ORIGINAL RESEARCH PAPER

Gynaecology

ANALYSING CONSUMER DECISION MAKING PROCESS IN LIFE INSURANCE SERVICES

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

Dr. C. Vellaichamy Associate professor in Management, Sri Ramakrishna Mission Vidyalaya College Of Arts and Science, Coimbatore,641020.

C.RAMAN* Research scholar M.S. University Thirunelveli. *Corresponding Author

ABSTRACT

Customer contentment is the awareness of customers on the service whether that service has met his needs and potential. 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.

INTRODUCTION:

Life Insurance Corporation of India (LIC) is an Indian state-owned insurance group and investment company headquartered in Mumbai. It is the largest insurance company in India with an estimated asset value of 2,529,390crore (US$350 billion)(2016). As of 2013 it had total life fund of 1,433,103.14 crore and total numeral of policy sold coming in at 367.82 lakh that year (2012-13). The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalized the private insurance industry in India. Over 245 insurance companies and farseeing societies were amalgamated to create the state owned Life Insurance Corporation. Life insurance is a contract between an insurer and a policyholder in which the insurer assurance compensate of a death benefit to named beneficiaries upon the death of the insured. The insurance company promises a death benefit in consideration of the payment of premium by the insured. "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.

HOW LIFE INSURANCE WORKS

There are three major components of a life insurance policy.

1. Death benefit is the amount of money the insurance company guarantees to the beneficiaries well-known in the policy upon the demise of the insured. The insured will choose their desired death benefit amount based on estimated future needs of surviving heirs. The insurance company will decide whether there is an insurable interest and if the insured qualifies for the exposure based on the company's underwriting requirements.

2.Premium payments are set using actuarially based statistics. The insurer will determine the cost of insurance (COI), or the amount required to cover mortality costs, organizational fees, and other policy preservation fees. Other factors that influence the premium are the insured's age, medical history, occupational hazards, and personal risk propensity. The insurer will remain forced to pay the death benefit if premiums are submitted as required. With term policies, the premium amount includes the cost of insurance (COI). For permanent or universal policies, the premium amount consists of the COI and a cash value amount.

3. Cash value of permanent or universal life insurance is a component which serves two purposes. It is a savings account, which can be used by the policyholder, during the life of the insured, with cash accumulated on a tax-deferred basis. Some policies may have restrictions on withdrawals depending on the use of the money withdrawn. The second purpose of the cash value is to offset the rising cost or to provide insurance as the insured ages.

LIFE INSURANCE RIDERS

Many insurance companies offer policyholders the option to adjust their policies to put up their private needs. Riders are the most common way a policyholder may modify their plan. There are many riders, but ease of use depends on the provider.

- The accidental death benefit rider provides additional life insurance coverage in the event the insured's death is accidental.
- The waiver of premium rider ensures the waiving of premiums if the policyholder becomes disabled and unable to work.
- The disability income rider pays a monthly income in the event the policyholder becomes disabled.
- Upon diagnosis of deadly illness, the accelerated death benefit rider (ADB) allows the insured to collect a portion or all of the death benefit.

Each policy is exclusive to the insured and insurer. review the policy document is necessary to understand exposure in force and if additional coverage is needed.

REVIEW OF LITERATURE

Khan, M.K. (1978) discusses the opportunities available which provide wonderful careers in life insurance sector. The paper talks about the skills required for a career in life insurance sector. Life insurance sector doesn't come along with restrictions and barriers. It provides lots of flexibility for the people who want to build their careers in the sector. In fact the avenue also creates and develops the overall personality of an individual. There is a long lasting relationship of life insurance agent with his/her clients and also there is no substitute for service rendered.

Shesha Ayyar, V. (1986) opines in the article entitled "Product Development" about various issues and challenges which are related with regard to developing new polices. The author discusses the need for building and developing new schemes and various concerns which can pose problems for the insurance sector. The insights present details about the growing requirement regarding ancillary benefits such as benefits for hospitalization or disablement etc.

Shivanand .H.Lengti (2009), discuss about the insurance investors who have the option to choose all other aspects of insurance from insurance authority such as insurance ombudsman and insurance counsel to take their disputes further.

Siddiqui et al. (2010) tried hard to build up a suitable and consistent tool to compute customer perceived service quality in life-insurance sector. The objectives of the study were, first to investigate service quality structure for life insurance and then relative importance of these service quality dimensions from customers' perspective, so as to ensure optimal deployment of resources among these dimensions, and thereby best value to the customers. Further, the study tried to measure as to how well services were being delivered i.e. up -to what level performances were meeting the expectations.

RESEARCH OBJECTIVES

1. To study the consumer decision making process while buying life insurance.
2. To understand and evaluate investment behaviour and patterns in the buying decisions in life insurance.

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

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.

Pre Purchase Stage

(a) Problem awareness / Need recognition: During this phase, the consumer 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 occurrence you knowledge such desire for refuge / saving for folks or self for future monetary planning.

- **External stimuli** are the influence from outside source such as someone has not compulsory a new investment plan, whose features, flexibility, benefits, illustrations, charges, liquidity options, switch options, types of money, definite 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.

b) 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.irdaindia.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.

C)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.

D) Purchase decisions:

After the consumer has evaluated all the options and would be having the intention to buy any product, there could be now only two things which might just change the decision of the consumer of buying the product that is what the other peers of the consumer think of the product and any unforeseen circumstances. Unforeseen circumstances for example in this case could be financial losses which led to not buying of the product

E)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,

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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.

M5 KEYS TO CUSTOMER GROWTH FOR THE LIFE INSURANCE INDUSTRY

Life insurance sales have been declining. The U.S. life insurance industry's average annual growth over the past 10 years has been less than 2%. In the last 30 years, the number of life policies sold annually has fallen by almost half, from 17 million to fewer than 10 million.

A new report by McKinsey called The Key to Growth In U.S. Life Insurance: Focus on the Consumer claims that this is, at least partly, the insurers' fault for not properly informing the public. Consumers are often not aware of the importance of having life insurance and how it can provide for their loved ones. According to McKinsey mass affluent research in 2015, only 65% of Americans who are married with dependents have a life or an annuity policy. While one may argue that it is the consumer's responsibility to become educated and not wait around for an agent to contact them, insurance companies who take the initiative to educate and target consumers will reap the rewards in more policies sold and greater company growth.

In a report by Deloitte, Life Insurance Consumer Purchase Behavior, the study indicated some common challenges that carriers should work on overcoming:

- **Generational divide:** carriers should look to new generations for growth as the baby boomer generation – historically the most reliable customer base – continues to wane

- **Evolving customer expectations:** Consumers of all generations, but particularly the younger demographics, want to research and buy through multiple channels, with emphasis on easy access to real-time information through digital channels

- **Diminishing effectiveness of traditional distribution:** As customer expectations and behaviors shift, the way in which carriers have typically partnered with producers is becoming less effective

- **Ineffective sales and marketing strategies:** Underserved markets are not being reached due to outdated and ineffective marketing strategies traditionally targeted at demographics/socioeconomic levels

The life insurance industry represents an area ripe for growth as the economy is beginning to bounce back and consumer confidence increases. The winners in the life insurance industry will be those who implement more customer-focused strategies across a broader range of digital channels to meet evolving expectations. Here's a look at 5 key strategies life insurers should be implementing to drive growth.

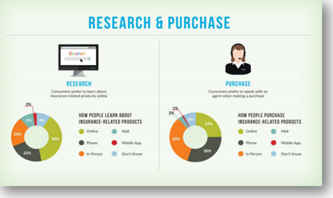
1. Educate through multiple channels at every opportunity possible. One of the reasons customers cite for not buying life insurance is that it's complex, difficult to understand, and expensive. Cost tops the list as the number one reason Americans give for not owning life insurance, according to the 2015 Insurance Barometer Study by LIMRA and Life Happens. However, 80% of consumers misjudge the price for term life insurance, with Millennials overestimating the cost by 213%, and Gen Xers overestimating the cost by 119%.

2. Develop deep customer insights to create more meaningful engagement.Few life insurers have effective consumer marketing. To connect more deeply with consumers, insurers need to invest in capabilities to better understand their customer and prospect base. With the proliferation of so many new sources of customer data and more advanced analytical capabilities, insurers can enrich their customer and prospect databases to update policyholder and household demographics to gain valuable insights into the messages to which consumers will be most likely to respond. For example third-party data sources can give insights into a consumer's occupation, marital status, presence of children, lifestyle, or estimated income.

3. Integrate Mobile Strategies to Target Today's Connected Consumer If you haven't heard it often enough, mobile marketing can no longer be ignored. According to 'Googles report, The New Multi-screen World: Understanding Cross-platform Consumer Behavior, 65% of consumers start their research on a smartphone. What's more, consumers often continue their research on another device. 67% of consumers move from one device to another. Websites and email must be optimized for mobile, as consumers will quickly leave a site or delete an email if it is not mobile friendly.
Insurance companies are also increasingly releasing apps to benefit their current customers and to attract new consumers looking for flexibility. According to recent research from EY, there are three key reasons that insurers are turning towards mobile tech:

- To offer services through the mobile channel
- To broaden their customer base with clients who demand self-service options
- To boost satisfaction among agents and policyholders with modern customer service tools

For insurance companies looking to broaden their mobile strategies, EY also recommends that insurers develop a better understanding of their target audience and which features will contribute to a positive customer experience. A variety of analytics can be applied to a marketing database to gain rich insights into what customers would value most in mobile applications.



CONCLUSION:

Security has been a general want ideal from the most punctual human advancements. This journey for security has prompted the idea of protection. Protection is an agreement between two gatherings whereby one gathering called safety net provider embraces, in return for a settled total considered premium to pay the other party a guaranteed entirety of cash on the event of a specific occasion. Disaster protection ensures against the monetary misfortune in case of death. A family is for the most part subordinate for its nourishment, attire, and safe house on the pay brought by the bread worker of the family. Inasmuch as he lives, that family secure however the passing of the individual may put the family in an extremely troublesome circumstance. The purchaser basic leadership process for purchasing a disaster protection item is remain constant as if there should be an occurrence of any common item. Consequently a similar model is similarly substantial under all conditions.

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