CHAPTER- 02

RESEARCH METHODOLOGY
INTRODUCTION:

The cutthroat competition and coming up of new insurance companies every year is making the market progressively tougher for LIC and private firms both. The designing of marketing strategies for the customer who now has a lot many options have changed the modus operandi of life insurance market in India. This required the companies to alter their previous marketing strategies and come up with new innovative marketing mix to grab the market share. The research report presented is an effort by me which could help the life insurance companies in reviving their marketing strategies with a new perspective and achieving their marketing goals. Further discussions will elaborate the methodology used in this research work.

2.1 DEFINING WHAT THE RESEARCH IS?

Research in common parlance refers to a search for knowledge. One can also define research as scientific and systematic search for pertinent information on a specific topic. In fact research is an art of scientific investigation. According to the advanced learners dictionary of current English research is a “careful investigation or inquiry especially through search for new facts in any branch of knowledge.”

According to Clifford Woody research comprises defining and redefining the problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at least carefully testing the conclusions to determine whether they fit the formulating hypothesis.

Research is thus an original contribution by the existing stock of knowledge making for its advancement. It is the pursuit truth with the help of study, observation, comparison and experiment. In sort, the search for knowledge thorough objective and systematic method of finding solution to a problem is research. (Research Methodology, C. R. Kothri)
2.2 RATIONAL OF CHOOSING THE PARTICULAR TOPIC:
The journey starts from 1956 when Life Insurance in India was nationalized by incorporating Life Insurance Corporation (LIC). All private life insurance companies approximately 250 were taken over by LIC. However, during the decades of nationalization the life insurance industry has grown at a very slow pace. In 1993 the Government of India appointed Malhotra Committee to lay down a road map for privatization of the life insurance sector. While the committee submitted its report in 1994, nearly six years elapsed before the enabling legislation was passed in the year 2000, to privatize the life insurance business. The new legislation amended the Insurance Act of 1938 and reframed into the Insurance Regulatory and Development Authority Act (IRDA) of 2000. Subsequently the life insurance business became open to the private players. Since that time the industry has witnessed a tremendous change; some of the important effects of this change are;

1. Entry of new firms almost every year.
2. Many of the firms are in collaboration with foreign partners.
3. Bring into play of innovative distribution channels like; bancassurance, corporate agents, shopassurance etc.
4. Heavy expenditure on advertisements by the companies.
5. Alternative positioning of the products; i.e.; not only as an instrument of security and tax saving but also as an investment option- The introduction of Unit Linked Plans (ULIPS).
6. New product portfolios like; child care, health, pension, education etc.
7. Thrust of the companies in the rural areas.
8. High package attracting good, talented personnel.
9. Generation of lucrative employment opportunities; their by contributing to the economic and social welfare of the country.
10. Recent development in the direction of to open up the foreign equity partnership by up to 49% in life insurance by the Government of India.
All this represents a vibrant picture of transforming life insurance industry in India. The market today is full of companies including LIC and private players. It is no longer the monopoly of LIC; rather today it is monopolistic competition. Day by day all the life insurance companies are coming up with innovative marketing strategies. Also the customer today is more aware due to various Medias of information available to him. He is choosing the products with more curiosity and digging the information from the company sales professionals and associates. Therefore it becomes essential to understand the various marketing tactics followed by life insurance companies in public and private sector. Therefore it becomes necessary to comprehend the situation and to suggest the alternative marketing strategies for organizations and industry as a whole.

2.3 OBJECTIVES OF THE STUDY:
The major objectives are listed below;

1) To draw a framework of life insurance industry in INDIA.

2) To scan the internal environment of the life insurance companies; the objective is limited to understanding the marketing strategies only.

3) To analyze the present marketing mixes of the insurance companies and suggest the required improvements.

4) To compare the marketing strategies of LIC with other private insurance companies.

5) To develop an alternative marketing strategy for the life insurance companies.

6) To suggest the ways for brand building.

7) To advise the methodologies for better customer satisfaction.

8) To identify whether the latest concept of CUSTOEMR DELIGHT is adopted by the life insurance or not.

9) To analyze the impact of INFORMATION TECHNOLOGY on the marketing of life insurance business in India.

10) To present a glimpse of the future life insurance market in India.
2.4 SCOPE AND COVERAGE:
Services marketing is different from product due to their unique inherent characteristics; that is Intangibility, Inseparability, Heterogeneity and Variability and also by its extended P's from the traditional 4 P's, i.e.; Product, Price, Promotion, Place, ...... People, Process & Physical Evidences.
Following factors have been selected under these 7 P's;
2.4.1 Product:
- Understanding the features of the policies on the basis of;
  Best return, Easy payment conditions, Risk coverage and Loan on Polices.
- To know about the brand building practices of the companies.
2.4.2 Price:
- To know that the premium paid by the policy holders is worthwhile.
2.4.3 Promotion:
- Asking preference about the media choices; i.e., which media could pay higher dividend to companies if utilized to promote life insurance products.
- Analyzing the effect of media over the purchase decision of life insurance products.
2.4.4 Place:
- Role of distribution channels in generation of business.
- Comparison with other forms of distribution.
2.4.5 People:
- To understand service/policy satisfaction.
- Identification of training needs.
2.4.6 Process:
- Claim settlements issues and customers opinions.
- Identifying service satisfactions and suggestions.
2.4.7 Physical Evidences:
- Identification and analyzing the effectiveness of clues to make services tangible and to understand the effect of these in betterment of service delivery processes.
Figure: 2.1

Selected Service Dimensions

7 P's of service marketing
- Product
- Price
- Promotion
- Place
- People
- Process
- Physical Evidences

Area of study
- Bhopal (Metro)
- Sagar (Urban)
2.5 HYPOTHESIS OF THE STUDY:
Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In fact many experiments are carried out with the deliberate objective of testing hypothesis. Hypothesis of My Research is-
'The marketing strategies of Public Sector Company (LIC of India) are better than Private sector companies.'
For the purpose of research study it is elaborated as null ($H_0$) and alternative hypothesis ($H_A$); a null hypothesis is generally one which a researcher wishes to disprove and an alternative hypothesis is one which the researcher wishes to prove.

$H_0$ = Private life insurance players are having better alternative strategies than LIC.
$H_A$ = Marketing strategies of Life Insurance Corporation of India (LIC) are better than the private life insurance companies.

2.6 RESEARCH METHODOLOGY ADOPTED:
The methodology adopted is defined as;
2.6.1 Type of research design
The research approach for this study was descriptive, conclusive and statistical research. Descriptive research includes survey and fact finding enquiries of different kind; which are helpful for the researcher to define the problem better. Conclusive research is designed to help executives to choose among various possible alternatives to make a viable business decision. The study conducted is a conclusive descriptive statistical study. Conclusive because after conducting the study, the researcher comes to a decision which is precise and rational. The study is descriptive because it is in the descriptive study, that the data is collected for a definite purpose and here the purpose is definite i.e. the data is collected, to find out the marketing strategies of LIC and
other PRIVATE COMPANIES like ICICI Prudential, HDFC Life, Birla Sun Life, SBI Life etc; to understand the competitive pattern. The study is conclusive because after doing the study the researcher comes to a conclusion regarding the position of the brand in the minds of respondents of different age groups. The study is statistical because throughout the study all the similar samples are selected and grouped together (similarity of ages thus forming a group). All the similar responses are taken together as one and their percentages are calculated.

For the proper analysis of data simple statistical techniques such as percentage and statistical technique like CHI - SQUARE TEST was used for testing the hypothesis. It helped in making more accurate generalization from the data available. The data, which was collected from a sample of population, was assumed to be representing entire population was interest. Demographic factors like age, income and educational background was used for the classification purpose.

Thus, conclusive descriptive statistical study is the best study for this purpose as it provides the necessary information which is utilized to arrive at a concrete decision.

2.6.2 Types of data with reference to collection:

There are two types of data:

1) Primary Data
2) Secondary Data

2.6.2.1 Primary data; are those data which are obtained for the first time by the researcher himself. In other words, "The data originally obtained in the process of research are known as primary data". This data represent the practical aspect of marketing research. This becomes important especially in the field of market research and when the objective of the study is to suggest the strategies for the companies related to the market. The data helps in getting the real picture of the market situation prevailing in a particular region.
Generally various tools are used to collect primary data; some important tools are questionnaire, observation, interview etc.

In my research which is focusing upon the market driven outcomes; I have used questionnaire method to collect the data which will be used for suggesting the strategy part for the life insurance companies both public sector (LIC) and private one.

The questionnaire made for the collection of data is basically for three different segments;

- Questionnaire/Schedule for customers; (Only present customers of life insurance policies may be of any company).
- Questionnaire/Schedule for agents (The direct sales associates of the public and private sector companies).
- Questionnaire/Schedule for company executive; (Employees of public and private sector companies).

The motto behind choosing the three different type of Questionnaire/Schedule is that the customer are the present users of life insurance policies and they can speak better about the practices currently adopted by the company and overall performance.

Employees are the persons working in different organizations actually functions for the companies.

And finally agents as most of the life insurance sales are initiated by them.

Greater care has been taken while choosing the sample so as to get the representations from both LIC (Govt. Sector) and Private Sector. Uniformity is is maintained up to the best of my efforts and only those points are included in the studies which are relevant to the topic.

Testing of Questionnaire/Schedule is required before final data collection for this purpose I have distributed 25 Questionnaire/Schedule and the collected data is found satisfactory for the purpose of research work. Finally the Questionnaires/Schedules are distributed for data collection.

It always happens that not all Questionnaire/Schedule are returned with proper responses. In my study also; I have distributed 340 Questionnaire/Schedule for
data collection; out of which 318 were received back and some of them were not found accurate for research purpose and some are eliminated through random selection so as to have 300 responses to fit out our study plan for customers. For executive 25 questionnaires were distributed and all collected back. And for agent 50 questionnaire were distributed and collected back. Finally reaching to the total sample size of 375 respondents from the universe.

2.6.2.2 Secondary data: are those data which is available through various sources. The sources of secondary data can broadly be classified under two heads:

1) Published Sources
2) Unpublished Sources

Published sources can be classified as official, (or national or international), semi official and private sources.

In my research I have collected the secondary data from the following published sources;

- Various publications of the central, state & local governments.
- Management and trade journals; i.e. IRDA Journals, Insurance Journals etc.
- Books, Magazines and newspapers.
- Reports prepared by research scholars, universities and other eminent writers in this field.

Unpublished data may be found in diaries, letters, unpublished biographies and autobiographies and also may be available with scholars and research workers, trade associations, public or private individuals & organizations.

2.7 SAMPLE DESIGN:
The sample design so selected is convenience sample collected from Metro City (Bhopal) and Urban Area (Sagar).
2.7.1 Sample Area:

The sample so selected for the research is the two beautiful cities of Madhya Pradesh namely Bhopal and Sagar. The sample selected is basically metro and urban. Here is brief introduction about the population and livelihood descriptions about both the cities;

**Bhopal**, the capital of Madhya Pradesh, is a fascinating amalgam of scenic beauty, old historic city and modern urban planning. The city has been through many phases, gentle as well as turbulent, prosperous as well as disastrous. Bhopal has been a city in which one finds traces of cultures as different as those of Buddhists, Hindus, Moguls and Afghans, all of which have been blended to perfection, providing Bhopal a distinct identity.

Bhopal is also known as 'City of lakes' having various beautiful water reservoirs. Being the capital of M.P.; Bhopal has bloomed into a prosperous business place and a very promising educational hub.

Bhopal has a very unique advantage of having the prestigious BHEL as probably the life for many years which offered rewarding careers to a large section of population and also helped in generations of employment opportunities by way of its ancillaries.

It has a population of 1843510 people according to census 2001; which includes 972649 male and 870861 female. The population of Bhopal city is 1482718 which includes 781282 male and 701436 female members.

**Sagar**, also the prominent city of Madhya Pradesh is known for its oldest university; Dr. H. S. Gour University and also for its beautiful lake and historical monuments.

The population consists of business and service class. As such no remarkable industry is their but some small and medium scale industries constitute its industrial background.

People earn their livelihood by shops and other jobs.

This town has the total urban population of 5,90,907 out of which 3,11,962 are male and 2,78,945 are female.
2.7.2 Sample Size:
To select samples from universe three different categories are identified-
Firstly, all the policy holders of life insurance companies are considered as universe to collect data from customers.
Secondly, the employees of life insurance companies are considered as universe.
Thirdly, the agents of life insurance companies are considered as universe.
On the basis of above following break up is made;
- Customers (Existing Policy Holders):
  **Total 300**, out of which 150 from Bhopal & 150 from Sagar, on random sampling basis. But care is taken to get a sufficient number of private companies' responses.
- Insurance Agents:
  **Total 50** insurance agents (30 from Bhopal & 20 from Sagar)
- Companies Employees:
  **Total 25** employees of the life insurance companies (15 from Bhopal & 10 from Sagar)
Thus the total comprehensive sample size accounts for 375 out of which 300 samples of customers and 75 from other two segments; including agents and employees of the companies.

1.7.3 Sampling method adopted:
The method adopted for the purpose of research study is Quota & Simple Random Convenience Sampling.
The samples are collected from different areas to each city to find out real and undisguised observations.
Major areas covered in Bhopal are; M. P. Nagar, New Market, Jawahar Chowk, Kolar Road, Kohe-a-fiza, By-pass etc.
In Sagar; Bada Bazar, Katra, Gopalganj, Civil Lines, Makronia, University Campus etc.
The samples of response collected from customers, employees and agents of life insurance companies are on the basis of two type; firstly on Quota Sampling basis and than on Simple Random Sampling basis.

The data collected on the basis of convenience sample after fixing quota of each city at different areas selected for sampling are as under;

For customers of companies on simple random convenience sampling basis;

- Bhopal; Total = 150
  - LIC (83), Private (67)
- Sagar; Total = 150
  - LIC (98), Private (52)

For executive of on the basis of quota and simple random convenience sampling;

- Bhopal; Total = 15 both LIC & Private.
- Sagar; Total = 10 both LIC & Private.

For agents of companies;

- Bhopal; Total = 30 both LIC & Private.
- Sagar; Total = 20 both LIC & Private.

2.8 TOOLS OF ANALYSIS

To know the responses about marketing strategies; I have used the questionnaire method in sample survey. If one wishes to find what people think or know, the logical procedure is to ask them. This has led marketing researchers to use the questionnaire technique for collecting data more than any other method.

The questionnaires are formed on Lickert Scale format to get the desired response. Afterwards they were distributed to the respondents for collecting the desired data. The questionnaires/schedule were structured non-disguised because the questions, asked, were arranged in a specific order and besides every question asked there is a logical relation with the study; no question can be termed as irrelevant.

The respondents were aware of the objective. They knew why they were asked to fill the questionnaire.
2.8.1 Research instrument:
The data collected is used for testing the hypothesis formed at the beginning. I have used CHI-SQUARE TEST for this purpose. The testing is done on 5% level of significance. Apart from this data is also presented in the form of bar and pie chart to interpret the results even by a lay man. Simple techniques like average, percentage etc. are also used to make the interpretation simple. Use of computer software like MS-Excel is done to present the graphs etc. The data which was collected from a sample of population was assumed to be representing entire population of interest. Demographic factors like age, income, and educational background was used for the classification purpose.

2.9 LIMITATIONS OF STUDY:
Limitation of the present study can be summarized below:
1. While designing the questionnaire it was kept in mind to gather maximum possible information from each target person. For this neither objective nor descriptive questions could have served the purpose. Therefore Lickert Scale type with some open ended questions is used.
2. The study was conducted in Bhopal City and Sagar City, which has a population of 15 lakhs and 6 lakhs respectively. The sample size was of 150-150 people only so that accuracy of data so collected could be absurd. Also it is a well known fact that the sampled conclusion can not be true for the whole population.
3. The information gathered from the respondents; therefore it is possible that the information supplied might be biased because the customer might have shown partiality towards their organization and the policy they are holding.
4. Since the survey was limited to 300 response of customer, 50 of agents and 25 of executives; it is rather difficult to give a precise conclusion but I have tried to the best of my capability to arrive at most comprehensive conclusion.
2.10 USE OF THE STUDY:
The study will be very helpful for the companies in understanding the current marketing practices prevailing in the life insurance industry. The study will also highlight the requirements of the industry and suggest the measures which can be adopted in formulation of newer policies for development of life insurance business.

Figure: 2.2

RESEARCH METHODOLOGY AT A GLANCE

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