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CHANGING CUSTOMER BEHAVIOR-TIME TO RETHINK BY THE INSURANCE PROVIDERS

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ABSTRACT

The present paper is an endeavour to study the customer behavior regarding insurance policies. The buying behavior of the consumer depends upon the awareness of the product, taste and preference of the brand. The customer behavior is changing rapidly around the globe, driven by the diverse economic, demographic, competitive and regulatory environments. To seize the opportunity that these changes present, the insurers can no longer rely on received wisdom about what consumers think and how they behave. The challenge is to really understand what drives customer behavior today, in all the geographies, sectors and channels where they operate. By getting the customer interaction there is an opportunity in every market to do a better job of attracting customers and strengthening relationships in order to drive growth. This paper focuses on customer relationship building especially for insurance sector and its management in general, based on the principles of relationship management in service organizations. Also identify the managerial practices and measures for relationship building for effective and efficient business. The advancement in information technology has fed an expectation among consumers that they will be able to do more independent research when buying insurance products. The interview method was deployed to collect the primary information. This paper analyses two broad approaches to considering customer behavior: rational choice theory and behavioral economics. This paper has also emphasizes to explore what drives consumer behavior in the insurance sector.

KEYWORDS

Customer behavior, Customer relationship, Insurers.

INTRODUCTION

growing competition in insurance sector after privatization, there is a need to understand the psychology of the customer while choosing an insurance product. What drives the customer behavior? There are several environmental changes that drive the customer attitudes and behavior. The long term customer relationship is required for the vary growth and survival of the business in every sector. The insurance providers need to develop an effective Customer relationship management in the sectors in which they operate.

Customer relationship management (CRM) is a practice that puts the customer at the center of the equation. It's all about how you treat your customer after the sale. CRM is a business philosophy based upon individual customers and customized products and services supported by open lines of communication and feedback from the participating firms that mutually benefit both buying and selling organizations.

CRM provides selling organizations with the platform to obtain a competitive advantage by embracing customer needs and building value-driven long-term relationships.

APPROACHES TO UNDERSTAND CUSTOMER BEHAVIOUR

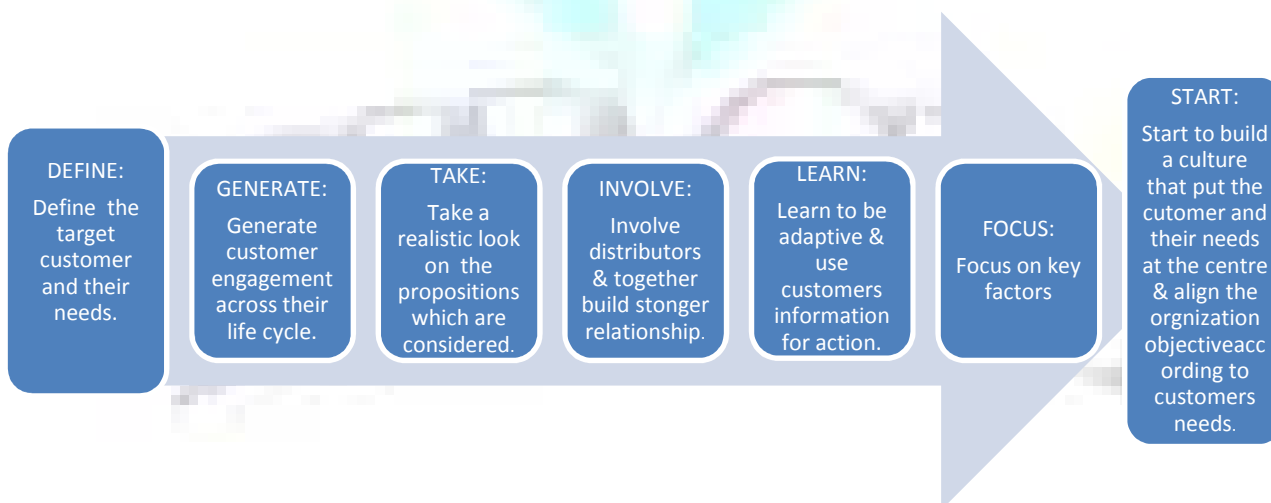
Two approaches to understanding customer behavior, rational choice theory and behavioral economics, both assist policy makers in implementing appropriately designed regulations.

- **Rational choice theory** assumes that consumers make choices such that their utility is maximized, subject to budget constraints.
- **Behavioral economics** draws on psychology and the behavioral sciences in assessing consumer behavior.

These approaches should be considered by the insurers while studying consumer behavior.

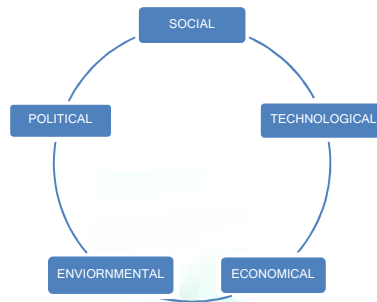
STAGES TO ACHIEVE CUSTOMER CENTRICITY

To achieve customer centricity all insurers need to be clear about where they stand and what steps lay ahead for them.



FACTORS AND DRIVERS IMPACTING CUSTOMER BEHAVIOR

To cope up with the changing customer behavior the following STEEP factors should be considered:



A STEEP analysis is a tool to evaluate various external factors impacting consumer behavior. STEEP is an acronym for Social, Technological, Environmental, Economic and Political.

S:Social

Social developments include factors like Demographics, Lifestyles, Social and cultural values.

T:Technological

The speed of technological development is extremely rapid. Therefore changes in technology influences social, economical, environmental and even the political factors. When considering technology, think about: Innovation, Transport, Communication, Research & development.

E:Economical

The economic situation is largely related to the buying position of the consumer. Think about factors like Paying capacity, Availability of credit, Taxes, Entrepreneurship and availability of jobs.

E:Environmental

Environmental developments include ecosystem factors like Water, Wind, Soil, Food and energy.

P:Political

Political developments can greatly influence customer behavior. Political developments affect different kinds of laws for example environmental, anti-trust, financial markets and trade.

FACTORS CONSIDERED BY THE CUSTOMERS BEFORE SELECTING INSURANCE POLICIES

There are five key factors which are specifically considered by the customers before buying insurance policies.

Need-based investment: The standard thumb rule is that life cover should be 10 times of the annual income. Customer need to define their need and accordingly buy a policy that will help them to meet their requirement in future.

Background check and due diligence: Once customers have decided on the policy, they could do the necessary background checking on the company concerned. There are many sites that help them to compare various policies as well as the premiums.

Fund performance: When buying an ULIP, which also acts as an investment vehicle, customer could look at the past performance of the company.

Claim settlement ratio: The claim settlement ratio of an insurance company should also be considered by the customer when buying a product.

Understanding the policy: Once customer have zeroed in on the product based on his need and track record of a company, he should understand the features of the policy, specifically those related to the policy term, premium-paying term, maturity date and charges.

REVIEW OF LITERATURE

- **The 2008 Executive Survey by Gartner and Forbes.com** states plainly that, "retaining and enhancing relationships with current customers is the number one business issue, followed by attracting new customers."
- **Ernst & Young (Global Consumer Insurance Survey 2012 Report)** undertook a research project with the independent firm Ipsos to canvass the opinions of 24,000 consumers across seven regions around the world between August and October 2011. This research has focused the value of customer centricity and why it is so important to an insurer. Our survey probed customer attitude and behaviors to determine how customers view and interact with the industry, as well as their expectations for the future. Our findings confirmed that those insurers who respond best to what customers want now are most likely to succeed.
- **PWC Insurance 2020: Turning change into opportunity, January 2012:** states that the Insurers who anticipate and plan for change can create their own future.
- **K. Selvavinayagam and R. Mathivanan (2010)** article has revealed that the competitive climate in the Indian insurance market has changed dramatically over the last few years. At the same time, changes have been taking place in the government regulations and technology. The expectations of policy holders are also changing. The existing insurance companies have to introduce many new products in the market, which have competitive advantage over the products of life insurance companies.

IMPORTANCE OF THE STUDY

Consumer is a king and it is the consumer who determines what a business is. Therefore, a sound knowledge of consumer behavior is helpful in analyzing the habits, attitudes, motives and needs of consumer. The study of consumer behavior provides insurers to understand and predict the future changes. It helps in devising appropriate strategies most relevant to the target customer segment.

The study of consumer behavior is also significant because it makes insurer to understand why consumer behaves in a particular manner.

After considering the above discussion there is a strong need to study the customer behavior by the insurers for making good relationship with their customers and also to gain the market share.

STATEMENT OF THE PROBLEM

There are many challenges in front of insurers which are related to financial markets, changing regulatory oversight and economic uncertainty and there is a risk for insurers who may not be listening and responding to the voice of their customers. For the insurers who are hoping to navigate through this difficult time, understanding how customer behaviors and attitudes are changing is critical. Previous assumptions and information received about their customers may no longer be reliable and those insurers who are able to respond best to what customers want now are most likely to succeed.

Companies can achieve better retention rates, reduce acquisition costs and boost market share by addressing the root causes of customer attrition and applying targeted treatment strategies that involve all service channels and functions in an end-to-end effort to improve the customer experience. The way the customers want to interact with the insurers has also been changed through the internet. Innovative mobile and other next-generation channels will be

essential to attracting and retaining especially younger customers. The main challenge before the insurance companies is to constantly innovate new products to suit the changing attitudes, life style and behavior, government intervention, competitions, technological advancement, service quality and customer relationship management.

OBJECTIVES

1. To identify the various economic, demographic, competitive and regulatory environmental factors that affect customer behavior.
2. To identify the measures for improving and building long term customer relationship for effective and efficient business.
3. To know the expectations of the customers from the insurance providers in order to seize the various opportunities.
4. To evaluate the factors underlying customer perception towards investment in insurance policies.

HYPOTHESES

- H1: Managerial practices of insurance providers will not significantly influence the level of customer satisfaction.
- H2: There is no significant relationship between environmental factors and customer behavior in the insurance sector.

RESEARCH METHODOLOGY

The present study was based on both primary and secondary data.

Primary data were collected through personal interview with the insurance policy holders.

The **secondary data** were collected from reports, surveys and also from various journals, articles, magazines, websites, etc.

FINDINGS

One of the most striking and positive finding is that the reputation of the insurance industry has not been tarnished by the global crisis. The majorities of customers still have reasonably high satisfaction levels and are confident that their products meet their needs. But there is no room for complacency: for a significant minority of customers, insufficient information about product suitability is creating a lack of confidence that their product is right for their needs. Customers are looking for value to be clearly demonstrated, reflecting a balance of price, product features and service tailored to their needs. They also expect the buying process to be convenient and transparent, allowing them to buy with confidence. Once they have made their choice and have an established relationship with an insurance provider, customers expect the product and service to deliver against their expectations.

Further, there is strong evidence in our findings that the way customers want to interact with insurers is changing. The internet is transforming consumer offerings in other retail industries and setting a new benchmark for how businesses interact with consumers. In most consumer sectors, there is now far more information available to allow customers to compare products and prices and to obtain independent opinions before purchasing.

CONCLUSIONS

Many insurers are not keeping pace with changing market and customer dynamics are far behind other industries in meeting customer expectations. To succeed in this fast-changing environment and achieve sustainable top-line growth, insurers need to focus on redefining customer relationships, transforming business models to embrace data and digital and introducing an innovative culture in support of strategic decision-making. The major focus of CRM is to facilitate customer-centric operations leading to strong customer relations and loyalty. Businesses that properly implement a customer relationship strategy stand a significantly higher chance of achieving both of these goals.

From the above discussion it can also conclude that in changing market there is a need to study the customer behavior by the insurers to gain the market share.

RECOMMENDATIONS/SUGGESTIONS

The insurance providers can improve Customer Relationship Management & it doesn't take much time. Simple things like birthday cards, opinion surveys and focus groups are a great way to connect with the customers. Coupons, discounts and special perks for loyalty and referrals are also a good way to show the appreciation for the customers. Businesses are facing unprecedented pressure to deliver value. Companies can achieve better retention rates, reduce acquisition costs and boost market share by addressing the root causes of customer attrition and applying targeted treatment strategies that involve all service channels and functions in an end-to-end effort to improve the customer experience. A great deal of data is being generated in the course of interactions with prospective and existing customers. Such analysis can also support the selling process by tracking responses and alerting salespersons, Sound customer relationship management practices are the answer.

How to build a strong foundation for the future-

- Insurers need to diversify to sustain stable top-line growth and earning fluctuations.
- Insurers need to make sure they retain a strong influence on how customers view their products and services, regardless of overall channel strategy.
- Insurers need to better understand the true needs of their customers in order to redefine the products and services they offer and the ways in which they interact and serve them.
- Productivity improvement is required to gain a competitive advantage in adverse market conditions.

SCOPE FOR FURTHER RESEARCH

There is ample scope for further study as the insurance providers are facing the challenges due to changing customer attitudes and behavior day by day. Today in order to develop and survive into the market, there is a need not only to listen to the voice of customers but also to respond them the customers want products, and the purchasing process, to be simple and transparent so they can understand what they are buying. They want to build long-term relationships with insurance providers based on trust, and to have confidence that the products they are buying are right for them and meet their needs.

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