Service Marketing Elements and Performance Indicators of the LIC: An Application of Canonical Correlation

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Abstract

The impact of marketing mix strategies, resources, activities and programmes on the performance parameters of LIC provides that market share of LIC is greatly affected by its physical evidence strategies and marketing resources and capabilities. At the same time the marketing resources and capabilities, promotional strategies, marketing consensus activities, marketing experience elements, physical evidence strategies, process and product strategies dictate the return on investment of LIC. Further it is found that the sales growth of LIC is influenced by marketing experience elements, people and distribution channel strategies, marketing consensus activities and physical evidence strategies. The cross functional integration activities, physical evidence strategies and promotional strategies reflect the customer retention level of LIC.

Key words: *Services of LIC, Performance indicators of LIC*

I. Introduction

The major portion of the business of the LIC in its life assurance business is brought by its agency force. Therefore, the perception of agents on the marketing strategies and policies followed by LIC has much importance from the practical point of view. The quality of agency force decides to a great extent the business size of LIC. The perception of agents on the agency profession and the training imparted by LIC reflect their attitude towards the profession. The problems faced by agents in the course of marketing life insurance are multifaceted. The organisation should be able to incorporate measures to overcome such difficulties in the policy frameworks for marketing. Apart from the knowledge on products and services of the LIC, the agent force should have adequate knowledge of competitors, products and services. It is ultimately their experience and commitment towards the profession that decide success in their career. The promotional strategies of LIC are different from those its competitors. As LIC uses its agency force effectively through imparting short/long-term training course in marketing products and services, the organisation doesn't depend on mass advertising throughout the entire life of product but rather on introduction and closure. In the successful implementation of strategy, the cooperation from

the entire organisational workforce is a prerequisite. The perception of the agents on marketing strategies and resources and capabilities will reflect how far the organisation is able to make their strategies understandable to the practitioners. The perception of agents on the facilitating factors that make the marketing process easy and hassle free will be an eye opener to the organisation as to the effectiveness of its multifaceted programmes. The major areas of objection, the vital factors that influence agents in marketing life insurance products and service, the method of prospecting and criteria followed by agents in recommending policies facilitate modifications in the prevailing marketing policies and strategies. This analysis will be of immense utility to the organisation in the formulation, implementation and evaluation of policies, strategies and programmes as to marketing products. The study is based on a sample survey among 310 Agents of LIC selected at random from 5 divisions of Life Insurance Corporation of India in Kerala.

II. Review of Literature

Garg and Verma (2010), in their article, "An Empirical Analysis of Marketing Mix in the Life Insurance Industry in India", discuss the problems of marketing mix in the life insurance industry in India. After a thorough analysis through various statistical tools, they comment that the insurance firms should focus on the concept of Marketing Mix and implement the concept. They should quantify the level of expenditure for their mix ingredients, study elasticity of the mix ingredients, carry out careful analysis in order to identify the most effective and economic mix, analyze their competitors' mix while implementing Marketing Mix, review the whole mix in detail so that each segment gets its

own assemblage of mix components, and review their Marketing Mix on a regular basis.

Rao (2010), in his article "Challenges in Designing Need Based Products in Life Insurance for Inclusive Growth in India", analyses the challenges faced by the insurers in designing need-based products in insurance for inclusive growth, and concludes that the policies of life insurance companies are still not rural-centric, catering to the specific needs of the people. With a view to popularizing life insurance, he recommends that the consumers need to study the rural market, analyse the specific needs of each segment and design innovative products, to suit the requests of the people to the objective of inclusive growth.

Kutty (2010), in his article "Indian Life Insurance – The Millennial Decade", elaborates the qualitative development in the Life Insurance Industry during the last decade, both in the global and in the Indian context. In his empirical analysis, he finds that the dominant paradigm in sales has been to build the sales infrastructure. Somehow, the growth would automatically materialize and the selling competence will also be enhanced. But, life insurance, as an industry, is mostly built on trust, protection, preservation and long-term opportunity.

Arulsuresh and Rajamohan (2011), in their research paper, conclude that the LIC of India is a service-oriented industry. It is purely dependent on the development officers. The LIC of India provides physical facilities and better services to the development officers, like good percentage of commission, job enrichment, performance appraisal, good reward, and so on. According to the survey made, a few development officers are not updated in their knowledge of the benefits of many newly introduced policies. It is also revealed that the

important duty of a development officer is to locate markets for life insurance business in the area in which he operates. It is also seen that the development officer works through the agency organization, to achieve the objectives of the LIC of India.

Rao (2011), in his PhD thesis, outlines various practical measures to enhance the volume of life insurance business in the rural area. The objectives of the thesis are to study the expectations of the rural customers, to study the levels of insurance awareness, to unearth the reasons for low insurance coverage in rural areas, to bring out the effects of advertisement and other promotional activities, to identify the factors that influence purchase decisions, to estimate the dimensions of customer satisfaction, to identify the deficiencies in the current marketing techniques and to offer suggestions with the objective of mass rural coverage.

Upadhyaya and Badlani (2011), in their research, attempt to identify the key success factors in the life insurance industry, in terms of customer satisfaction so as to survive intense competition and to increase the market share. The objectives of the study are to identify the factors of customer satisfaction in retail life Insurance in India and to study the importance of technology in fulfilling Customer Satisfaction. Data was collected from 206 insurance customers of the ten public and private sector life insurance companies from the major cities of Rajasthan and Maharashtra state in India. The study concludes that despite high satisfaction levels, there remains a lot to be done by the management of the retail life Insurance companies to maximise their customer satisfaction and improve the quality of service. The satisfaction of the customer with the

services of the Life Insurance Companies was found to be linked with the performance of the service.

Babu (2012), in his thesis, "Insurance sector reforms in India", attempts to provide a comprehensive evaluation of the life insurance sector in India. The study is mainly based on secondary data collected from the records and reports of the IRDA, the LIC, the Life Insurance Council and all 22 private sector insurance companies that cover a period of ten years from 2000 to 2010.

Kumar (2012), in his PhD thesis, "A Contemporary Study of Factors Influencing Urban and Rural Consumers for Buying Different Life Insurance Policies in Haryana", makes an in-depth study of the factors influencing buyer behaviour for buying life insurance policies in Haryana. The survey was conducted in Haryana on 1000 policyholders. The study outlines that the insurance agent was the most influential factor for selecting the life insurance policy among rural and urban policyholders. The other crucial determinants of buying behaviour were also identified such as income, economic status, product attributes, agent attributes, and price. The result indicates that there was a significant difference in the buying behaviours of rural and urban policyholders.

This review makes it clear that many studies have been undertaken on the marketing strategies of the LIC in multiple dimensions emphasising service marketing mix, implications of liberalisation, evaluation of customer satisfaction on products and services, appraisal of functioning and performance of the LIC, formulation and implementation of strategies, marketing problems in life insurance, customer

preferences in life insurance products and services, factors influencing selection of life insurance product, etc. There is no study integrating the marketing mix strategies with the resources, activities and programmes of the LIC covering all major issues related to marketing strategies as measuring level of awareness on life insurance products, evaluation of customer preference of life insurance products with other financial products, examining the factors influencing the selection of life insurance product and organisation, in-depth examination of the seven vital elements of service marketing mix in terms of customer satisfaction, measuring the satisfaction of policyholders with services of agents, and their knowledge of products, customer needs and the organisation, impact of brand factors on customer satisfaction, marketing problems in life insurance, cross evaluation of the performance of the LIC with its marketing mix strategies and resources, activities and programmes and issues of great concern in the marketing of life insurance as a method of handling objection, methods of canvassing prospective investors, etc. A comprehensive evaluation of these multidimensional issues will provide a success mantra to the organisation to survive and grow in the competitive environment, with strategic advantage.

III. Objective and Methodology

The objective of the study is to examine the impact of service marketing elements on the performance indicators of LIC in Kerala. The study is descriptive and analytical in nature. Both primary and secondary data have been used. Primary data were collected from selected LIC agents working in all the 5 divisions of LIC in Kerala. Canonical correlation analysis was applied for establishing the relation between the service marketing elements and performance indicators of LIC. Canonical Correlation Analysis is a multivariate statistical model that facilitates the study of interrelationships among sets of multiple dependent variables and multiple independent variables. Canonical Correlation Analysis (CCA) is a way of measuring the linear relationship between two multidimensional variables. It finds two bases, one for each variable, that are optimal with respect to correlations and, at the same time, it finds the corresponding correlations. Here, the impact of one set of factors as to marketing strategies, resources, activities and programmes of LIC such as PDTS (Product Strategies), PRSS (Pricing Strategies), PLSS (Promotional Strategies), DCSS (Distribution Channel Strategies), PESS (People Service Strategies), PEFS (Physical Evidence Strategies) and PSSS (Process Strategies) on one set of outcome i.e. the performance of LIC such as MS (Market Share), ROI (Return On Investment), SG (Sales Growth), CR (Customer Retention) and CI (Corporate Image) is estimated by applying the Canonical Correlation Model.

IV. Analysis and Discussion

IV (A). Sample Profile and Business Features

The profile of sample explaining the demographic and occupational features of agents of LIC is presented in the Table 1 given below.

Table 1: Sample Profile

Variable	Categories	Frequency	Per cent	Cumulative Per Cent
Area (Place of Residence)	Rural	217	70	70
	Urban	93	30	100
Gender	Male	186	60	60
	Female	124	40	100
Marital status	Married	279	90	90
	Unmarried	31	10	100
Education	SSLC	64	20.6	20.6
	PDC/+2	112	36.1	56.8
	Degree	98	31.6	88.4
	Post graduate	24	7.7	96.1
	Others	12	4.0	100
Nature of Agency	Agent under DO	295	95.2	95.2
	Direct Agent	15	4.8	100
Nature of Membership	NCM	111	35.8	35.8
	BMC	82	26.5	62.3
	DMC	48	15.5	77.7
	ZMC	25	8.1	85.8
	CMC	28	9.0	94.8
	DAC	14	4.5	99.4
	MDTRC	2	0.6	100
Monthly Income (self) (Rs.)	≤ 5000	30	9.7	9.7
	5001-10000	94	30.3	40
	10001-15000	62	20	60
	15001-20000	38	12.3	72.3
	20001-25000	26	8.4	80.6
	> 25000	60	19.3	100

	≤ 25	13	4.2	4.2
	26-35	59	19.0	23.2
Age (Years)	36-45	124	40.0	63.2
	46-55	84	27.1	90.3
	≤ 56	30	9.7	100
	≤ 5	94	30.3	30.3
	6-10	86	27.7	58.1
Working Experience(Years)	11-15	66	21.3	79.4
	16-20	39	12.6	91.9
	> 20	25	8.1	100
	≤ 50	136	44	43.9
	51-100	116	37.4	81.3
Average number of policies sold p.a	101-150	42	13.5	94.8
	151-200	6	1.9	96.8
	≤ 201	10	3.2	100
	< 50	126	40.6	40.6
	51-100	100	32.4	72.9
Average sum assured of policies sold p.a (Rs. Lakhs)	101-150	64	20.6	93.5
	151-200	10	3.2	96.8
	≤ 201	10	3.2	100

Source: Primary Data

Table 1 exhibits the profile of the sample respondents (Agents) selected for study. As per the Table, while 70 per cent of the respondents belong to rural areas, 30 per cent belong to urban areas. Gender-wise classification shows that out of the 310 selected agents, males constitute 60 per cent and females 40 per cent. A majority of the respondents are married (90 per cent). Education-wise classification reveals that 36.1 have PDC/+2 qualification, 31.6 per cent are graduates, 20.6 per cent are SSLC qualified, and post-graduates and higher qualified hands are very low coming to 7.7 per cent and 4 per cent respectively. The largest

majority of the sample (95.2 per cent) belong to Agents working under Development Officers. It is also observed that Agents not belonging to any of the clubs come to 35.8 per cent, while it is 26.5 per cent belong to BMC, 15.5 per cent to DMC, and membership in other clubs makes for less than 10 per cent individually. The monthly income status of respondents reveals that 90.3 per cent is having an income above Rs. 10000. Many of the respondents (30.3 per cent) belong to a monthly income range of Rs. 5001 to Rs.10000, followed by 20 per cent and 19.3 per cent belonging to Rs.10001 to Rs.15000 and above Rs. 25000 categories. A majority of the policyholders (86.1 per cent) range between age of 26 to 55. The classification of the sample based on their working experience shows that the majority of the selected agents (79.3 per cent) have experience of less than or equal to 15 years, while those having experience above 20 years come to 8.1 per cent. While going through the status of the average number of policies sold (annually) and the average sum assured, it is clear that 81.4 per cent and 73 per cent of respondents belong to number of policies sold up to 100 and having sum assured up to 100 lakh.

IV (B). Canonical Correlation Analysis on Marketing Strategies with Performance

Considering success factors such as MS (Market Share), ROI (Return On Investment), SG (Sales Growth), CR (Customer Retention) and CI (Corporate Image) as well as strategies such as PDTS (Product Strategies), PRSS (Pricing Strategies), PLSS (Promotional Strategies), DCSS (Distribution Channel Strategies), PESS (People Service Strategies), PEFS (Physical Evidence Strategies) and PSSS (Process Strategies), a natural question will arise relating to the dependence structure between the 2 sets of variables. One way to do this is to provide the usual correlation coefficients and it will not be useful in delineating the more

important dimensions of such relationship. To examine the dimensions of the dependence of 2 sets of variables, canonical correlation is an appropriate tool that can be employed. The dimension reduction with these variables has resulted in 5 dimensions as shown in Table 2.

Among these 5 dimensions, 4 dimensions are statistically significant *(p<0.05)*. In order to identify the dimensions resulting in canonical correlation of *0.60429, 0.50362, 0.26435 and 0.21961*, canonical correlation coefficients are used.

Tests of dimensionality for the canonical correlation analysis, as shown in Table 2, indicate that the first four canonical dimensions are statistically significant at *.05* level. Dimension 1 has a canonical correlation of *0.60429* between the sets of variables, while dimension 2 has a canonical correlation of *0.50362*, dimension 3 has a canonical correlation of *0.26435* and dimension 4 has a much lower canonical correlation of *0.21961*.

Table 3 presents the standardized canonical coefficients for the four dimensions across both sets of variables. For the variables, the first canonical dimension is most strongly influenced by PLSS and PSSS *(.10765, -.56483)* and for the second dimension by DCSS and PESS *(.98944, -.72352)*, while the third dimension is dominated by PDTS and PESS *(.60614, -1.45519)*; PRSS and DCSS *(1.28303, -1.04755)* influence the fourth dimension. For the covariates, the first dimension comprises SG and CI *(.04553 and -.16974)*. The second dimension includes SG and ROI *(.22913 and -.22314)*. The third dimension consists of MS and CR *(.25137, -.27873)*, and CI and MS *(.32060, -.20264)* dominate the fourth dimension.

The first dimension relates to the promotional strategies (PLSS) and not to process strategies (PSSS) on the one side, and sales growth (SG) and not corporate image (CI) on the

covariate. In simple terms, promotional (PLSS) and not process strategies (PSSS) are important for sales growth (SG). Also, it is to be noted that Process strategies (PSSS) are to be in such a way as no to affect corporate image (CI).

It is distribution channel strategies (DCSS) and not the people strategies (PESS) on the one side and sales growth (SG) and not return on investment (ROI) on the covariates that are related to the second dimension. It is Distribution channel strategies (DCSS) and not People strategies (PESS) that play an important role in sales growth (SG).

With regard to the third dimension, it is product (PDTS) and not people strategies (PESS) on the one side and market share (MS) and not customer retention (CR) on the covariates that are related. This makes it clear that while product strategies (PDTS) have a great influence on the market share (MS), people strategies (PESS) are to be in tune with ensuring better customer retention (CR).

The pricing strategies (PRSS) and not the distribution channel strategies (DCSS) on the one

Table 2: Dimension Reduction Analysis

Roots	Wilks L.	F	Hypoth. DF	Error DF	Sig.
1	.41638	8.30960	35.00	1256.00	*.000**
2	.65589	5.59167	24.00	1044.30	*.000**
3	.87879	2.64702	15.00	828.57	*.001**
4	.94481	2.16671	8.00	602.00	*.028**
5	.99268	0.744201	3.00	302.00	.528

Source: Survey data

Significant at 5 per cent level of significance

Table 3: Standardized Canonical Coefficients - Dimensions

Variable	1	2	3	4
PDTS	-.08783	-.67381	*.60614*	-.33506
PRSS	-.13565	.08837	-.06022	*1.28303*
PLSS	*.10765*	.62950	-.66299	-.25920
DCSS	.05902	*.98944*	.54868	*-1.04755*
PESS	-.02373	*-.72352*	*-1.45519*	.05997
PEFS	-.44011	-.30077	.36305	-.58085
PSSS	*-.56483*	.13488	.47693	.70476
Covariate	1	2	3	4
MS	-.01387	-.08081	*.25137*	*-.20264*
ROI	-.08137	*-.22314*	-.09110	.01482
SG	*.04553*	*.22913*	.11686	-.12805
CR	-.04618	.04621	*-.27873*	-.15752
CI	*-.16974*	.06435	.05089	*.32060*

Source: Survey data

side and corporate image (CI) and not the market share (MS) on covariates are related to the fourth dimension. This highlights the prominent role of pricing strategies (PRSS) in enhancing corporate image (CI). At the same time, it is to be ensured that distribution channel strategies (DCSS) support growth of market share (MS).

V. Conclusion

The Canonical Correlation Model of the marketing mix strategies with performance variables reveals that the promotional strategies and distribution channel strategies play an important role in determining the sales growth of the LIC and that the product strategies and pricing strategies are closely related to the market share and corporate image of the LIC respectively. This is validated by observing the highest positive coefficients in the four dimensions of the Canonical Correlation Model.

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