

An Empirical Study Of The Key Factors Affecting Customer's Preferences For Insurance Companies

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Abstract

The objective of this study was to identify factors influencing the selection of insurance company for purchasing the policy. For that an attempt has been made to study the customer buying behaviour with a focus on determining the factors affecting the consumers' preference for insurance companies. The variables on selection of company made consisted of the 7 Ps of Services Marketing, which services providing companies like insurance companies are assumed to have given due importance. The respondents were queried about which factors strongly influences their choice of a particular company. The findings were analyzed using ANOVA tests for each of the 7 Ps. Findings discovered that Product features, accessibility, low premium amount, advertising, proper redressal of complaints and better claim settlement are some of the factors that drastically influences the choice of a company.

Keywords: Purchasing behaviour, insurance company, services

Introduction

Insurance is the device by the help of which people can ward off their perceived risk about something they own. Insurance helps to reduce or eliminate the risk of life and property. Any risk contingent upon life and property may be insured against at a premium commensurate with the risk involved.

India's Insurance sector is the second largest mobilization of savings after banks and constitutes 15 percent of gross domestic product savings. Around Rs.4,00,000 crores of assets are under management of insurance companies which is almost double the size of mutual funds industry. More importantly insurance industry has moved away from a public sector monopoly with private capital entering the industry in 2000. At present 15 life insurance companies and 9 general insurance companies under private ownership are operating in India. At present Insurance companies designing the marketing strategy that based on the full investigation of consumers' purchase behaviour, which factors affect consumers' decisions on the selection of company. The success of a company is immensely dependant on the availability of their products to the consumers and thus is inextricably bound up with an Efficient. According to insurance marketing theory consumers life insurance purchase behaviour could be influenced by many factors. Tsai-Ching Liu and Chin-Shyan Chen analyzed the effects of personal characteristics, such as income, education, sex and occupational on the consumers' purchase intention and purchase premium of private insurance.

With the purposes of understanding the customers' life insurance behaviour fully, factors affecting the customer choice for selecting the company are analyzed in this paper, and problems is considered and some marketing suggestions offered to company based on the research.

Research Objectives:

- To determine the important factors which influence a customer while selecting a particular company for buying insurance policy.
- To identify the weak areas which need the improvements so that quality of services of insurance companies can be enhanced.

Research Design:

In order to give the study a scientific framework two types of research design was used:

1. Exploratory Research Design.
2. Descriptive Research Design.

The Descriptive Research was done after diagnosing the present scenario with the help of Exploratory Research. The Descriptive Research was done as a follow up for the relevant information obtained from the exploratory research and to account for a more conclusive study. To obtain the required information through exploratory research, no questionnaire was administered for this purpose. But during the survey methods involved in the Descriptive Research, a questionnaire was employed.

For the present study the sample size was 135 respondents. The sample was exclusively prepared for the descriptive research study and for the exploratory research sampling was done of a small number of respondents. For the exploratory research, the technique used was a Non-Probability Technique called the Convenience Sampling. For the Descriptive research, a Probability Technique was used called the Simple Random Sampling, in which each individual in the target population has an equal probability of selection.

Respondents Profile

The exploratory research helped in the formulation of the problems and thereby the objectives of the present study. Questionnaire was designed to obtain the relevant information required to meet the objectives. The analysis of the data collected provided the information sought for.

The demographics of the respondents can be shown as below table 1:

Table 1: Demographic Profile of Respondents

Respondents Profile	Number of Respondents
Sex	
Male	85
Female	50
Age(in years)	
22-27	27
28-33	28
34-39	20
40-45	23
46-51	20
52 and above	17
Occupation	
Self Employed	12
Employee	120
Employer	3

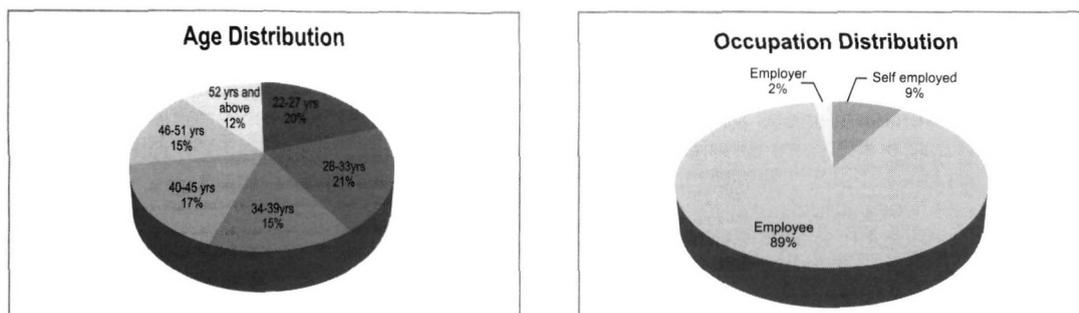


Fig: Pie-charts showing distribution of age, gender and occupation of the respondents.

Factors Determining Company Choice

The questionnaire was developed in a way to find out the important factors which influences the customers in selecting a particular company. The variables which were included consisted of the 7 Ps of Services Marketing, which services providing companies like insurance companies are assumed to have given due importance. The 7 Ps of services marketing are Product, Price, Place, Promotion, People, Physical Evidence and Process. The respondents were queried about which factors strongly influences their choice of a

particular company. The findings were analyzed using ANOVA tests for each of the 7 Ps.

A. Product:

The variables which were included in Product are Product variety, User friendliness of product and features like tax rebate, savings, investment and life cover. The single factor ANOVA suggested that all these variables' mean are not similar and therefore it can be inferred that they are significantly different as far as customer perception is concerned. The ANOVA table 2 is shown below:

Table 2: ANOVA Analysis for Product Dimension

Anova: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
Product variety	135	-33	-0.2444444	1.72338308		
user friendly	135	6	0.04444444	0.92338308		
tax rebate	135	270	2	0		
savings	135	270	2	0		
investment	135	216	1.6	0.52537313		
life cover	135	270	2	0		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	741.833333	5	148.366667	280.630803	1.523E-173	2.22524061
Within Groups	425.066667	804	0.52868988			
Total	1166.9	809				

The mean of each of the variables suggested that the respondents were undecided about the influence of the product variety and user friendliness of the product on their purchase decision. But the product features like tax rebate, savings, life cover are seen as very much influencing the respondents decision. Investment feature of insurance policy also influences their selection of a particular company.

B. Price:

Two variables were included in the Price factor, low premium and value for money. The single factor ANOVA suggested that these two variables' mean are not similar and therefore it can be inferred that they are significantly different as far as customer perception is concerned.

The ANOVA table 3 is shown below:

Anova: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
low premiums	135	215	1.5925926	0.2432283		
value for money	135	143	1.0592593	0.4143726		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	19.2	1	19.2	58.394082	3.825E-13	3.8763905
Within Groups	88.118519	268	0.3288004			
Total	107.31852	269				

The mean of low premium is very near to the value which referred to 'Strongly Agree' in the questionnaire. This implies that the respondents strongly feel that low premium determines their choice of a company. The mean for 'value for money' implies that the respondents feel that it also has some influence on the buying decision.

C. Place:

The Place factor included the accessibility and robust distribution channels of the company. The single factor ANOVA suggested that these two variables' mean are not similar and therefore it can be inferred that they are significantly different as far as customer perception is concerned. The ANOVA table 4 is shown below:

Table 4: ANOVA Analysis for Place Dimension

<i>Anova: Single Factor</i>						
SUMMARY						
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
accessibility	135	247	1.8296296	0.2468767		
robust distribution channel	135	165	1.2222222	0.4875622		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	24.903704	1	24.903704	67.81695	7.962E-15	3.8763905
Within Groups	98.414815	268	0.3672195			
Total	123.31852	269				

The mean of the variable 'accessibility' suggests that the respondents strongly agree that this variable influences their purchase decision in selecting a particular company. 'Robust distribution channel' also influences the respondents' decision in selecting a particular company but to a lesser extent.

D. Promotion:

The Promotion factor included the variables advertising, sales promotion, direct marketing and word of mouth. The single factor ANOVA suggested that these two variables' mean are not similar and therefore it can be inferred that they are significantly different as far as customer perception is concerned. The ANOVA table 5 is shown below:

Table 5: ANOVA Analysis for Promotion Dimension

<i>Anova: Single Factor</i>						
SUMMARY						
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
advertising	135	225	1.6666667	0.2238806		
sales promotions	135	122	0.9037037	1.177225		
direct marketing	135	-169	-1.251852	0.5331122		
word of mouth	135	173	1.2814815	0.6664456		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	690.36111	3	230.12037	353.94104	1.12E-126	2.6215329
Within Groups	348.48889	536	0.6501658			
Total	1038.85	539				

The mean of the variable 'advertising' is close to 2 (which means strongly agree, as per questionnaire) suggests that the respondents strongly feel that the variable affects their choice of a company. The respondents also agree to a lesser extent that 'sales promotion' and 'word of mouth' determines their choice of a company. However, 'direct marketing' is considered by the respondents as having a negative influence, as suggested by the mean value of the variable (-1.2518), which is very close to -1 (disagree, as per questionnaire).

E. People:

The variables include in 'people' were agents' behavior, agents' knowledge and agents' appearance. The single factor ANOVA suggested that these three variables' mean are not similar and therefore it can be inferred that they are significantly different as far as customer perception is concerned.

The ANOVA table 6 is shown below:

Table 6: ANOVA Analysis for People Dimension

<i>Anova: Single Factor</i>						
SUMMARY						
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
agent's behaviour	135	230	1.703704	0.359315		
agent's knowledge	135	252	1.866667	0.116418		
agent's appearance	135	152	1.125926	0.648203		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	40.90864198	2	20.45432	54.5965	1.06E-21	3.018168
Within Groups	150.6074074	402	0.374645			
Total	191.5160494	404				

As can be seen from the means of variable 'agents' knowledge' and 'agents' behavior', these two variables are strongly considered as factors which influences the choice of a company. In this aspect, agents' knowledge is a more influencing factor than agent's behavior. Agents' appearance is regarded as an influencing factor but to a lesser extent. The value of the mean suggested that the respondents agree to the statement that the appearance of the agents determines the purchase decision of the customer as far as insurance policies are concerned.

F. Physical Evidence:

The variables included in the factor Physical Evidence are company's website, office ambience, billing statements and product brochure. The single factor ANOVA suggested that all these variables' mean are not similar and therefore it can be inferred that they are significantly different as far as customer perception is concerned. The ANOVA table 7 is shown below:

Table 7: ANOVA Analysis for Physical Evidence Dimension

<i>Anova: Single Factor</i>						
SUMMARY						
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
office ambience	135	210	1.5555556	0.3830846		
website	135	143	1.0592593	0.429298		
brochure	135	158	1.1703704	0.4409066		
billing statements	135	104	0.7703704	0.2826976		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	42.761111	3	14.253704	37.119341	8.283E-22	2.6215329
Within Groups	205.82222	536	0.3839967			
Total	248.58333	539				

By observing the means of the variables, it can be inferred that office ambience is considered as a most determining factor, which influences the choice of the respondents. It is followed by the product brochure and the company's website. Billing statements are regarded as less influencing as far as purchase decision is concerned.

F. Process:

The variables included in process were better claim settlement, convenient payment system and complaint redressal (table 8).

Table 8: ANOVA Analysis for Process Dimension

<i>Anova: Single Factor</i>						
SUMMARY						
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
better claim settlements	135	242	1.7925926	0.1656164		
convenient payment system	135	250	1.8518519	0.1271421		
complaint redressal	135	262	1.9407407	0.0561636		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	1.5012346	2	0.7506173	6.4537389	0.0017427	3.018168
Within Groups	46.755556	402	0.1163074			
Total	48.25679	404				

The single factor ANOVA suggested that all these variables' mean are not similar and therefore it can be inferred that they are significantly different as far as customer perception is concerned. The ANOVA table is shown above. The mean of all the variables are quite high (closer to 2), this suggests that each variable is considered to be very important while deciding which company to select for buying a policy. It is noteworthy to mention that complaint redressal was given more importance than the other two variables.

Conclusions

The study helped a lot to understand the consumer buying decision process, thereby answering the questions "why" and "how" a customer buys his insurance policies. The study also helped to find out the importance given by the customers to the agent's behaviour, knowledge and appearance. After the analysis of the data collected using statistical tools and excel, the following conclusions can be drawn:

1. It was found that people who have bought their policy because some agent coaxed him, is not satisfied with their existing policy and some even remarks that life insurance is not necessary at all in today's scenario.
2. Life Insurance Corporation of India still enjoys massive popularity among the Indian crowd. People still prefers LIC over other private players. In fact, people have made the name LIC synonymous with insurance.
3. It was found that the most important reason, why a customer to buy an insurance product is Tax Rebate. This

pattern is very prominent among the younger individuals, who have recently become financially independent. Older people consider life coverage as the most important reason.

4. Internet proved to be the most prominent information source among the people. Again, this pattern is more prevalent among the youth. Friends and peer groups were also considered as an important information source by the people.
5. When a person evaluates the alternatives available to him while buying an insurance policy, his most important criterion is whether a company is public or private. Product features and amount of premium are also considered as important criteria to select a particular company.
6. Most of the people admitted that their purchase decision was affected by the agents/ brokers. This also signifies the importance of an agent in helping the customer to make the purchase decision. Friends' suggestions and advices also influence the purchase decision.
7. Product features of an insurance policy like tax rebate, savings, investment and life cover are strongly considered as the determining factor for selecting a company.
8. People regard advertising and word of mouth as very relevant factors for selecting a company. The advertising can be any form like print media, television commercials or other electronic media. Word of mouth account for the goodwill of the company, which it

has earned through its years of devoted and dedicated service to its customers.

9. Agent's knowledge influences greatly the purchase decision of a customer. The way he behaves and presents himself also affect the buying decision of the customer. Therefore, it can be concluded that only product knowledge is not sufficient to convince people. The agents should be properly trained about the behavioural aspects as well. Proper emphasis should be given to improve the soft skills of the agents.

Recommendation:

After the analysis of the data collected and review of the findings, it was found that the study served its purpose by achieving the objectives. The findings provided insight into discovering the factors which affects the customers' preferences of an insurance company. The following recommendations can be made based upon the findings and conclusion:

1. **Training of Agents:** The agents/ financial consultants are the person who comes in direct contact with the customers most frequently. Therefore, it becomes imperative to provide them the best of the training. The training should not be confined only to providing product knowledge. Behavioural aspects, especially the soft skills are also very important. The agents should also be given training in a way which will compel them to serve their duty ethically. By making the agents ethically right, their tainted image can be wiped out.
2. **Providing excellent moments of truth:** Moments of truth are the instances when

a customer comes in contact with the organization. The company should consider all the necessary steps which can provide the best moments of truth so that every time a person encounters something related with the company, he should derive a favourable impression about it.

3. **Product features:** Product features are considered to be very influencing in the selection of company. It should be considered with utmost importance while formulating any communication strategy.
4. **Communication Strategy:** Advertising came out to be the most effective mode of communication. Sales promotion and word of mouth are determining factors and influences the customers' preferences. Therefore, proper weightage should be given to advertising and sales promotion. As far as favourable word of mouth is concerned, this can be achieved only in the long run with dedicated service to the customers. Direct marketing approaches like telemarketing, junk mails are considered to be discomforting and this mode of communication should be used very cautiously.
5. **Premium of the policies:** Low premium are considered preferable by most of the people. People considers premium in HDFC Standard as a bit on the higher end. So, a little reduction in the premium amount can help to cater for a larger customer base and even the rural areas can also be entertained.
6. **Accessibility:** LIC enjoys huge popularity because of its easy accessibility. The number of agents of

LIC is far more than what HDFCSLIC has. So, more emphasis should be given to acquire efficient financial consultants. Nevertheless, the quality of the financial consultants should not be compromised for quantity.

7. Office Ambience: People consider the office ambience to be very important and deciding. The office ambience should be pleasing to the customers. Therefore, proper consideration should be given to the office lightening, layout and cleanliness.

8. Processes: Some important processes like better claim settlement, convenient payment system and better complaint redressal are prerequisite for a service industry company. So, proper importance should be given to them and make these processes as customer friendly and less troublesome as possible.

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