ANALYSING CONSUMER DECISION MAKING PROCESS IN LIFE INSURANCE SERVICES

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ABSTRACT
Customer satisfaction is the perception of customers on the service whether that service has met his needs and expectations. The quality of service, personal demographic and psychological factors, perception of equity and fairness, price, product quality, situational factors, and attributions for service success or failure are the factors that influence the customer satisfaction. This research paper will determine the attributes which influence consumer decision making process while opting for any tax saving instrument or financial instruments like life insurance depending upon its flexibility, reliability of brand, liquidity and many other features. The descriptive survey with the research articles it brings to the fore that the Life insurance has been preferred as depending on the services offered by the insurance companies like number of product, knowledge of customer (via KYC), timely issuance of policies and after-sales services before and after claim. By understanding financial services customer can improve business for companies on the basis of better service received. The insurance firms strive to identify customer requirements and develop strategies that allow them to meet or beat the service level provided by their competitors.

KEYWORDS: consumer behaviour, life insurance, decision-stages, decision-model, strategies.

Introduction:
“A Consumer behavior” has been defined as “a process a consumer uses to make purchase decisions as well as to use and dispose of purchased goods or services, also includes factors that influence purchase decisions and product use.” Life of social human being is full of risk, responsibilities, and uncertainties; and life insurance substitutes the uncertainty by certainty. Insurance sector plays a very important role in the development of any economy also, as it provides long term funds for infrastructure development and at the same time strengthens the risk taking ability. Indian consumers have big influence of emotions and rationality on their buying decisions. They believe in future rather than the present and desire to have a better and secured future, in this direction life insurance services have its own value in terms of minimizing risk and uncertainties.

Literature review
Govind (2009) found that insurance company required to provide efficient services just can generate the confidence of customer toward company, however, allow customers to an undue
delay is an important reason to lose the confidence by the insured in the talks by the insurer or his representative. Praveen, Gaurave, and Vijay (2009) found that ease of procedures is a contributing factor towards the study. This factor includes various variable statements which are co-operative and friendly agent, settlement of claims easy and timely, the company provides claims on time, and agent is well informed about policies. Tajudeen, Ayantunji and Dallah (2009) believed that people with education have more positive attitude toward insurance than people who less education ones. Besides that, they also find out the respondents who have highest positive attitude towards insurance is the people in age group between 56 and 65 years than other age groups this is due to the people in this age group are at the end of the active life and they are more aware of their retirement life. They also found that high household income groups have highest positive attitude toward insurance than the low household incomes groups, in fact, the wealthy household comparatively feel protected commonly in Nigerian economic environment. From the other point of view, the low household income groups are less authorized and usually they feel that the insurance is further than their reach. James F.D. & Sally M. (2007) found that customer distinguish that they have nothing to lose by implementation the lowest price offer despite the consequences of who is offering it. With this kind of offering, the brand does not appear to play any role in indication of a particular capability and little or no value is emotionally involved to the brand. If an unidentified or lesser known company offers a better deal, they are likely to be chosen. In general, customers in this kind of markets also show signs of a high degree of willingness to switch providers in look for of a better deal. Suh et al. (2006) argued that customers from different cultures may depend on different factors during the process of relationship development with services providers. Praveen, Guarave and Vijay (2009) found that demographic risk is the risk that life tables change in a nondeterministic way. It is a serious threat to the financial stability of an insurance company having underwritten life insurance and annuity business. The opposite influence of changes in mortality laws on the market value of life insurance and annuity liabilities creates natural hedging opportunities. Lin and Zhen (2005) state that product knowledge devolves on consumer's trust about the product, or consumer's consciousness about it. Ravipa L. & Mark S. (2004) state that customer perceived that life insurance is a long-term investment. With the long-term policy of life insurance, customers want to confirm that they understand how to receive their money back when the maturity date of insurance policy in the future, or that their family knows how to get it when they have any unfortunately happen. Fundamentally, customers need personal commitment from salespeople whom they trust to make sure their money will not be lost cause of the poor investment by the insurance company. Besides that, customers want to have someone who will help them take care their interest and can be contacted easily when they need claim for themselves. In the study of quality life in developing countries with orientation to South Africa, Moller (2004) found that income and social security which are the own wages, ability to provide for family, insurance against illness and death, and income in old age have been regarded as one of the major pointers of quality of life, this point of view stresses the importance of insurance to human life. Zeithmal and Gilly. (2001) has witnessed that technology is increasingly influential in consumers, interactions with the marketplace. The elderly a growing consumer segment have traditionally been considered resistant to change. they researchers are most concerned how the elderly accept and resist change so that marketing technologies are developed that meet the needs of this segment. Technologies that offer superior efficiency/effectiveness which can be
communicated to elderly consumers in such a way that can speed the adoption process for individuals and the diffusion process within the elderly population as a whole. Javalgi and Moberg (1997) state that as the services have different characteristics, so that the result of differences in strategic positioning, and so the most effective strategies for maintaining and building the loyalty may be different between product and service providers. In addition, these differences may mean that there is indeed a market-oriented product marketing service providers in relation to different meanings. The relationship between provider and customer is inseparability in many service setting; this will make the customers less switching after they develop a relationship with a service provider. Most of the customers believed that the services have higher risk than goods that is because services are intangible and heterogeneous. Richard A. Duschl, Emmett Wright (1989) investigated the manner and the degree to which science teachers considered the nature of the subject matter in their decision making addressing the planning and the delivery of instructional tasks. The goal of the study was the development of grounded hypotheses about science teacher’s pedagogical decision making. In the study of how consumers’ evaluation processes differ between goods and services, Zeithmal (1981) state that some of the major determinants of brand loyalty for products and services are accessibility of substitutes, recognized risk related with a purchased, the cost of exchanging brands, and the previously satisfaction with a brand. Nelson (1970) distinguished between two characteristics of products: search qualities, attributes which are very tangible and can be evaluated by examination prior to purchase; and experience qualities, attributes which can only be evaluated during or after consumption.

Research methodology
Secondary data has been collected from research papers, articles, and websites. The author has used descriptive research method in the research paper to understand the consumer behaviour in the life insurance industry.

Statement of Problem
The main objective of this paper is
- To study the consumer decision making process while buying life insurance;
- To study the special considerations to the attributes of consumers pertaining to life insurance industry;
- The strategies that can be adopted to combat the conflicts in life insurance purchase decision.

Theoretical interpretations:
Consumer orientation lies at the heart of the marketing concept. As marketers, we are required to understand our consumers and to build our organization around them. This requirement is particularly important for insurance services, which in many instances still tend to be operations dominated rather than customer oriented. Nowadays, it is rather more important to understand consumers how they choose among choice of services offered to them and how they evaluated these insurance services once they have received them. To market insurance services effectively, marketing manager needs to understand the thought process of consumers during the stages of
purchase decision. When buying an insurance policy or services, new or high premium policy, the consumer decision making process go through following five stages:

a) Need recognition  
b) Search for alternatives  
c) Evaluation of alternatives  
d) Purchase decision  
e) Post purchase evaluation.

1. Pre Purchase Stage

a. **Stimulus**: It has been observed that an individual receives a stimulus that may incite him to consider a purchase. This stimulus may be commercial cue, social cue or a physical cue.

   - **Commercial cues** are the result of promotional efforts by advertisers. **Social cues** are obtained from the individual peer groups or from a significant other e.g. friends are opting for term insurance or Mutual funds / ULIP / SIP instead of traditional life insurance plans/ NSC/ KVP/FDR.
   - This stimulus may also result in physical cue such as **biological cue**, E.g. fear to die from accident, critical illness, physical disablement, unemployment, etc which can create tension or worry about family members. How will they manage the expenses if any mishap occurred?

b. **Problem awareness / Need recognition**: During this phase, the consumer examines whether they are really facing with an imbalance between actual and desired states that arouses and activates them to purchase risk coverage.

   - **Internal stimuli** are the occurrences you experience such desire for security / saving for family or self for future financial planning.
   - **External stimuli** are the influences from outside source such as someone has recommended a new investment plan, whose features, flexibility, benefits, illustrations, charges, liquidity options, switching options, types of funds, guaranteed returns, etc under a brand name mentioned by a friend or colleague or by a family member seems attractive.

   It is the main objective of a marketing manager to recognize the imbalance between present and preferred status of consumer.

   The Need for Life Insurance is Permanent . . . Not Temporary.
When is the best time to buy life insurance?
• How much will you need?
• How long will you need it?
• How much will it cost?

*Unfortunately, death or disability could occur at any time.

- What do you want to accomplish with your life? Why are you here?
- What is your purpose?
- What is your overall financial and investment strategy or game plan?
- What do you want to accomplish with your money?
- What is your family financial philosophy?
- What’s important about money to you?
- What are your goals?
- How do you want to be remembered by your children, your grandchildren, and your community or society?
- Where do you want your money to go?

Indemnify foremost that which you can least afford to lose…your income, your health, and your life. Make sure you have adequate health insurance, disability income insurance, and life insurance. When it comes to life insurance, buy as much as you can get and afford. For most people, a combination of term and cash value insurance is the best approach. Assess your overall planning annually with your advisors.

c. **Information Search**: The need recognition stage of a problem demands a solution from the individual and it usually implies that a potential purchase will ensue. During this phase the individual will collect information regarding possible alternatives available to satisfy the need. An information search can be internal or external or both.

- **Internal search**: with family, friends, funds available and tax bracket, etc
- **External search**: it can be market controlled as it seeks information from the outside environment i.e. Banks, websites of various insurance companies (www.irdaiindia.org, www.policybazaar.com, www.bimaonline.com, www.licindia.com, www.iciciprulife.com, www.kotaklife.com, etc), mutual funds, ELSS, PPF, EPF, NSC, Post office savings scheme, KVP, etc. different insurance products (Term, Endowment, Money back, Whole life, Pension plans, single premium, etc)

Around 67% of web-user’s in India use online review before making purchase decision. Thus consumer’s information search should yield a group of brands called evoked set. From this set, the buyer will further evaluate the alternatives and make a choice. Having too many choices can in fact confuse consumer and cause them to delay the decision to buy or in some instances not to buy at all.

- When should you buy life insurance?
- From whom should you buy life insurance?
- How do you select an insurance advisor?
- The wimp factor.
- Who should be involved in your meetings?
- When and where should you meet with your insurance advisor?
- What should you expect from your advisor?
How do you select a company? There are almost 24 life insurance companies doing business in the India. How do you choose one? Where do you get the ratings information? What do I recommend? What Is Your Philosophy Regarding Life Insurance?

d. **Evaluation of alternatives:** After getting information and constructing an evoked set of alternative products the consumer is ready to make a decision, a consumer will use the information stored in memory and obtained from outside sources to develop a set of criteria. The environment internal information and external information help consumers evaluate and compare alternatives. One may have to begin narrowing the number of choices in the evoked set to pick a set that don’t have the attribute.

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A final way to narrow the choices is to rank the attributes under consideration in order of importance and evaluate the products based on how well each performs on the most important attributes. In a different way consumers can evaluate a product is according to the categorization process. The evaluation of alternatives depends upon the particular category to which it is assigned. The attributes identify cover a wide range of concerns related to consumer multi-attribute models as under

A. A list of alternatives
B. A list of criteria for purchase
C. Importance weight-age attached to each criterion.
D. Performance, beliefs connected with a particular firm (in newspaper, articles, etc)
E. Performance, beliefs, connects with other insurance companies or their products.

2. **The consumption stage:** Ultimately, the consumer has to decide whether to buy or not to buy the long term investment plan with insurance company many questions come into mind; it has to be often a fully planned purchase based upon a lot of information. During this stage, the consumer may make a decision which is accompanied by a set of expectations about the service, the activities of buying; using and experiencing are grouped together.

3. **Post purchase stage:** While purchasing / choosing a service firm the consumers expect certain outcomes from the purchase. How will these expectations are met determines whether the consumer is satisfied or dissatisfied with the purchase. During this stage the consumer may experience varying levels of disturbances called cognitive dissonance (a doubt that the correct product has been purchased). Marketers, often, attempt to minimize the consumer’s cognitive dissonance by reassuring the customers that the correct decision has been made. Customer satisfaction is achieved when consumer’s perceptions met or exceed their expectation.
Special considerations pertaining to insurance industry

a) **Perceived risk:** consumers of services tend to perceive a higher level of risk during the pre-purchase decision stage. The perceived risk is proposed to consist of two dimensions as consequences and uncertainty.  
   a. Financial fear of losing funds  
   b. Fear of Performance of funds  
   c. Physical fear to hurt my financial planning  
   d. Psychological risk of self esteem  
   e. Social fear of friends / family

b) **Risk and standardization:** In the concept of homogeneity no two policies of investments are similar as they are dependent upon premium, funds opted, risk covered, term of the policy, fund management charges, health of the policy holder, how often the funds switched, timely premium payment, withdrawals, liquidity, etc. Hence, homogeneity is not possible.

c) **Risk and information:** Many researchers have argued that the higher level of risks is associated with service purchase are due to the limited information i.e. readily available before the purchase decision is made.

Strategies to improve customer awareness about benefits of life insurance products:

a) Building service aspirations consisting of norms of behavior or set of values / morals on the basis of which the employees can make decisions.

b) Educating customers to avoid peak demand periods.

c) Adrein Payne has enumerated the following evolutionary changes  
   a. Emphasize the use of database marketing techniques  
   b. Increase profitability through improved customer retention  
   c. Integrate marketing initiative  
   d. Market planning in more discipline, realistic and focused manner  
   e. Shift emphasis towards market oriented culture

d) Launch awareness movement through various convenient people-oriented programmes. Through media, corporate publicity, rural camps and popular communication channels including Radio, TV, and Publicity Vans;  
e) awareness of products and services though visuals that trigger curiosity and manifest in terms of desire and later sale-purchase transactions;  
f) beyond these stages, to take up awareness of other aspects such as product, price, quality, service, convenience, status, pride, joy and ease;  
g) campaigns to educate rural and semi urban masses on the need for security that protects their livelihood, security for produce and belongings and create feel-good feelings;  
h) engage NGOs with proven credentials and rural intermediaries.

To summarize, life insurers can add into many massive efforts to reach out to all and various sectors of society, a new incident will come into view to their pleasure viz., opening up promising avenues for ‘creation of new markets’ – the basic fundamental and prerequisite for sustainable development. Market dynamics will rule and clarify a stage through a process of evolution ‘new value creation’ – the sum total of all innovations.
Conclusion: Security has been a universal desire right from the earliest civilizations. This quest for security has led to the concept of insurance. Insurance is a contract between two parties whereby one party called insurer undertakes, in exchange for a fixed sum called premium to pay the other party an assured sum of money on the occurrence of a certain event. Life insurance protects against the economic loss in the event of death. A family is generally dependent for its food, clothing, and shelter on the income brought by the bread earner of the family. So long as he lives, that family secure but the death of the person may put the family in a very difficult situation. The consumer decision making process for buying a life insurance product is hold true as in case of any ordinary product. Hence the same model is equally valid under all circumstances.

The consumer’s perception towards Life Insurance Policies is positive. It developed a positive mind sets for their investment pattern, in insurance policies. Still some actions are needed for developing insurance market. The major factors playing the role in developing consumer’s perception towards Life Insurance Policies are Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client Relationship. Insurance industry has to go ahead. Hence, we, all have to agree with, Ms Rajni M Shah (2008) in which
she has concluded that “customer is business, business is people, and people are customers” “satisfying a customer is everybody’s business”.

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