Factors Affecting Consumer Behavior in the Insurance Sector

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Abstract – India's insurance sector is seen to grow at an alarming rate. As more and more companies enter the insurance world, the competitions tend to raise more. Competition in the sector of insurance in India is strong owing to the fact that there always has been a new entry. Hence one of the most crucial factors to stay in the market and resist the rising competition is to induce customer satisfaction. Hence, it turns imperative to not only assess but also work towards factors the promote customer involvement in a particular company. The underlying study focuses on the factors that boost the customer participation in the Ajmer Insurance Company. The major aim is to look out for those factors and then rank them accordingly. An important factor is the demographic variables. Hence the profile of the same has been studied.

Keywords: Consumer Behavior, Insurance Sector, Customer Satisfaction, Marketing, Sales

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I. INTRODUCTION

The financial systems soundness determines the economy development. One of the most eminent players in the domain of financial system is the insurance sector. Owing to the Indian economy's liberalization, there has been an array of companies entering the market and also competing with both the foreign and the Indian companies to attain a significant share in the market. It is seen that the insurance sector is not just fighting with its own domain industries but also with other financial institutions.

With the advent of the private sector, the total industry count of insurance sector has elevated. Owing to such high competition, the activities and the structure of the insurance sectors has had an impact across the world. The reach of insurance sector to the people has been extended to even smaller town and cities. As people tend to be more aware about the facility and the benefits of the insurance company, the domain is largely rising and so there arises an urgent need to look out for the factors that affect the choice made by a customer for a particular company (Arrow, 1965).

Even though the type and kind of services provided by all the insurance company across the globe is similar, yet they are plethora of choices available for the customer to choose from. This suggests that the users have a pool of choices and alternatives and it is obvious that the agency providing better advantages to the user would be chosen by them. These differences are the one that segregate two insurance companies. Insurance company in India underwent an array of modifications depicting multiple developments. The major company relies on the basis of the technology used, along with the services and the products the company provides to both attract and retain its customers (Beck and Webb, 2003). The saturation as well as competition in the Indian company's bshoild is customer driven as they need monetarily values.

It is important for the insurance companies to set up a customer base so that the market share increases and also work upon the factors that determine the choice of a particular company. It's high time and the insurance companies now focus on inducing an approach that is largely public oriented and not profit based. As users nowadays are highly demanding and curative, it is imperative to adopt straegies that promote the choice of a company by the users. The insurance agency needs to look on providing the services to the customers in terms of their preferences so that they not just retain their old customer but also attract new ones. With the competition boiling up each day in the industry, it is important that companies clarify the factors that promote one company over the other to be chosen by a customer. Identification and evaluation of such data helps company strategize steps they need to take to sustain in the insurance industry for long.

It is easy to segment user market on varied bases. Segregating users enables the company to group people with similar need and expectations so that the requirements of each can be separately addressed to device effective and sound strategies. One such way to segregate the users is the demographic variables. Once you group people from same area together, now you can easily specify their needs and wants. If there does not exist a proper definition pertaining to the factor that enables a user to pick a significant insurance company then this leads to loss of potential users.

The underlying study is a step toward looking out for the factors that promote the choice of a particular company. Several factors considered include: speed, infrastructure, location, global reach, staff professionalism and facilities of Internet banking. Depending on all the above-mentioned factors, how the choice varies provides insights about what drives a user to choose a particular insurance company.

II. LITERATURE REVIEW

Researcher for long has focused on decision making by users. Around 300 years before , an economist as led by the Nicholas Bernoulli, von Neumann and Oskar Morgenstern staryed focusing on the decision making by the users (Kwon, 2002). The earlier way of the study took up an economic perspective and laid its focus majorly on the purchase (Mossin, 1968). The underlying model focuses of the utility theory that states that users make decisions on the basis of the outcome of a particular choice. Consumers are basically the ones who make decisions radically and only seek self-interest (Fishbein and Ajzen, 1975). A man is seen as rational economic according to the utility theory (Kardes, 2002), several research on the behavior of the user underake an array of factors that has an impact on the buying behavior of the consumer. This also comprises of various activities that include research of information, need recognition, alternative evaluation, driving intention of purchase, purchasing, using and disposal. This total view of the users is formed on the basis of experience of purchase through various stages that occurred in past through adoption of several methods and dynamic approaches.

Though the above trend was continuous but it was only after 1950 that the behavior of user was linked with the market growth to encompass the array of activities that has an impact on the decisions made by users (Kumar, et. al., 1995). Evidently, consumer behavior is deemed as the process study where an individual or groups of people chose, purchase, uses products, dispose them, ideas, services, or induces experience that satisfies desires and needs of the users (Anderson and Sullivan, 1993). During further development, several models have been created such as the frame model, rational model and the sociological model (Lee and Marlowe, 2003).

During decision making by the users, the one that is crucial is the choices they have. This states that both demand and supply influences the buying behavior of a user and this is called as asymmetric information. This information suggests that entity on side has better information that entitles on the other side. It is possible that the entity with better information disrupt them causing damage to others. Owing to this, a failure in the market occurs only when the choices are inefficient; prices seem distorted along with several other factors. Also, this asymmetric information has a significant impact on the insurance sector. It is obvious that the entity that claims insurance is better aware of the fact all details of the incident and could pose something else but then the company too has dealt with multiple clients and knows how to tackle with fraudster. The companies use significant pertaining to the products self-made (Krishnamurthy, et. al., 2005).

The demand side advantage is the insurance company's advantage. The prime advantage is that onku the client has the idea about its health issues, assets technical condition, own situation and the financial condition. So, it is desirable that such insurers conclude their insurance when they consider it worthy. The client is found to use dominance information, thinking that the insurance company would pay the more than what they have paid to the same (David, 2009).

In the field of decision making, an array of studies done such as the users behavior while choosing a product of bank in Pakistan. The below deposits the objectives of research of 2 & 3 along with the sensitivity analysis of the marginal effect. At 0.05 significance levels, the research is the most subjective. Seven of the most influencing factors found from the model of regression and factor analysis are stated below:

Table 1: Marginal Effects of Customers Switching Behavior.

Ranking Factors Name	Marginal effect
1 Price	0.16398341
2 Distance	0.10936621
3 Switching Cost	-0.10567336
4 Service Quality	0.07095342
5 Reputation	0.06339969
6 Involuntary Switching	-0.05280674
7 Effective Advertising Competition	0.04025589

Extended research focused on the impact of service quality on the customer's decision making patterns (Arrow, 1965). The research suggest that quality factors such as the operating hours, equipment that are modern, Frontline employees of bank and the banks understanding the customers' requirements are clearly appearing. It is seen that if a unit change occurs in building with modern amenities, then there occurs a 0.135 unit of increment in the overall intention behavior of the customer.

Similar to this, an analysis done on financial services has been applied in Portugal. Also the factors that promote a particular product choice have been studied (Fishbein and Ajzen, 1975).

Fishbein and Ajzen's (1975) put forward a theory related to the reasonable action and is found to be the part of the theory of buyer behavior school [5]. The school lays its focus on the marketplace customer by two significant ways. The first being the personal demographics of the customer and the second being the reason why a customer acts in a specific way. That is the terms that enable a customer begave in a certain manner. An assertation by Arrow (1965) suggests that the buyer behavior school had the highest impact on the marketing discipline apart from the school of management (Arrow, 1965). In the current marking scenario, the increasing importance of the wants and desires of the user, it is important for the study behind the behavior of user.

Krishnamurthy et al (2005), in the paper named the India's insurance industry: Performance, Structure and the Challenge of Future studied the status and also the growth of the Insurance Industry of India post liberalization and further puts forward the opportunities and challenges link to the industry (Krishnamurthy, et. al., 2005).

Insurance industry is seen to be the country risk management systems backbone. This also has impact on the growth of Indian economy. Inducing the insurance relies on factors such as awareness of the same, service quality and also the availability of the products of insurance. The future of the insurance industry largely depends upon the fact whether the company is able to meet the needs of the insurers and if yes then to what extent. Also, if they are able to alter the perception of the customer and make them aware of all the risk that needs to be insured. The paper also focuses on the Banc assurance role, customer service and its corresponding role in the success of the insurance sector.

Mossin (1968) in the paper named as_ Study on the preference of the customer towards the services provided by the insurance sector explores the awareness, the terms of satisfaction and also the choice of a customer while preferring a particular company [4]. The study focuses on the attitude of the user towards the product purchase and the available format services as given by banks. He laid suggestions that would improve the awareness of the users related to the banks performance while selling the policies of insurance.

Also the ICFAI publication of Hyderabad stated in his book wants by which the bank insurance is profitable for the insurers, the banks and also the customers. It also highlighted the challenge faced by the bank insurance. He laid down the difference between the insurance agency and the bank that provide the same and stated that this could pose threat to the banc assurance growth. Owing to the greater consumer base and also the trust people own on banks turns bank the first choice for opting insurance.

As per David (2009), owing to the leveraged demand, it is seen that the consumers opt for multiple firms and organizations to promote better program for sales, there is few of no knowledge about the internal events that promote learning about the services of customer nationwide (David, 2009).

As per Lee and Marlowe (2003), the prime need today is the effectiveness of customer management for their underlying interactions [9]. Services provided to the user leverage the interaction of the same with the company. Organization has the urgent need to assess the data to view the behavior of the customer and understand their value. Analysis of the relationship with the customers is imperative for the success of the company.

Beck and Webb (2003) agreed on the fact that insurance is largely considered as the products that promotes serious risk, but own lesser probability and might get lost in the individual group hence giving protection to the required individual (Beck and Webb, 2003).

Kwon (2002) suggest that this product is of a good sense majorly when the protection is bought against the specific loss so huge that it is deemed as catastrophic as the destruction of the home of a person, death of a person in the family, and also the liability judgement of an accident (Kwon, 2002). But there has been a recognition that such product is not easy to sell.

Fishbein and Ajzen (1975) seek insurance to be in such category that lies in the unsought goods, undertaking the products like the dental services and the plots of burial [5]. He also suggested that such goods pose significant challenges to all the marketers.

Kardes (2002) saw that people are more like to purchase such insurance products against loses that are small and has higher probability as compared to larger and less probability insured products [6]. However, an opposite view was noted by Hershey and Schoemaker (1980).

Kunreuther (1979) suggests that not the magnitude but the frequency of loss of particular product forces people to opt for purchase of insurance voluntarily.

Kahneman and Tversky (1979) reports that an individual who is averesed of risk should stay away from the different kinds of risk. Several evidences empirically suggest that most of the people are averse to risk for the gains as well as seeking risk for potential loss.

Kahneman and Tversky (1984) adversely suggest that many are not aware of the potential risks. Several demonstration suggest that the absence of an understanding of the concept of risk and the corresponding probability suggest that providing greater choices pose decision issues and conflicts along with uncertainty of preference that leads to the deferral of the decision.

Smith (1982) states that the contract of a typical life insurance company would have packages of choices or the rights to policy owner which has not been duplicated by significantly any other combination of the contracts commonly available. Viewing from such a perspective, it is seen that the life insurance has a significant unique place in the investment field and needs to be judged in such a situation. The underlying paper suggest that there are options that lay forward a total explanation of the owner of the policy towards the behavior of the life insurance as compared to the view protection and saving conventionally.

Walden (1985) said that the packaged view of insurance policy for the entire life suggest that the policy for the entire life has an array of options where each has a significant value and is found to have an impact on the policy price. The above viewpoint suggests that the hypothesis as discussed in prices between the policies for the entire life is explained by the different contract provision of the policy and also the characteristics of the company. The theory of the options package has been investigated empirically using the method of regression analysis based on the data from policy sample as marketed in the North Carolina.

Kirchler and Angela-Christian Hubert (1999) saw that the current study focus on describing spouses dominance in making decision that pertain to several kinds of investment. Viewing the determinants of the dominance of spouse, characteristics of the partners as attitude and role of partner, satisfaction in marriage, expertise of an individual with respect to significant other investment has been considered. Here the question arises about the dominance of spouse while making decisions on the investment based on the corresponding characteristics and also the characteristics of the partner has been completed by 142 couples of Austria. Predominantly, it has been seen that the wives become adept to the dominance by their husbands while making savings and decision of investment. Also the dominance of their wives is seen to be highest in the partnership of egalitarian where the decision has been dominated by wife and more frequent in the partnership. In addition to this, expertise of a spouse with respect to the investment in the underlying question has significant domiant effects on distribution. Spouse that has greater expertise as compared to the partners exert more impact on the process of decision making.

Amy (2004) examines the role of the satisfaction in the encounters. Majorly the above study seek investigation of the relationship amidst the emotional satisfaction and the significant concepts like the customer loyalty, service quality, and the quality relationship along with the clarification of satisfaction in suggesting the loyalty of the customers and also the quality of relationship. While doing so, the study has taken the relationship amidst the service quality, satisfaction in terms of emotion, customer loyalty, and the quality of relationship with respect of data as well as the survey of 1261 retail customers of Australia. The retail users of the Australia have concerns with respect to evaluating the experience of issues. The underlying results predict that the quality of service has been found associated with the satisfaction emotionally. This in turn is linked with the loyalty of user and the quality of relationship. Also the feeling of the customer acts as the highest predictor of the loyalty of the user whereas the happiness feelings act as the predictors of the quality of relationship. The specific findings state that there is a need of a firm to investigate strategically increases the antecedent of the loyalty of the users and also tbe quality of relationship while retaining customers and long term profits.

Stephen (2004) shows the results of the comparison as percieved by the customers individually and also the financial experts that advise on the management of risk as involved in the financial products in UK. Several test factors suggest that there exists significant difference between the lay investors and the experts in the way they percieve financial risk. Experts has been found to be less prone to loss than the lay investors but then more likely to affliation bias, they believe that the products are less complex and also less clinical and does not own trust pertaining to the protection as given by the investor. The response to the traditional finding state that both the experts and also the non-experts own different perception and also understanding related to the risks has been instituting communication programmes related to the risk so that the consumer be educated. But the corresponding approach is not bound to be a success in the environment where the individual are seen to induce distrust on experts and regulator.

Helmut (2005) found that the risk related to the demographic would be a significant threat to the stability of the financial industry of insurance that has underwritten annuity and life insurance. The adverse impact on the changes in the laws of the mortality on the life insurance market value along with the liabilities formulates opportunity for natural hedging.

Evan (1999) studies that the industry of insurance is frequently thought as something that is concerned about the issues of energy. But the involvement of the insurers and also the allied industries in the deployment and also development of technology such as anti-theft devices, air bags, systems for fire prevention suggest that the industry poses the history of the technology as utilized to better the safety and also causes a decline in the loses which other they might need to pay. We have explored around 80 examples of renewable energy and energy efficient technology that provide benefits for loss prevention and also map the opportunity into several segment of the different sector of insurance.

Some of the risk managers as well as the insurers has been recognized the several hidden benefits of the insurance company

Formisano (1981) examines through the interview of the consumers as the effect of the National Association of Insurance Commissioner's Model Life Insurance Solicitation Regulation as applied in New Jersey. A significant portion of sample of the insurance buyers is unaware of provisions pertaining to the regulation that aim to better the ability of insurance providers. Also multiple buyers are not informed about the nature as well as the life insurance operation and primarily the policy purchased by them.

III. CONCLUSION

Hence the company needs to lay focus on factors such as the location; network and branch which even the user feel important. Also Importance has been laid on the infrastructure, service delivery, rates of interest, opening accounts, and the working hours are among the several factors that customer seek important. Also several factors such as the responsiveness, technology and the staff member's guidance along with company reputation are considered by the company while making decision. Hence, the factors should be analyzed by the company and provide weightage to all these factors and undertake significant strategies to both attract new customers and also retain the old customers.

According to the study, gender or educational factors does not have any influence on the customers buying behavior. Hence, the company does not need to lay focus on the importance on market segmentation based on the demographics so that the choice and preferences of users be determined.

More study need to be done based on the factors that have significant impact on the buying behavior of the user. Extended research should be performed at a different location that has customers of different demographic and cultural background. The current Study does not compare and so the future study needs to focus on comparison of the choices made by the customer while choosing a particular company. Also several other factors that have not been explored and so the future study needs to examine several dimensions pertaining to the choices of the customer related to a particular company.

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