Chapter 4

Consumer Awareness, Perception, Behaviour and Satisfaction towards Life Insurance Products: A Theoretical Framework

<table>
<thead>
<tr>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Introduction</td>
</tr>
<tr>
<td>4.2 Consumer Awareness</td>
</tr>
<tr>
<td>4.3 Consumer Perception</td>
</tr>
<tr>
<td>4.4 Consumer Behaviour</td>
</tr>
<tr>
<td>4.5 Consumer Satisfaction</td>
</tr>
<tr>
<td>4.6 Conclusion</td>
</tr>
</tbody>
</table>
Chapter 4

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4.1 Introduction

Consumer Behaviour is an intricate process, impinged upon by innumerable tractable and intractable variances. For making a purchase decision, a consumer most primarily enters a phase of problem recognition; where he has got a previous experience for purchasing the product, a reutilized response behaviour ensues and he makes a deliberate pre-purchase search, both internal and external, which when complete, makes a meticulous evaluation to arrive at the decision. Unfortunately, the above process is not as simple and conceivable as it is said; it involves incomprehensible intricacies, both extraneous environmental and endogenous psychological.

The major psychological factor leading to a decision making is perhaps perception. Perception is, “how one sees things around”. A marketer has to create a difference threshold wherever necessary, whereby the stimulus, that is the product tangible or intangible is presented in a background that makes it noticeable and palpable to the prospective buyer, just as a lamp lit in broad daylight can be made to look brighter in a dark background. In perception, the
judgments are being made in relation to the preceding sensory experience. A product becomes the centre of attention among many when the sensory experience of the prospective buyer is being conditioned through the creation of a background, conducive for the generation of this difference threshold.

Learning is another major determinant of Consumer Behaviour. Learning is a relatively permanent change in behaviour brought about by experience. Through the interplay of motives, responses and reinforcement, one can be made to ‘learn’. Learning creates a need and a strong need propels one to act. In learning, judicious and logical evaluations are preceded by past experience and hence for a marketer to make a purchaser ‘learn’, eliciting pre-marketing information acquires importance. An organism learns to respond to an otherwise neutral stimulus that does not produce a particular response, when the response to the need is associated with a stimulus that brings it about. Reputed business organizations usually associate their product with renowned personalities with this idea of classical conditioning in mind. The process of associating the product with the celebrity helps to produce the memory of the product whenever the memory of the celebrity occurs in the mind. A grass root level marketer also can adopt this strategy with desirable variations.

Reinforcement is the process by which a stimulus increases the probability of repetition of a preceding behaviour. In the ordinary way, in business circles this is done by keeping a synthetic friendliness with the consumer or plying him
with a profusion of presentations and such like. It is incontrovertible that such superficial reinforcement efforts cannot go futile; but a true marketer resorts to more efficacious strategies like taking earnest effort in identifying and exploring the intrinsic qualities, interests or abilities latent in a consumer rather than speculating upon them and creating opportunities to appreciate him for such qualities in a public function (say, in a consumer contact program) as an effective positive reinforcement.

A marketer has to always keep in mind that only those responses that are satisfying are more likely to repeat. Thus, a disillusioned person exhibits an escape or avoidance conditioning by withdrawing himself from an adverse situation. A marketer is thus required to apply a constant negative reinforcement for preserving the continued interest in the consumer just as one keeps a building in proper condition by timely redoing.

Belief is another important determinant of consumer behaviour. ‘Belief’ is one’s inner feeling generated out of acquisition of learning and experience that a particular thing is real and true (and the reverse is otherwise) and must be depended upon invariably for decision-making. It can be an ossification of age-old practices, the ideas which are imbibed by and imbedded in the mind or a conglomeration of the memory of the experiences undergone. It is belief that
prompts people to make pertinacious arguments while encountering adverse situations, which at times result even in personal antagonism. A marketer has to be very vigilant about this determinant. He should never call into question the sanctity or authentication of the belief of his consumer, however idiosyncratic it may seem to be.

Attitude denotes the learned dispositions, which are not generally inborn and they exert unbelievable influence on the decisions on which one subsequently act upon. Creating an attitudinal change is really a difficult problem. It requires constant learning and reinforcement.

Personality also plays a vital role in the process of Consumer Behaviour. It is the sum total of the characteristics that differentiate people and represents the stability of the attributes in a person’s behaviour in differing situations. The efforts of a marketer will be a total fiasco if he cannot identify customer’s self-concept and draw a distinction between what a person believes himself to be and what he likes others to perceive him to be.

According to Freud’s Psychoanalytical theory, the ‘unconscious’ serves as a reservoir of instinctual drives and unfulfilled wishes. It always provides a safe refuge for them. The Id, Ego and Super Ego constitute three subjective, interconnected ‘compartments’ of personality. Where ‘Id’ works for the
Chapter 4

Consumer Behaviour and Perception towards Life Insurance Products in Kerala

satiation of instinctual desires on hedonistic principle, the Ego acts as a buffer between ‘Id’ and the realities of the world outside. It is Ego that restrains such desires and conditions the personality to adapt to the extraneous environment. Wherein a personality is dominated by Id, the instinctual desires ‘steal the scene’ and such persons are likely to take an immediate aversion to purchase an intangible product like life insurance that promulgates a sacred idea like ‘protection of family’ etc. The Super Ego ‘refines’ the desires and conditions the behaviour to make it virtuous.

Thus in the ever widening area of marketing especially that of intangible products like life insurance and in the arena of social marketing, an understanding of Consumer Behaviour becomes very important in planning, strategy formulation and its effective implementation. This is especially so in a pluralistic societal set up as that of our nation. (Muraleedharan A., 2004)

4.2 Consumer Awareness

Consumer awareness means that consumers are aware of products or services and its characteristics. After the opening up of insurance sector, many life insurance companies have been in operation in the country for several years now. Yet, insurance penetration levels remain low. This brings to the fore the
need to create widespread awareness on the need for insurance which is a basic necessity.

Consumer awareness is defined as the understanding by an individual of their rights as a consumer concerning available products and services being marketed and sold. The concept involves four categories including safety, choice, information, and the right to be heard. (David J. Reibstein, 2010)

4.2.1 Determinants of Consumer Awareness

The awareness of consumers in general is influenced by several factors. The major factors that frame the level of awareness of consumers include the following:

- **Social Factors**: The basic social and demographic profile of the consumers largely influences the awareness level of the consumers. These factors include age, gender, region or place of residence, education level and occupation.

- **Economic Factors**: Economic factors ranging from monthly income to general price level changes influence the awareness level of consumers.

- **Marketing Efforts of Companies**: Brand promotion and awareness campaigns of marketers largely influence the awareness level of consumers.
4.2.2 Consumer Awareness towards Life Insurance Policies

Apart from the basic socio-economic factors, more intrinsic variables like peer groups, occupation, annual savings, investment pattern and media contribute to the level of awareness of consumers with respect to life insurance products.

With the opening up of insurance market to the private players, 23 private companies are at present in the Indian market to compete with the public sector life insurance company LIC. The activities carried out by insurance companies are important from the consumer’s point of view. From the company’s point of view, they have to give utmost importance to the consumer’s behaviour and perception while designing insurance products. With the rise in incomes and growing investment attitudes, insurance products are repeatedly bought by consumers for insurance coverage and investment.

4.3 Consumer Perception

Perception is defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. Two individuals may be exposed to the same stimuli under the same apparent conditions, but how each person recognizes, selects, organizes and interprets these stimuli is a highly individual process based on each person’s needs,
values and expectations. Perception has strategy implications for marketers because consumers make decisions based on what they perceive rather than on the basis of objective reality. (Leon G., Schiffman, Leslie Lazar Kanuk, 2008)

4.3.1 Determinants of Consumer Perception

Consumer Perception is the process by which they select, organize and interpret stimuli into a meaningful and logical picture to supplement their decision making. The said perception in general is influenced by different factors that could be attributed as the basic determinants of consumer perception. These are discussed below:

- **Expectation**: People usually see what they expect to see and what they expect to see is usually based on familiarity, previous experience or preconditioned set. In a marketing context, people tend to perceive products and product attributes according to their own expectations.

- **Motives**: People tend to perceive the things they need or want; the stronger the need, the greater the tendency to ignore unrelated stimuli in the environment. An individual’s perceptual process simply attunes itself more closely to those elements in the environment that are important to him or her.
Grouping: Individuals tend to group stimuli so that they form a unified picture or impression. The perception of stimuli as groups of information, rather than a discrete bit of information, facilitates their memory and recall. Grouping can be used advantageously by marketers to imply certain desired meanings in connection with their products.

Closure: Individuals have a need for closure. They express this need by organizing their perceptions so that they form a complete picture. If the pattern of stimuli to which they are exposed is incomplete, they tend to perceive it, nevertheless, as complete; that is, they consciously or subconsciously fill in the missing pieces. Incomplete messages are better remembered than completed ones. One explanation for this phenomenon is that a person who hears the beginning of a message or who begins a task develops a need to complete it. The need for closure has interesting implications for marketers. Promotional messages in which viewers are required to fill in information beg for completion by consumers and the very act of completion serves to involve them more deeply in the message.

4.3.2 Consumer Perception towards Life Insurance products

Apart from the conceptual elements, particularistic factors like socio-economic background of consumers, image of the life insurer, variety of products, office
ambience, location of branches, skill sets and courtesy of staff, consumer needs, amenities, risk management, loan facility, follow up and claim settlement procedures have a fair influence on the perception of consumers towards life insurance products.

4.4 Consumer Behaviour

The term consumer behaviour is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. (Leon G. Schiffman, Leslie Lazar Kanuk, 2008)

Consumer behaviour focuses on how individuals make decisions to spend their available resources on consumption related items. That includes what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, how often they use it, how they evaluate it after the purchase, the impact of such evaluations on future purchases, and how they dispose of it.

The term ‘customer’ is typically used to refer to someone who regularly purchases from a particular store or company. The term ‘consumer’ more generally refers to anyone engaging in any of the activities used in the definition of consumer behaviour. Therefore, a customer is defined in terms of
a specific firm while a consumer is not. The traditional viewpoint has been to define consumers strictly in terms of economic goods and services. This position holds that consumers are potential purchasers of products and services offered for sale. This view has been broadened over time so that monetary exchange is not essential to the definition of consumers. This implies that potential adopters of free services or even philosophies or ideas can also be encompassed by the definition.

4.4.1 Determinants of Consumer Behaviour

As the collective behaviour of consumers has a significant influence on the quality and level of standard of living of the society, the factors that contribute to the collective behaviour are to be assessed and managed from the marketer’s point of view for sustainable business. The factors that could be attributed as the determinants of consumer behaviour include personality and self concept, motivation and involvement, information processing, learning and memory, and attitude.

- **Personality and Self-Concept:** Although a person’s behaviour changes somewhat to deal with many different circumstances, there is a tendency to behave in a consistent manner throughout various situations. This view emphasizes the totality of a person’s makeup rather than focusing on specific actions that he will take in any
particular instance. Personality and self-concept are two psychological notions that have been used by those studying consumer behaviour to account for the organized totality of the consumer’s makeup. The purpose of studying these variables is to determine their usefulness in understanding consumer’s basic orientations, media usage patterns, susceptibility to persuasion and other facets of consumer behaviour.

Motivation and Involvement: Motive is an inner state that mobilizes bodily energy and directs it in selective fashion towards goals usually located in the external environment. The role of motives is to arouse and direct the behaviour of consumers. The arousal component activates bodily energy so that it can be used for mental and physical activity. Motives influence consumers to develop and identify their basic strivings. Included among basic strivings are very general goals such as safety, affiliation, achievement or other desired states which consumers seek to achieve. They serve to guide behaviour in a general way across a wide variety of decisions and activities. Although there are exceptions, people often view products or services as a means by which they can satisfy their motives. The motivational push that influences consumers to identify products as goal objects is of great interest to marketers, particularly since it appears that it can be
influenced. Certainly, the features designed into a product can affect the degree to which consumers may accept it as a goal or means for achieving some goal. Involvement is related to the consumer’s values and self-concept, which influence the degree of personal importance ascribed to a product or situation. It can vary across individuals and different situations and it is related to some form of arousal. Although involvement is not identical to motivation, the two concepts are closely related in important aspects. In some situation an individual may perceive important links between a product or service and himself, in terms of values it can express or needs it can fulfill – he will feel connected to it in some way. This will lead to the individual being interested in the product or service and activate energy toward it. That is, he will be motivated to act toward the product or service. The stronger the felt link or degree of involvement, the more intense the motivated state will be experienced.

- **Information Processing:** Consumer information processing may be thought of as the acquisition of stimulus inputs, the manipulation of these inputs to derive meaning from them, and the use of this information to think about products or services. Major ways in which consumers use information derived from their environment are to
understand and evaluate products and services, to attempt to justify previous product choices, to resolve the conflict between buying or postponing purchases, to satisfy a need for being informed about products and services in the market place and to serve as a reminder to purchase products that must be regularly replenished. It is realized that information processing is not the end result of an activity, but the actual process itself that consumers engage in while dealing with their environment. A major goal of information processing is to deal effectively with the environment. Therefore, outcomes of information-process activities are likely to affect evaluation, attitudes, and even eventually, observable behaviour. Information that has been integrated involves attitudes when the consumer’s beliefs or feelings about a particular object are developed or changed. These attitudes can be held by the consumer to influence later actions toward the object.

- **Learning and Memory**: Consumers’ learning is an important component of their behaviour. Learning certainly occurs intentionally, as when a problem is recognized and information is acquired about products which might solve the problem. However, consumer learning also can occur unintentionally and this type of learning can strongly influence the behaviour of consumers. One benefit of the learning
mechanism is that consumers are able to adapt to a changing environment. Consequently, knowledge of learning principles can be useful in understanding how consumer’s wants and motives are acquired and how their tastes are developed. Also, appreciation of learning and memory processes can aid our understanding of how frequently to repeat advertising messages; how visual symbols, songs and other techniques can facilitate consumers’ learning and memory regarding products and promotions; and how consumers develop habitual purchase patterns for some goods.

Memory processes are of considerable importance to the understanding of consumers. Basically, this is because, to a large extent, consumers act on the basis of cognitions, or their knowledge or beliefs about the world. These cognitions are stored in memory and they influence how incoming stimuli are interpreted. Several views exist regarding the structure of memory and its operation. The multiple store approach views memory as being composed of three distinct storage registers such as sensory, short-term and long term, which differ in capacity, storage duration and functioning. A second perspective which has been quite popular is that there is only one memory and distinct storage registers do not exist in a physical sense. A third conception of
memory, called the activation model, also makes use of the single memory concept. In this currently popular view, consumers are seen as having one large memory store but any given time only a portion of that memory can be used by the consumer. It has been argued that although these three models of memory are distinct in their terms of their emphasis, they are not necessarily compatible. Numerous memory concepts have significant implications for the field of advertising.

- **Attitudes:** An attitude expresses how a person feels toward an object. It expresses direction – the person is either favorable or unfavorable toward, or for or against the object, degree – how much the person either likes or dislikes the object and intensity – the level of sureness or confidence of expression about the object, or how strongly a person feels about his convention. The direction, degree and intensity of a person’s attitude toward a product have been said to provide marketers with an estimate of his readiness to act toward, or purchase, the product. However, a marketer must also understand how important the consumer’s attitude is vis-à-vis other attitudes, and the situational constraints, such as ability to pay, that might inhibit the consumer from making purchase decision.
4.4.2 Consumer Behaviour towards Life Insurance Products

In the ever widening area of marketing intangible product like life insurance, an understanding of consumer behaviour becomes very important in planning, strategy formulation and its effective implementation. Since consumer is the focus of any service industry, every such industry continuously strives for greater variety and better quality of products, improvement in its delivery system, cost effectiveness, easy access and quick response to perceived needs.

Indian insurance companies already have a sizeable line of products. The difference between them and the foreign operators perhaps lies in the service provided, because there is still not concern on the part of the Indian companies, with consumer satisfaction, on time renewals, claim settlements, etc. (Pande P.S., Shah R.L., Lunawat M.L. 2008)

4.5 Consumer Satisfaction

Consumer satisfaction is the individual’s perception of the performance of the product or service in relation to his expectations. Customer satisfaction is defined as the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services exceeds specified satisfaction goals. (David J. Reibstein, 2010)
4.5.1 Determinants of Consumer Satisfaction

The determinants of consumer awareness and satisfaction include benefits, social security, credibility, adoption of technology, alternative channels, communication, and brand image.

- **Benefits**: Awareness programmes of fringe benefits of insurance should also be propagated through all media. Aspects like tax benefits, security, price, quality service, convenience etc. need to be highlighted in both rural and urban India.

- **Social Security**: Campaigns to educate the rural masses on the need for involvement in social security measures of the insurer need to be done. Emotional aspects of family security, affection for the family in the event of untimely death of earning member are to be effectively emphasized to the individual.

- **Credibility**: Claims settlement is to be used as publicity campaign for insurance. Ideally, insurance business is all about claims payment and claims is the main reason for a policyholder to take an insurance policy. Claim settlement is thus the best advertising campaign for an insurer. Properly highlighting the claims settlement ratios, the impact claims has made in the lives of so many, the financial betterment of some families
due to the claims needs to be done. This will go a long way in making more people also aware of their insurance needs.

- **Adoption of Technology:** The internet has proved to be an invaluable resource of education to the literate population. Topics like concepts of insurance, helping in plan selection, etc. can result in effective internet selling. The internet advertising could be developed further by tailoring websites to the insurance needs of the masses.

- **Alternate Channels:** Alternate channels of selling like bancassurance, direct selling, etc. needs to be developed to increase insurance awareness. Life insurance tie ups could be worked up with bank account holders and fixed deposit holders.

- **Communication:** The insurance companies should launch awareness movement through various convenient people oriented programmes through effective media agents, corporate agents and rural camps. Popular communication channels like radio, television and publicity vans could be effectively used to spread insurance awareness. Outdoor advertising are also to be propagated as means to mass publicity.

- **Brand image:** Professionalism in the market personnel of insurance companies will result in better branding of the insurance company and insurance awareness among the public.
4.5.2 Consumer Satisfaction towards Life Insurance Products

Satisfaction is a function of equating consumer expectations and product delivery mechanism. Life insurance is not an exception. Apart from the general factors, variables like product features, after sales service, and claim settlement influence the satisfaction level. Personal, financial and other reasons could result in the discontinuance of policies by the consumers.

Insurance is a business in which the financial stakes of both the consumer and the seller are high and have to be based on mutual trust. The concept of sales is now redefined as a long standing relationship. This relationship does not end with the conclusion of the transaction, but has to be durable and of a long term nature. Hence, improved consumer service on a continuing basis is the key method of maintaining relationships. Improvement in the performance of the company will not be synonymous with only basic cost reduction or larger business, but the new measure of performance will be set in terms of service to the consumer.

Delivery of service is a relatively new term as opposed to ‘distribution’. This is due to realization of the fact that insurance products are not just the policy documents, but much more. Provision of after-loss service at pre-negotiated rates in quick time could relieve the customer of much of the trauma that follows an unfortunate event. It will not only bring in the real meaning to
indemnity as we know it, but also a great amount of consumer’s delight. After all, what the consumer buys is not a policy, not even the right to make a claim after a loss, but peace of mind from the perceived threats to his life, liabilities or activities.

4.6 Conclusion

The study of consumer behaviour enables the marketers and service providers to understand and predict consumer behaviour in the market; it is concerned not only with what they buy, but also with why, when, where, how and how often they buy. They enable marketers to adapt the elements of the marketing mix to consumers’ needs more quickly and efficiently, and to build and maintain relationships with consumers on a much greater scale. Consumer behaviour is a complicated process related with various variables. Yet another major psychological factor leading to a purchase decision is perception. Communication is the key to spreading insurance awareness. The communication should possess simple messaging, extensive usage of all platforms and use regional languages to cut across sections particularly the deep rural. As, the consumer awareness, perception, behaviour, satisfaction and the main determinants are discussed in this chapter, the succeeding chapters empirically analyze the consumer awareness, perception, behaviour and satisfaction towards life insurance products.
References:


