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PRE PURCHASE BEHAVIOR OF CONSUMERS OF LIFE INSURANCE PRODUCTS: AN EMPIRICAL STUDY

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ABSTRACT

Life insurance is a complex financial product and calls for high consumer involvement in the entire buying process. This study focuses on the pre-purchase search and evaluation process of a consumer of life insurance products. The researcher has studied the perception of the consumers on life insurance products, the influential sources of information and the role of reference groups/self opinion in the buying decision making process. An attempt has also been made to find out the differences in the behavior of consumers based on personal factors, cultures, sub-cultures, social and economic status etc. Primary data was collected from sample of 200 consumers and researcher used simple tabulation, measures of central tendency, ANOVA etc. for data analysis and interpretation. The researcher concluded that Life insurance products are perceived as tools for risk coverage and family protection, Agents and company representatives seem to be a dominant source of information for consumers to understand the product and spouse plays an important role in the buying decision making process.

KEYWORDS

Consumer behavior, Life insurance products, pre-purchase search, perception, reference groups.

INTRODUCTION

India is a very big market for the insurers. The Committee on "India Vision 2020" assessed the insurable population in India at 250 million and claimed that this number is estimated to increase rapidly in the coming two decades. Hence innovative insurance products would be required to supplement this demand and extend life insurance coverage to a much wider section of the population. The life insurance market is flooded with products as well as competing insurers and the consumer is lost and confused amidst a wide range of alternatives available.

In this situation, identifying the parameters that guides a consumer of insurance products and the factors that significantly influence the consumers buying behavior is the main problem of this research enquiry. Thus examining the thought process of the consumer during the various stages of an insurance purchase decision, which may involves need recognition, search for alternatives, evaluation of alternatives, purchase decision and post purchase evaluation may help identify the significant variables that can best fit as determinants of life insurance demand.

REVIEW OF LITERATURE

The study of Consumer Behavior is the study of how individuals make decisions to spend their available resources (time, money and effort) on goods or services. It includes the study of what they buy, why they buy it, where they buy it, how often they buy it and how often they use it. Consumer behavior research encompasses all of the behaviors that consumers display in searching for, purchasing, using, evaluating and disposing products or services that they expect will satisfy their needs.

The available literature for the current study has been surveyed from two perspectives. The first is the definition of "Pre-purchase behavior" of consumers and second is earlier research in the field Consumer behavior towards life insurance products/industry.

PRE PURCHASE BEHAVIOR

The needs influence the decision of the customer. The needs create the motivation when the needs are strong enough (Kotler 1990). Reference groups seem to influence the behavior of consumers and studies have confirmed that the degree of influence depends on the consumers confidence in the purchase situation. In case of insurance products consumers have relatively limited information on products and hence the group influence in most cases is relatively strong. Also it has been found all individuals differ in their tendency to be influenced by others. (Del I Hawkins, 2007). Solomon (2009) talked of Consumer behavior as a process that includes various issues that influence the consumer before, during and after a purchase. The primary pre purchase issues identified the need recognition process, the sources of information and the process of evaluating alternative choices. The inclination to search for information is high in case of an aroused consumer and hence the major sources of information for a consumer and its relative importance in the purchase decision should be a major concern for marketers (Majumdar, 2010).

LIFE INSURANCE AND CONSUMER BEHAVIOR

Arvind Shamrao Gaikwad, (2013) focussed of the insurance consumers of Kohlapur, India –their preferences, satisfaction levels towards traditional versus ULIP policies and the major factors that influenced buying behavior. The study highlighted that life insurance is viewed as a protection instrument, family protection seemed to be the prime reason for purchase of insurance and that company advisors had a dominant role in the consumer decision making process. Aurelija Ulbinaite (2011) elaborated on the conceptualisation of insurance consumer behavior and proposed a possible underlying model that reflects its core features. Subsequently they described an agent-based-model simulation environment that enables the analysis of consumer behavior towards insurance services. Sunayna Khurana (2008) tried to focus on the issues faced by consumers of life insurance, customer perception and views about different life insurance service providers etc. Market evidence reveal that insurance purchasing and marketing activities do not always produce results that are in the best interest of individuals at risk. Howard Kunreuther and Mark Pauly (2006) discusses such behavior with the intent of categorizing insurance "anomalies". It represents a first step in constructing a theory of insurance decision-making to explain behavior that does not conform to standard economic models of choice and decision-making. Finally, the authors propose a set of prescriptive solutions for improving insurance decision-making.

NEED/IMPORTANCE OF THE STUDY

The study of Consumer behavior has been the focus of researchers since the time, marketing evolved as a management discipline. The consumer psyche has always been the interest of marketers as they attempt to understand how consumers think and behave at every stage of a buying decision viz pre-purchase, purchase and post purchase stage. Consumer behavior reflects the totality of a consumer decision and the dynamic process which is influenced by multiple factors and results of consumer behavior research can guide management towards better marketing strategies. Life Insurance is a complex financial product and usually demands high customer involvement in the buying process. Life insurance consumers are expected to know all details and conditions about the product

they purchase and should be in a position to precisely explain the purpose of choosing a particular product. As we often come across the saying that, "Insurance is a subject matter of solicitation" hence an understanding of the product before investment is an absolute necessity for a satisfied buying decision. The life insurance industry today is stained with ethical issues like asymmetric information, mis-selling practices, frauds etc thereby creating a huge mass of dissatisfied consumers. Consumers are losing faith in insurers. Hence through this paper the researcher attempts to study the pre purchase behavior of life insurance consumers and its consequences to the insurance industry.

STATEMENT OF THE PROBLEM

Research in the field of consumer behavior has today enabled marketers to know what consumers are buying and what they are not buying and the various factors that influence this behavior. Data on pre purchase behavior will enable marketers to understand what consumers look for when they perceive a need for a particular product.

Owing to the complexity of the life insurance product the researcher feels that it is important for insurance marketers to understand the pre purchase information seeking process of the consumers, the methods deployed for product comparison, the influence of other people and the factors that effect the ultimate selection decision. If marketers are not well informed about the consumers pre purchase expectations they cannot provide lucid information and as a result consumers have to devise their own criteria for product comparison and selection.

RESEARCH QUESTIONS

1. How do consumers perceive a life insurance product?
2. Is there a difference in the pre purchase search pattern of consumers towards Life insurance products based on personal factors viz, age, gender, income and occupation?
3. Does the level of importance assigned to reference groups and self opinion vary significantly with the personal factors of consumer?

OBJECTIVES

The present research enquiry has been undertaken with the following objectives.

1. To study the perception of consumers towards life insurance products.
2. To examine the pre-purchase search pattern of consumers in the selection of life insurance products.
3. To know the level of importance assigned to reference groups and self opinion in an insurance purchase decision.

RESEARCH METHODOLOGY

The research design is exploratory followed by descriptive design. The target population for this research enquiry may be defined as under:

- Elements- Life insurance consumers of Kamrup Metropolitan District
- Extent- Kamrup Metropolitan District
- Time Frame- 2014

The sample size was 200 consumers of life insurance products selected through Convenience sampling method but the responses of only 194 consumers could be processed for analysis purposes. The questionnaire used for the purpose of the survey was initially pre tested on approximately 40 consumers to identify and eliminate potential problems. The consumers for the pre-test was drawn from the same target population. Certain changes were incorporated in accordance with the problems identified in administering the questionnaire mainly in terms of the language and understandability. Some minor changes in the content of the questionnaire was also done after the pre-test so as to bring it in sync with the objectives of the survey. Finally after the necessary editing the questionnaire have been administered to the target consumers and the responses gathered from the field have been coded and analysed with the help of SPSS software. In this study frequency distributions, measures of central tendency (mean, median, mode, standard deviations) and One way analysis of variance (ANOVA) have been used for data analysis and interpretation.

RESULTS & DISCUSSION

The analysis and interpretation of the data collected through field survey for the research enquiry have been presented below:

Consumer Perception

To gauge the perception of the consumers towards life insurance products the researcher has executed seven statements on a five point Likert scale. The consumers were asked to mark their agreement or disagreement to the statements where 1 implied strong disagreement and 5 implied strong agreement.

TABLE: 1 CONSUMER PERCEPTION TOWARDS LIFE INSURANCE PRODUCTS

Sl no:	Statement	Valid	Missing	Mean	Median	Mode	S.D
1	It is the best tool for risk coverage	194	0	4.35	5	5	0.95
2	It is a must for family protection	194	0	4.52	5	5	0.85
3	It is a very good form of savings and investment	194	0	3.87	4	5	1.15
4	Life Insurance provides economic independence and dignity in old age	194	0	3.85	4	4	1.04
5	Life insurance is needed for tax benefits	194	0	3.75	4	4	1.13
6	Life Insurance makes false promises	194	0	2.14	2	1	1.19
7	Life insurance is relevant only for the rich	194	0	2.01	2	1	1.18

(Source: Self compilation from field survey 2014)

From the above table it is evident that consumers feel insurance is a means of family protection followed by risk coverage as the mean score of these two factors are highest and also majority of the consumers strongly agree to the first two statements as the mode of the variables is 5. Also the responses are not very diverse from the mean since the standard deviation is very low. The second notable observation is that consumers do not feel that insurance makes false promises and they also do not agree that it is relevant only for the rich as majority of the consumers strongly disagree to the statements (mode=1).

Sources of Information during the pre purchase search

To examine the most influential sources of information for insurance consumers the researcher has again used an interval rating scale. The consumers were asked to rate their preferred sources of information on a scale of 1 to 7 where 1 implied least preferred and 7 implied highly preferred. The findings from the field survey have been shown in Table: 2. It is clearly visible that as compared to other sources consumers preference to know details about Life insurance products seemed to be through direct contact with company's agents, sales managers or direct calling team since it has got the highest mean score of 5.32. This is also evident as majority of the consumers have rated this source as the most preferred source since the Mode =7. This is followed by discussion with friends and relatives and next is advertisements through television/ radio and also the internet. It can also be noted that as per the mean scores hoarding and banners had the least amount of influence as a source of information for the consumers.

TABLE 2: CONSUMERS PRE PURCHASE SEARCH FOR INFORMATION

Sources of Information	Valid	missing	Mean	Median	Mode	S.D
Hoardings and banners	194	0	4.02	4	5	1.79
Newspaper and magazines	194	0	4.52	5	6	1.91
Radio Television	194	0	4.73	5	6	1.84
Agents /Development officers/Sales Executives/ Telesales(Company representatives)	194	0	5.32	6	7	1.63
Friends and relatives	194	0	4.83	5	5	1.46
Internet	194	0	4.56	5	5	1.92
Bank	194	0	4.49	5	5	1.74

(Source: Self compilation from field survey 2014)

The researcher was also interested to know if the pre-purchase search behavior of consumers with regard to preference towards direct interaction with company representatives varied significantly with respect Age, Gender and Occupation of the consumers.

Hypotheses Framed

H0₁=The preference towards direct interaction with company representatives as a sources of information for life insurance products does not vary significantly with Gender.

H0₂= The preference towards direct interaction with company representatives as a sources of information for life insurance products does not vary significantly with Age.

H0₃= The preference towards direct interaction with company representatives as a sources of information for life insurance products for life insurance products does not vary significantly with Occupation.

TABLE 3: PREFERENCE TOWARDS COMPANY REPRESENTATIVES AS SOURCE INFORMATION BASED ON GENDER

Dependent variable	Gender	N	Mean	t value	Sig.
Agents /Development officers/Sales Executives/ Telesales	Male	121.00	5.08	-2.76	0.95
	Female	73.00	5.74	-2.72	

(Source: Self compilation from field survey 2014)

The null hypotheses H0₁ was accepted as the independent sample ‘t’ test suggested that the difference between the two groups (p=0.95) at 95% level of confidence is not statistically significant and hence there is no significant difference in the preference level for direct company representatives as a source of information with respect to gender. However from descriptive statistics we can see that female preference (mean=5.74) was significantly higher than the male preference (mean=5.08) towards company representatives.

TABLE 4: PREFERENCE TOWARDS COMPANY REPRESENTATIVES AS SOURCE INFORMATION BASED ON AGE OF THE CONSUMERS

Age:	N	Mean	Sig. based on one way ANOVA
18-25	11	5.82	0.732
26-35	62	5.27	
36-45	61	5.18	
46-55	38	5.34	
56-60	10	5.9	
Above 60	12	5.42	
Total	194	5.32	

Source: Self compilation from field survey 2014

In this case again, the null hypotheses H0₂ was accepted as the test results of the one way ANOVA (p=0.732) suggested that the difference between the groups was not statistically significant. However from descriptive statistics we note that the age group 56-60(mean = 5.9) had the highest preference for direct interaction with company representatives followed by the age group 18-25 (mean=5.82)

TABLE 5: PREFERENCE TOWARDS COMPANY REPRESENTATIVES AS SOURCE INFORMATION BASED ON OCCUPATION

Occupation	N	Mean	Sig. based on one way ANOVA
Public sector/Government	99	5.31	0.244
Private Sector	51	5.22	
Self employed	24	5.08	
Others	20	6.00	
Total	194	5.32	

Source: Self compilation from field survey 2014

The differences between the means of the groups based on occupation of the consumers was again not found to be statistically significant (p=0.244) and the null hypotheses H0₃ was accepted. However from the mean values (Table: 5) we note that people who are currently not employed, housewives, students, retirees (mean=6) had a higher preference towards company representatives than people who were self employed (mean =5.08) or working in government (mean=5.31)/private sectors (mean=5.22).

Importance assigned to reference groups and to self opinion

To know the level of importance assigned to reference groups and to self information in an insurance purchase decision the researcher have asked the consumers to mark the level of importance given to Self decision, Discussion with spouse/parents, Professional consultants(includes agents) and colleagues/friends/relatives on a scale of 1 to 7 where 7 implied very important and 1 implied least important. From the descriptive statistics (Table: 6) we can see that discussion with Spouse/parents has a very important role to play in an insurance purchase decision apart from self opinion.

TABLE 6: RANK ON BASIS OF IMPORTANCE OF REFERENCE GROUPS

Rank in order of level of influence:	N	Minimum	Maximum	Mean	Std. Deviation
1) Discussion with Spouse/Parents	194	1.00	7.00	6.0825	1.21451
2) Self study and understanding	194	1.00	7.00	6.0309	1.38798
3) Friends/ Relatives suggestions	194	1.00	7.00	4.4845	1.79587
4) Agents recommendations	194	1.00	7.00	4.2680	1.78663
Valid N (listwise)	194				

Source: Self Compilation from field survey-2014

The researcher was also interested to know whether the level of importance assigned to discussion with spouse/ parents and self opinion varied with respect to marital status and education level. Hence a one way ANOVA was conducted to test the following hypotheses:

Hypotheses Framed

H₀₄=The level of importance assigned to discussion with spouse/parents and to self opinion in an insurance purchase decision does not vary significantly with respect to marital status.

The null hypotheses was accepted as the significance value for discussion with spouse($p=0.865$)and self opinion($p=0.599$) with regard to marital status was > 0.05 and hence it can be concluded that though the mean values of the importance assigned to self opinion(mean=6.11) as well as the discussion with parents(6.14) was higher for unmarried as compared married consumers(mean=6.01 & 6.08 respectively) this was not found to be statistically significant.

Next, the researcher was interested to know the role of education level on the importance assigned to reference groups and self opinion, therefore the following null hypotheses was formulated.

Hypotheses Framed:

H₀₅= The level of importance assigned to discussion with spouse/parents did not vary significantly with respect to education.

H₀₆= The level of importance assigned to self opinion did not vary significantly with respect to education.

H₀₇= The level of importance assigned to discussion with friends/relatives did not vary significantly with respect to education.

H₀₈= The level of importance assigned to discussion with professional consultants did not vary significantly with respect to education.

The results of the one way ANOVA have been put in Table: 6, and it can be noticed that level of importance assigned to discussion with Spouse/parents varied significantly with respect to education level of the consumers ($p=.045$) and hence the null hypotheses H₀₅ have been rejected. From the descriptive statistics the researcher could note that higher level of importance was assigned to discussion with spouse/parents when education level of the consumers was primary and also consumers whose education was above graduation level. This was lower for those category of consumers who were above primary education but below graduation level.

TABLE 6: ANOVA FOR IMPORTANCE ASSIGNED TO REFERENCE GROUPS AND TO SELF OPINION BASED ON EDUCATION LEVEL

		Sum of squares	df	Mean Square	F	Sig.
Self study and understanding	Between Groups	6.202	4	1.550	.801	.526
	Within Groups	365.613	189	1.934		
	Total	371.814	193			
Discussion with Spouse/Parents	Between Groups	14.211	4	3.553	2.483	.045
	Within Groups	270.469	189	1.431		
	Total	284.680	193			
Agents recommendations	Between Groups	8.757	4	2.189	.681	.606
	Within Groups	607.305	189	3.213		
	Total	616.062	193			
Friends/ Relatives suggestions	Between Groups	7.412	4	1.853	.569	.685
	Within Groups	615.041	189	3.254		
	Total	622.454	193			

Source: Self Compilation from field survey-2014

MAJOR FINDINGS, SUGGESTIONS AND CONCLUSION

The major findings of the research enquiry have been summarised as follows:

- 1) Consumers perceive life insurance products as a tool for risk coverage and for family protection. 88.7 % of the consumers feel that it is necessary for family protection and 83.5% feels that it is the best tool for risk coverage.
- 2) Though research papers and news articles have mentioned that consumers are losing faith in insurers the findings of the current study reveal that 62.3% of consumers disagree to the statement that insurance makes false promises. However insurers need to probe further as to why the remaining 37.7% are either neutral or feels that insurance makes false promises.
- 3) Direct interaction with company representative seemed to be the most preferred source for seeking information about life insurance products. This suggests that training and development of the company representatives should remain a top priority item for all insurers.
- 4) Though the preference for direct interaction with company representative did not vary significantly with respect to gender it was observed that the female gender had a higher preference for this source of information than the male gender.
- 5) Discussion with spouse/parents ranked above self judgement in an insurance purchase decision. This suggests that consumers always prefer to consult with reference groups and does not like to make stand alone decisions when it comes to purchase of insurance products.
- 6) It was also noted that importance given to the discussion with spouse/parents varied significantly with respect to education of the consumers.

To conclude the researcher would like to state that though the current study has led to several findings regarding the relationship of certain personal factors with the purchase behavior of consumers of life insurance this study did not focus on the calculation of the effect size of such relationships. Hence further research can be done in the same line to make the findings of this study more meaningful. In this study the researcher focussed on the buyers characteristics and not on the marketing initiatives of the insurers. Hence similar studies can be done to find out the relationship of marketing initiatives on pre purchase behavior and the effect size of such relationships if there exist any.

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