RESEARCH METHODOLOGY:

The detail account of Research Design, Nature of Data used, Sampling Design and framework of Analysis is as given below:

Research design of the study:

Research design is a pattern or an outline of a research project’s working. It is a statement of the essential elements of a study, those that provide the basic guidelines for the details of the project. The present study being conducted followed a descriptive in nature, where an effort was made to explore the characteristics of the customer loyalty with the help of relationship marketing strategies.

Nature of the data used:

The study uses both Primary and Secondary data.
Part-I. Primary Data:

The Primary Data was collected from the respondents. The collection of the data is done through questionnaire method. Separate questionnaires were prepared for different respondents. One questionnaire with different parameters was prepared for Customers; other questionnaire with different set of parameters was prepared for Employees of the Insurance companies (Appendix I and II). The questionnaires were Non-Disguised and well structured. Close-Ended questions with multiple-choice answers were used. Few “Yes”; “No” type questions was also used.

A covering Letter is accompanying each questionnaire giving the respondent an idea of research being conducted and requesting the respondents to give “full cooperation” in filling the questionnaire duly signed by the researcher. Before the questionnaire is ready, it was pre-tested in actual field, corrected and modified and pre tested at least Two times before the actual survey was initiated.

For Attitude measurement in the questionnaire, scaling method was used. The scaling method helps in the measurement of Emotional feelings, beliefs and behavioural responses. The techniques which were used are (a) 5 Point Verbal Unbalanced Scale (Strongly disagree, Moderately disagree, Neither disagree, Moderately agree, Strongly agree), (Extremely poor, Poor, Average, Good, Very Good), (Extremely Dissatisfied, Dissatisfied, Neutral, Satisfied, Extremely satisfied), (Great extent, Good extent, Some extent, Little extent, Not at all), (Always, Often, sometimes, Rarely, Never). The questionnaire was framed and developed through Non-Participant Direct observation as well as Participant Observation method. Also a Few Personal interviews and focused interviews were conducted so that authentic questionnaire can be developed.

The Primary Data was collected through Personal Interview method from the respondents.

Part-II. Secondary Data:

The Secondary Data used for the study comprised of the various issues of Business Magazines, Annual Reports of the Insurance companies, News Papers, Non Published documents etc. The major source was from the IRDA reports and Insurance companies’ web sources.
The sample design of the study:

A sample of 400 customers and 100 employees of general insurance companies were taken from Punjab, Haryana and U.T. of Chandigarh. The Non-Probability sampling method was followed in order to know their perception towards various general insurance companies. For the secondary research, the reports of the selected general insurance companies from both the public and the private sector were the source of data collection.

The cities are chosen as they are on NH-1 and are Industrially Rich cities (Large and Medium Industries in the cities. The Companies selected for the purpose are the ones having Maximum Number of branches in respective cities and more over the important reason behind this selection is on the basis of insurance business generated at these locations.

In my study I have taken four companies of public sector and four companies of private sector general insurance companies.

List of companies considered in Research Study

(a) Public Sector Insurance Companies:

1. UNITED INDIA INSURANCE CO.LTD.
2. NEW INDIA INSURANCE CO.LTD
3. ORIENTAL INSURANCE CO.LTD
4. NATIONAL INSURANCE CO.LTD

(b) Private Sector Insurance Companies:

1. ICICI LOMBARD
2. RELIANCE GENERAL INSURANCE
3. HDFC GENERAL INSURANCE
4. IFFCO TOKYO
PILOT STUDY

After the selection of data collection method, the particular methodology and scale to be used in the survey have been formulated. In the initial phase of the study, several tests/experimental surveys have been carried out so as to list down various significant factors playing central role in the study in hand. The questionnaires were tested in pilot study.

USE OF THE SCALE FOR DATA COLLECTION

In preparation of the scale, Likert scale rating technique was used. Therefore, in the present study, Likert’s Method was employed. Each statement carried five alternative responses, Strongly Disagree, Disagree, sometimes, Agree and Strongly Agree.

FRAMEWORK OF ANALYSIS OF DATA:

The analysis of the data is done after tabulating the collected data. The tabulation of the collected data is very carefully done so as to eliminate the chances of error. The editing is very carefully organized and handled. The instructions for handling the difficult questions like open-ended questions were discussed in detail. After receiving all the questionnaires from the field a preliminary check is made before they were subjected to the details of the editing. The questionnaires were checked on the basic parameters of Legibility, Completeness, Inconsistency and Understandability.

The data were analyzed by applying appropriate statistical techniques. The statistical tools include Chi-square which is non-parametric test and other statistical tools like Mean, Standard Deviation, Frequency, Cross tabulation, Graphs was done using SPSS Software to meet the objectives. Results and conclusions were drawn on the basis of analysis of data.

In addition to this, the following statistical tools have also been used to sharpen the inferences drawn on the basis of simple description of facts and to analyze the data:

1. Mean Of Individual Series

It is used to get the average of items disclosed by the Insurance companies. The mean values have been calculated by the following formula:
\[ x = \frac{\sum X}{N} \]

Where \( \sum X \) = Sum of all the values of the variable \( x \) and \( N \) = Number of observations.

2. MEAN OF CONTINUOUS SERIES

It is used to study the average number of items disclosed by the banks and improvement in average number of items disclosed over the period of study. The mean values have been calculated by using the following formula:

\[ x = A + \frac{\sum fdx}{N} \]

Where \( A \) = Assumed Mean, 
\( dx \) = Deviation of midpoints from assumed mean, 
\( f \) = Frequency and 
\( N \) = Sum of the frequency

3. STANDARD DEVIATION

It is used to study the variation in the items disclosed by the Insurance companies. The following formula is used to get the value of standard deviation:

\[ \text{S.D.} = \sqrt{\frac{\sum d^2}{N} - \left( \frac{\sum fd}{N} \right)^2} \]

Where \( d \) = Deviations taken from assumed mean, 
\( f \) = frequency and 
\( N \) = Sum of the frequency

4. CHI- SQUARE TEST

An important question to answer in any genetic experiment is how we can decide if our data fits any of the Mendelian ratios we have discussed. A statistical test that can test out ratios is the Chi-Square or Goodness of Fit test.
Chi-Square Formula

\[ X^2 = \sum \frac{(observed\ Value - Expected\ Value)^2}{(Expected\ Value)} \]

3.6 LIMITATIONS OF THE STUDY:

The following are the limitations of the study:

1. Though the customers are wide spread all over the country, only customers from Punjab, Chandigarh (U.T.) and Haryana were Chosen for the study but due to Paucity of Time, all the customers could not be studied.
2. The customers are not aware, how to respond to different questions. One investigator has to be there to make the customers understand the questions.
3. The customers conceal lot of thing and the wrong answer is given for the questions.
4. Incomplete questionnaire are returned to the investigators. This makes tabulation difficult.
5. It is very difficult to get the right answer from the customers etc.
6. Very few studies have been initiated in India; hence very less secondary/Published literature is available.
7. The availability of Secondary/Published literature is available in far-flung areas like Ahmadabad, Pune, Bombay, and New Delhi Etc. The collection of the literature/Data is difficult and problematic.
8. Any study which is based on the primary data collected through the predesigned questionnaire suffers from the basic limitation of possibility of difference between what is recorded and what is truth, no matter how carefully the interview has been conducted. The same may be with the present study because the people may not deliberately report their true opinion due to some biasness.