CHAPTER–I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Over time, many wise people have made references in their thoughts on insurance. The reason people care is about the present and especially future. It is a natural part of prevention and providing a sense of belonging to which is a part of tradition, education, the natural way of thinking ahead and even of instinct. The insurance sector has an important role in the economic development of a country, mainly by its role of intermediary and provider of financial services and by identifying the risk transfer of the society.

Due to the broad scope and diversity of insurance, the continuing inventiveness if insurers, reinsurers and brokers to offer new forms of risk protection for more and more varied risks. It is a very dynamic and comprehensive industry, both in quantity and in quality, whose development marks the economic and technological progress and also the progress of mankind in general.

Moreover, the insurance companies facilitate long-term investments, thus offering financial stability and encouraging the accumulation of new capital while providing both individuals and corporations with insurance in front of different risks that may affect their activity in different ways.

The demand for life insurance grew rapidly in recent decades, due to socio-economic changes, extension of life expectancy and improvement of financial education. All this contributed to an increase of dependency costs and provided a reason for covering it through insurance. Also, the limits of social welfare and the
pressure of taxing are widely seen as stimulators of life insurance consumption, as the public institutions will cover increasingly less of the financial needs of the population. Furthermore, development of financial savings for retirement age is seen as a factor that strongly sustained the demand for life insurance.

Life Insurance is considered to be an important part of an individual’s investment portfolio, not necessarily to accumulate wealth, but to feel financially secure. Other than this, when an individual opts for a life insurance policy, he enjoys other benefits also, like tax-deduction options, and in some cases long term capital gains. Life Insurance is primarily made keeping family and those who are dependent on him in mind.

Important factors that an individual needs to understand prior to opting for Life Insurance Policies are requirements, term (duration) and premium to be paid, nature and benefits of the policy in the longer run and coverage of the policy. The need and income of an individual helps him decide the amount of Life Insurance Premium. The insured should also think about the benefits that he and / or his nominee will receive before deciding to go for a particular policy. Life insurance covers the risks of loss due to the death of the insurer.

The prime advantage of Life Insurance policies is financial security for the obvious reasons. It helps facilitates economic movements. Life insurance companies collect premiums from multiple investors hence gathering large funds. This money is used to finance trade and other financial development activities. Last but not the least it helps in reduction of tax payments. Policy holders are entitled to claim income tax exemptions for paying the premiums. The amount and the extent to which they are
allowed depends on other factors like the persons income and if the insurer is a private player or run by the state.

1.2 CONSUMER BEHAVIOR THEORIES

The major theories of consumer behavior can be grouped with (a) economic theories, (b) psychological theories (c) psycho-analytical theories and (d) socio-cultural theories. All the consumer behavior theories are based on the basic law of consumption, i.e., when aggregate income increases, consumption also increases by somewhat smaller amount and is based on the assumptions like spending habits remain the same, political conditions, remaining normal and economy is free and perfect.

1.2.1 Economic Theories

The economic theories on consumer behavior focused on how consumers allocate their income and how this determines the demands of various goods and services. The traditional theory of demand starts with the examination of the behavior of the consumer, since the market demand is assumed to be the summation of the demand of individual consumers. In the traditional theory, it is assumed that the consumer has full knowledge about all available commodities their prices and income. In order to attain the objective the consumer must be able to compare the utility (satisfaction) of various baskets of goods, which he can buy with his income. The basic economic theories include marginal utility theory, psychological law of consumption, absolute, relative and permanent income hypothesis.

Marginal utility theory was developed by classical economists. According to them, a consumer will continue to buy such products that will deliver him the most utility or maximum satisfaction at relative prices. Economists hold the view that man
is rational in all the activities and purchasing decisions are the result of economic calculations. This theory brought out two laws that are said to govern consumer buying behavior. These include law of Diminishing marginal utility and law at Equimarginal utility. As per the law of diminishing marginal utility, a consumer satisfies his wants in order of their urgency and that he consciously or unconsciously weighs in his mind the price he has to pay for the utility of each product he buys. In the case of Law of Equimarginal Utility, so as to maximize satisfaction, consumer arranges his expenditure in such a way that his marginal utilities from different items are equalized by a process of substitution of product or more utility for one possessing less utility.

However, the economists only partially accept this theory on the ground that economic factors alone cannot explain variations in sales and decision of purchase by consumers, but it is influenced by many psychological and sociological factors. On account of these, economists have attempted to refine it by providing improvements and thereby formulated indifference curve analysis and theory of revealed preferences.

In the indifference curve analysis, the overall consumer choice problem is structured as a relative choice between product alternatives within constraints related to price, income and the available budget. Similar type of refinement of the utility theory has also been made by Samuelson in his Revealed preference theory and by Armstrong in his Marginal Preference theory. While the utility approach is micro in character, there are important macro theories also.
1.2.2 Psychological Law of Consumption

Keynes’s Psychological Law of Consumption is the basis to income theory. This law is a statement of very common tendency that when income increases, consumption also increases, but not to the same extent as the increase in the income. This law depends upon three related prepositions, (i) when the aggregate income increases, consumption expenditure also increases, but a smaller amount. (ii) An increment of income will be divided in some ratio between saving and spending. (iii) an increase in income is unlikely to lead either to less spending or less saving than before. This theory highlights the fact that consumption essentially depends upon income and that income earners always have a tendency to spend less on consumption than the increment in income. However there are critics against this theory stating that there are many other non-income factors which influence consumption spending especially in the short run.

1.2.3 Economic Theories of Spending Behavior

The three general theories on the determinants of total consumer spending are; (a) The Absolute Income Hypothesis, (b) The Relative Income Hypothesis, (c) The Permanent Income Hypothesis, and (d) The Life Cycle Hypothesis. Each theory was put forward originally in terms of individual behavior and then generalized to aggregate behavior and each hypothesis postulates a relationship between consumption and income, though the concepts underlying these terms may vary substantially.

a) The Absolute Income Hypothesis

The first statement of this theory is perhaps made by Keynes in the General Theory. Its subsequent development is primarily associated with James Tobin and
Arther Smithies. This theory states that the individual consumer determines what fraction of his current income he will devote to consumption on the basis of the absolute level of that income. Other things being equal the rise in his absolute income will lead to decrease in the fraction of that income devoted to consumption. This theory was criticized on the ground of its inability to reconcile data on saving with observed long term trends and as an answer to this inconsistency the relative income hypothesis was developed.

b) Relative Income Hypothesis

This hypothesis was propounded by Dorothy Brady Rose Friedman and James Duesenberry. Its underlying assumption is that saving rate depends on the level of income, but on the relative position of the individual on the income scale. As such, Relative Income Hypothesis implies the assumption that spending is related to a family’s relative position in the income distribution of approximately similar families. Thus the theory argues that the fraction of families income spends on consumption depends on the level of its income relative to the income of neighboring families and not on the absolute level of family’s income.

James S. Duesenberry supplied psychological support to the relative income hypothesis noting that there is a strong tendency in the social set up for people to emulate their neighbors and at the same time to strive constantly towards a higher standard of living. According to him, consumption expenditure of an individual is determined not only by his current income, but also by the standard of living enjoyed by him in the past. This idea is known as Duesenberry hypothesis.
c) The Permanent Income Hypothesis

The Permanent Income Hypothesis was developed by Prof. Milton Friedman. Like Relative Income Theory, it holds that the basic relationship between consumption and income is proportional, but the relationship here is between permanent consumption and permanent income. He replaced the concept of current income to permanent income. According to him, “Permanent income is to be interpreted as the mean income regarded as permanent by the consumer unit in question which in turn depends on its farsightedness”. Since Permanent Income Hypothesis argues that proper consumption function relates permanent consumption to permanent income. It concludes that the long run consumption income relationship is proportional. Changes in permanent income give rise to proportional changes in permanent consumption. However critics argue that, this theory puts too much stress on the expectations and long range planning of consumer units, while in reality consumer units change their consumption behavior frequently.

d) Life Cycle Hypothesis or (MBA Approach)

This hypothesis was propounded by Modigliani, Albert Ando and later by Branberg. This approach is essentially a permanent wealth hypothesis rather than permanent income hypothesis. According to this, the household or consumer unit is assumed to determine the amount available for consumption over life which is the sum of households net worth at the beginning of the period plus the present value of its non property income minus present value of planned bequests. In the MBA hypothesis, consumption is taken as a function of wealth and age and not of simple current income. It also emphasises that consumption function is strictly proportional to total wealth. The above economic theories highlight the short run and long run
consumption function of consumers based on their income, savings, wealth and life cycle.

1.2.4 Psychological Theories

The essence of psychological theories (learning theories) lies in the fact that people learn from experience and the results of experience will modify their actions on future occasions. The importance of brand loyalty and repeat purchase makes learning theory more relevant in the field of marketing. Among the learning theories come stimulus response theories and cognitive theories.

Contributors of stimulus response theories include Purlon, Skinner Thorindike and Kotlew. According to them learning occurs as a person responds to some stimulus and is rewarded with need satisfaction for a correct response. They proved that most frequent and recent stimuli are remembered and responded. This approach is the basis of reported advertisements. The cognitive theory was propounded by Festinger mainly to explain certain post buying behavior.

According to it, stimulation and want are conditioned by a consumer’s knowledge, his perception, beliefs and attitudes. The theory further states that even after a well thought out purchase the consumers undergo some sort of discomfort, fear or dissonance. This post decision anxiety is caused by ‘nice’ (cognitive dissonance) arising from doubts on the decisions taken. The consumers compare on the merits of the products bought with substitutes or start analyzing drawbacks of the product. Such consumers require some reassurances from the seller stressing that the decision taken is wise one. Though the theory was developed to explain a ‘post decision’ phenomenon, it is suitable for explaining pre-decisions anxiety also. The
advertisements and personal selling aimed to reduce cognitive dissonance on the part of the buyer and prophets.

Gestalt theory, coined by German Psychologist Christian Von Ehrenfels viewed personality as the result of the interaction between the person and the total environment and the two must be considered together as a patterned event. Consumers attempt to stabilize their psychological field by providing meaning to the surrounding world. Consumers, in making market decisions, strive to reduce tension and conflict between themselves and their environmental perceptions.

1.2.5 Psycho-Analytic Theories

This theory developed from the thoughts of Sigmund Freud. He postulates that personality has three basic dimensions, the id, the ego and the super ego. It follows that consumer behavior is a function of the interaction of these three systems. Here the id urges an enjoyable act, the super ego presents the moral issues involved and the ego acts as the arbitration in determining whether to proceed or not. This has led to motivational research and has proved useful in analyzing buyer’s behavior. This in turn has contributed some useful insights in the advertising and packaging field.

1.2.6 Socio Cultural Theories

The credit of formulation of this theory goes to Thorstein veblem (1899) and is known as veblenian model. He asserted that a man is primarily a social animal and his wants and behavior are largely influenced by the group of which he is a member. He argued that people have a tendency to fit in a society in spite of their personal likes and dislikes. Culture, sub culture, social classes reference groups, family are the different factor groups that influence buyer behavior (Gandhi, 1991).
1.3 CONSUMER DECISION BEHAVIORAL MODELS

Consumer behavioral models describe the decision-making or choice process of consumers. Comprehensive models of consumer’s behavior include Nicosia model (Engel, et. al., 1973), Howard Seth model, Sheth family decision making, Bettman information processing model and the Sethnew-Gross model.

1.3.1 Nicosia Model

The model focuses on the relationship between the firm and its potential consumers. It suggests an interactive design where the firm tries to influence consumers and the consumers by their actions (or interaction) influence the firm.

1.3.2 Howard – Sheth Model

The model distinguishes among three levels of learning viz., extensive problem solving, limiting problem solving and routinized response behavior.

Extensive problem solving (EPS) takes place when the consumer’s knowledge and beliefs about brands are very limited and the consumer actively seeks information concerning a number of alternative brands. When the consumers’ knowledge and beliefs about the brands are only partially established and he is not fully able to assess the brand differences limited problem solving (LPS) take place. Routinized response behavior (RRS) occurs when the consumers’ knowledge and beliefs about the brand and its alternative are well established and the consumer is predisposed to the purchase at one particular band.

1.3.3 Engel Kollat Blackwell Model

The model explains the individual consumer behavior under four sections.

1. Decision – process stage
2. Information input stage

3. Information processing stage and

4. Variable influencing the decision process

The model identified the task of decision process viz., problem recognition, search, alternative evaluation, purchase and outcomes. Information from marketing and non-marketing sources feeds into the information processing section of the model which has its initial influence at the problem recognition stage of decision making process. The consumer will process the information which consists of consumer response, attention, comprehension, perception, yielding/acceptance and retention of incoming marketer or dominated and non-marketing information. The model also stresses that there are certain variables which influence the decision making process which includes individual characteristics like motives, values life style and personality and the social factors like culture, reference groups, family and situational influence like consumers’ financial condition.

1.3.4 Sheth-Family Decision Making Model

Sheth family decision-making model suggests that joint decision making tends to prevail in families that are middle class – newly married and those who are close knit with few prescribed family roles. In terms of product specific factors, it suggests that joint decision making is more prevalent in situations of highly perceived risk or uncertainty, when the purchase decision is considered to be important and when there is ample time for decision making.

1.3.5 Bettman’s Information Processing Model of Consumer Choice

This model brings the concept of consumer process information. The model emphasis that consumer’s information processing capacity is limited and they rarely
undertake complex analysis of available alternatives. The model suggests that consumer normally adopts simple decision strategies (heuristics). This will enable the consumer to arrive at a choice having complete analysis of available alternatives. The Bettman system could be useful to the marketing managers to design marketing strategy by stimulating new insights about his consumers.

1.4 CONSUMER DECISION PROCESS

The thought process that consumers go through to arrive at their decisions is known as the consumer decision process. Consumers decisions are concerned mainly with how, when, how much, from where, questions concerned with the purchase of a product / service / ideas. Consumer realizes that if he wants to make a purchase, he goes through a series of steps mainly like problem recognition, information, search, evaluation of alternatives, decision on alternatives and assessment.

Consumers can have problems related to all five facets of decision making viz. whether, what, where, when and how to purchase. Internal determinants like needs, perceptions and motives have the most direct effect on problem recognition and the environmental variables are less directly involved in this process.

The consumer search process i.e., the mental and physical activities undertaken by consumers to provide information on recognized problems involves the identification of alternative products or brands, specific stores prices, terms of sale, services etc. Both internal (based on experience of the consumer) and external (outside information source) search will be made by the consumer before making a purchase decision. Before making a final decision he will also search for alternative solutions to a particular problem. Therefore a consumer decision making also involves evaluation of the alternative decisions i.e., the activity of identifying alternative
solutions to a problem and determining the relative merits of each. Consumer decision is the outcome of the evaluation i.e., the mental process of choosing the most desirable alternative (Kotler and Armstrong, 1995).

Consumer decision process also involves post purchase assessment. It can be defined as the consumer’s perceptions of the outcome of the purchase process. The result of the purchasing can be either satisfaction (when the purchases do not conform to the buyer’s expectations) or dissatisfaction (when the purchases do not conform to the buyer's expectations). The consumer will store the information and experiences obtained by him with the purchase and try to recall the information with entering into another purchase. This consumer decision making is a continual process as, the end of one purchase decision is the beginning of another.

Consumers change the buying patterns and habits over their life time. Further, consumers face different stages of family life cycle i.e., the stages through which families might pass as they mature overtime. Marketers often define their target markets in terms of different consumer segments and family life cycle stage and develop appropriate products and marketing plans for each stage and segment.

1.5 FORMATION OF LIFE INSURANCE CORPORATION (LIC) OF INDIA

Life Insurance is universally acknowledged to be an institution which eliminates ‘risk’ substituting certainty for uncertainty and comes to the timely aid of the family in the event of death of the breadwinner. The life insurance is civilization’s partial solution to financial uncertainties caused by untimely death (Ibrahim, 2003).
It is in short concerned with two hazards that stand across the life path of every person, that of dying prematurely leaving a dependent family to fend for itself and that of growing too old without visible means of support.

Life Insurance is an important service rendered to protect people against the risk of loss due to accident, fire, death, sickness and unemployment. Life Insurance may be defined as a contract of insurance in which the insurer, in consideration of premium, undertakes to pay a certain sum of money either on the death of the insured person or at the end of a fixed period.

It is widely believed that one of the most difficult products to sell is “Life Insurance”, and a person who sells life insurance can sell anything else under the sun, so goes the saying. There is no fault in saying the fact that selling life insurance is a difficult proposition, primarily because what is sought to be marketed is an assurance, a belief and a faith.

A corporation was established by the Insurance Act 1956 passed by parliament. According to the provisions of the Act, the corporation called the Life Insurance Corporation of India (LIC) began to function as an autonomous body running on sound business principles. The initial paid-up capital of `5crore was wholly contributed by the central government.

To control and monitor the functions of LIC, a board of directors consisting of 15 members was appointed by the Government. One of the members was appointed as its chairman. The organizational structure of LIC has four tiers. They are: Central Office (one), Zonal Offices (seven), Divisional Offices (101) and Branch Offices
(2048). Committees were appointed by Government from time to time to review the working of the LIC.

1.6 FEATURES AND OBJECTIVES OF LIC

1.6.1 Features of LIC

Life Insurance with the following features is superior to other forms of savings.

(i) Protection

Savings through life insurance guarantee financial protection against risk of death of policyholder. In life insurance, the full sum assured is payable (with bonuses wherever applicable on death), whereas in other savings schemes only the amount saved (with interest) is payable.

(ii) Aid to Thrift

Life Insurance encourages ‘thrift’. Long-term savings can be made in a relatively ‘painless’ manner because of the ‘easy installment’ facility (premiums can be paid through monthly, quarterly, half-yearly or yearly installments). The Salary Saving Scheme (SSS) provides a convenient method of paying premium each month through deduction from one’s salary. The employer remits the deducted premium to LIC. SSS can be introduced in an institution or establishment subject to specified terms and conditions.

(iii) Liquidity

Loans can be raised on the sole security of a policy which has acquired a paid-up value. Besides, a life insurance policy is also generally accepted as security for even a commercial loan/housing loan.
(iv) Tax Relief

Tax relief in income tax is available for amounts paid by way of premium for life insurance subject to the income-tax rules in force. Assesses can avail themselves of provisions in the law for tax relief. In such cases the assessee in effect pays a lower premium for his insurance than he would have to pay otherwise.

(v) Need for Money

A suitable insurance plan or a combination of different plans can be taken to meet specific needs that are likely to arise in future, such as children’s education, start-in-life or marriage provision or even periodical needs for cash over a predetermined stretch of time. Alternatively, policy money can be so arranged to be made available at the time of one’s retirement from service to be used for any specific purpose, such as purchase of a house or for other investments. Subject to certain conditions, loans are granted to policyholders for house building or for purchase of flats (Bhattacharaya, 2006).

1.6.2 Features of LIC

The following are the objectives of LIC:

- To spread life insurance much more widely, in particular to rural areas and to socially and economically backward classes, with a view in reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.
- To maximize mobilization of people’s savings by making insurance-linked savings adequately attractive.
- To bear in mind that the foremost obligation of LIC is to the policyholders whose money it holds in trust. Without losing sight of the interest of the
community as a whole – the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.

- To conduct business with utmost economy and with the full realization that the money belongs to the policyholders.
- To act as a trustee of the insured public in their individual and collective capacities.
- To meet the various life insurance needs to the community that would arise in the changing social and economic environment.
- To involve all people working in the corporation to the best of their ability in furthering the interests of the insured public by providing efficient service with courtesy.

LIC, a pioneer financial institution helps boost industrial growth. It helps small and medium-scale industries by granting loans for setting up co-operative industrial estates, and an amount of 45crore has so far been advanced to cooperative industrial estates and industrial development corporations. The corporation also makes investments in the corporate sector in the form of long, medium and short-term loans to companies/corporations.

LIC’s insurance products are very popular. At present, there are 52 fast moving plans which are available to suit the needs of different sectors of the society. The corporation has overseas offices in the UK, Fiji and Mauritius. Life Insurance Corporation (International) Bahrain, an offshore joint venture company was incorporated on July 23, 1989. All LIC offices – 2,048 branches, 101 divisions, seven zonal offices and the central office have already been computerized.
1.7 SOCIAL RESPONSIBILITIES OF LIC

One of the most important aims of LIC is the effective utilization of its resources (namely, savings of policyholders) in different forms of investment for national and economic development.

Strategic planning through environmental and corporate appraisals provides answers to what an organization might and can do. Personal values justify what an organization wants to do. Social responsibility along with business ethics tells what an organization ought to do. The matter of responsibilities of business towards society merits consideration in all phases of strategic management, but to make it explicit and meaningful, it should be stated during the strategy implementation.

According to economists like Adam Smith and Milton Friedman, the only responsibility of business is to perform its economic activities efficiently and provide goods and service to members of society and earn maximum profit. By doing so, it is felt that the market forces would ensure the business to perform economic functions, leaving social functions to other institutions such as the government.

The opposite view says that it is imperative for the business to be socially responsible. This is based on the argument that business organizations are a part of the society and have to serve primarily societal interests, rather than narrow economic objectives such as profit-generation. In doing so, they have to deal with social concerns and issues, and have to allocate their resources for solving social problems.

A basic feature of financial liberalization and many innovations is the trend towards social orientation. LIC takes up socially oriented schemes in a big way in
1978. This reduced its activities in the capital market. The rationale behind this change is to go in for developmental work.

Schemes like “Own-Your-House” (OYH) have been given priority. Apart from these, loans for handling sewerage, roads, and transport development, electricity generation are given priority in the recent years.

1.7.1 Investment

LIC helps to boost the industrial growth of the country. It helps small-scale and medium–scale industries by granting them loans for setting up co-operative industrial estates. It also makes investments in the co-operative industrial estates. Thus, its investments have been directed towards socially oriented securities like electricity, housing, water supply and sewerage (municipality and zilla parishad), state road transport corporations, plus loans to industrial estates, co-operative sugar factories, development authorities, roadways, ports, railways, power generation (private sector) and municipalities. All this makes a distinct contribution towards more industrialization and generation of skilled and unskilled employment opportunities in the country.

1.7.2 Schemes

Having set an ambitious target of 50 per cent growth in business in its Golden Jubilee year, LIC has introduced some schemes, including a unit–linked whole life insurance plan “Jeevan Plus”. As only six per cent of Indians have insured right now there is a great scope for all the players to do business. Alongside, LIC has embarked on a major technology drive. LIC’s allocation of its resources to various sectors demonstrates its commitment and dedication to take up new challenges. Its administrative personnel have displayed competence in all fields and steered it into a
position of strength, bestowing on it the peerless status of an institution the country can be proud of.

1.8 MODERN MARKETING APPROACH OF LIC

1.8.1 Current Scenario

Global integration of financial markets resulted from de-regulating measures, technological information explosion and financial innovations. Liberalization and globalization have allowed the entry of foreign players in the insurance sector. With the entry of private and foreign players in the insurance business, people have got a lot of options to choose from. Radical changes are taking place in consumer profile due to the changing life style and social perception resulting in erosion of brand loyalty (Vinayagamoorthy, 2006).

1.8.2 Liberalization and Privatization

India’s economic development has made it a lucrative insurance market in the world. Before the year 1999, there was a monopoly of LIC in transacting life business and the general insurance corporation of India with its four subsidiaries transacting the rest. In the wake of reform-processed passing Insurance Regulatory and Development Authority (IRDA) Act through Indian parliament in 1999, Indian insurance was thrown open for private companies Liberalization on the insurance sectors has allowed the foreign players to enter the market, with their Indian partners. Most of the foreign insurers have joined the local market. India offers immense possibilities to foreign insurers since it is the world’s most populous country, having over a billion people.
1.8.3 Competition

Private and foreign entrants in the insurance industry have made others difficult to retain their market. Higher consumer aspirations lead to new expectations and forced him or her to move towards the insurer who provides him the best service in time. It becomes less viable for them even to maintain the functional networks or competitive standards and services. To survive in the industry they analyze the emerging requirements of the policyholders /insurers and they are in the forefront in providing essential services and introducing novel products. Thereby they become niche specialists, who provide the right service to the right person in the right time.

The healthy competition in the sector enabled the state owned insurers of India maintain its market share to 76.07 per cent and 73.90 per cent in life and non-life business, respectively. Moreover, private insurers have planned to increase their market share in the next five years. The public insurers have to modify their strategies in order to preserve at least the status quo.

1.8.4 Information Technology

Insurers are the earlier adopters of technology. Because of the information revolution consumers are free to choose from a wide range of new and innovative products. The insurance companies are utilizing the information technology for better consumer service, cost reduction, new product design and development and many more.

New technology gives the policyholders insured, better, wider and faster access to products and services. The impact of information technology in insurance business is being felt at an accelerating pace. In the initial years Information Technology (IT) has been used more to execute back office functions like
maintenance of accounts, reconciling broker accounts, and client processing and so on. With the advent of ‘database concepts’, these functions are better integrated in an administrative efficiency.

The real evolution has however emerged out of internet boom. The internet has provided brand new distribution channels to the insurers. The technology has enabled the insurer to innovate new products, provide better consumer service and deeper and wider insurance coverage to them. At present, insurance companies are giving consumers a distinct claim to track claims online, entertaining online enrollment, eligibility review, financial reporting, billing and electronic fund transfer to the benefit of consumers.

1.8.5 Product Innovation

Insurers are continuously innovating new products based on forward looking models. They have developed new products addressing the new challenges in society and tackling the hazards from new environmental issues. Companies need to constantly innovate in terms of product development to meet ever-changing consumer needs. Understanding the consumer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability. Since a single policy cannot meet all the insurance objectives, one should have a portfolio of policies covering all the needs.

Product development is made possible by integrating actual, rating, claims and illustration systems. At present, the life insurers are concentrating on the pension schemes and the non-life insurers on many innovative schemes of various realms and thereby enriching their market share. Moreover, with increased commoditisation of insurance products, brand building is going to play a vital role.
1.8.6 Distribution Network

While companies have been successful in product innovation, most of them are still grappling with the right mix of distribution channels for capturing maximum market share to build brand equity, building strong and effective consumer relationships and cost effective consumer service. While the traditional channel of tied up advisors or agents would be the chief distribution channel, insurer should innovate and find new methods of delivering the products to consumers. Corporate agency, brokerage, bank assurance, e-insurance, co-operative societies and panchayats are some of the channels which can be tapped by the insurers to reach the appropriate market segments. Now-a-days, the urban masses are tapped with the new techniques provided by information technology through Internet. Rural masses are attracted by the consultative approach adopted by the insurers. Moreover, they attract the consumers through telephone and mobile also.

1.8.7 Consumer Education and Services

Insurance is a unique service industry. The key industry drivers are related to life style issues in terms of perceiving insurance as a savings instrument rather than a means of risk cover, need based selling, quality of service and consumer awareness.

In the present competitive scenario, a key differentiator is the professional consumer service in terms of quality of advice on product choice along with policy servicing. Servicing focuses on enhancing the consumer’s experience and maximizing his convenience. This calls the effective CRM system, which eventually creates sustainable competitive advantages and enables to build long lasting relationship.

In India, insurance is sold and not bought. The agents/advisors by using various strategies sell the product by conditioning the consumers. Moreover, they
push policies with the highest premium to pocket a higher commission. The consultative approach in selling is the modern approach, which helps consumers and prospects to buy. A consultant makes calls and sells just like any other sales person. The difference is in their attitude, approach and commitment. Here, the consumer is seen as a person to be served and not a person to be sold. It helps the purchaser to make an intelligent decision. The four-step process includes:

1) Need discovery, 2) Selection of the product, 3) Need satisfaction presentation and 4) Serving the sale.

This approach in selling their products requires understanding of concepts and principles borrowed from the fields of psychology, communications, and sociology and needs a lot of personal commitments and self-discipline for the seller.

Generally, commitments refer to the understanding of the needs of the consumers, co-operating with consumers and helping the consumers to achieve business and other objectives by the purchase of the product or service. It also means believing that the products/services correlate with consumer’s needs and believing in one and his ability to help the consumer in solving their problems.

A consultant is willing to forego short-term gains to achieve greater long term benefit to him and to the consumers he serves. He builds relationships on a foundation of trust, respect and performance. Moreover, consultants do not concentrate in helping the clients to buy. They act as professional and offer real world solutions that make sense to the consumer. Today, the insurers adopt this technique and thereby go on increasing their market share.
1.9 IMPACT OF LIBERALIZATION ON LIC

The insurance industry in India has gone through a sea change since its liberalization in 1999. Close to the forces of competition for over 40 years, private participation has ushered in a breath of fresh air into what was considered a dull industry. Undoubtedly, the erstwhile monopoly, the Life Insurance Corporation of India, which spanned the length and breadth of the country has done a commendable job in the industry. But, the government has rightly identified the task of making an essential financial product available to the masses and many companies can participate in this task. The insurance sector was opened for private players when the government enacted the Insurance Regulatory and Development Authority Act, 1999 leading to the establishment of IRDA. The first private life insurance company was registered with the IRDA in October 2000 and started operations shortly thereafter, thereby ending 44 years of public sector monopoly. Since then, many more private companies have been registered bringing the number to a dozen, all of which are joint ventures between major business houses or banks in India and renowned international giants.

The private players have taken numerous new initiatives to tap the rich market potential. For instance ICICI Prudential has fulfilled its mission to be a scale player in the mass market by introducing complete range of products to meet the individual work of the consumer. Other insurers have taken focused approach by introducing select products that hold potential and fill market gaps. The new players have also improved the service quality. In this way, each life insurer has attracted the consumers with new perspectives. In other words, competition has been highly intensified in the industry (Jampala and Rao, 2010).
A single person does not need much life insurance if he is self-supporting and has no dependents. In general, he should carry enough insurance to take care of his final expenses and to protect his creditors by covering his debts.

Sometimes the young single person will be encouraged to buy insurance early in order to get lower premiums. It is generally true that, the younger the insured, the lower the premiums for a given type of insurance. One reason is that the savings part of an insurance policy is spread over a longer period of time. (This does not apply to term insurance, which builds up no savings.)

In addition, the younger the person, the lower is the risk of his death. However, the single individual may be paying for protection he does not need just to get lower premiums throughout life. If the single person has dependent aged parents, he may wish to provide financial protection for them in the event of his death. This need for protection could apply during any stage of the family life cycle.

Insurance needs of the newly married couple with no dependents are very likely the same as for the single person. He should cover loans with insurance to protect his wife as well as his creditors.

In this stage of the family life cycle, the couple should try to save for the future. Often the wife and the husband are both working. Some couples try to live only on the husband's income and save the wife's for emergencies or for expenses expected later when the children are born or when a home is purchased. While insurance (especially endowment insurance) can be used to save for the future, families should investigate other forms of savings before purchasing policies.
Savings probably can be invested more profitably in other safe and conservative ways than in insurance. Another way to save regularly is to use payroll deduction plans to buy government savings bonds. This method is especially helpful for couples that find it difficult to save money on their own.

While the children are young, the death of the father usually is the greatest hazard faced by the family. Even though the young mother may be working or may be able to provide income for the family if the father dies, it is more difficult for her to leave home during the preschool and elementary school stages than at any other time during the family life cycle. Therefore, young families usually need a great deal of income protection from life insurance. At the same time, they have relatively small funds for providing this protection.

The years when the children are in high school or college are good times to re-examine family's needs for life insurance. Since the children will not be dependent many more years, they may want to change the kind or amount of protection they are carrying. By the time the children are in high school, the mother may be working outside the home. She may therefore be in a better position to provide income for herself and the family if the husband should be disabled or should die. Any family's life insurance program should be re-examined whenever the wife enters or leaves the labor force in order to keep the family's economic security program up-to-date.

The recovery stage of the family life cycle is characterized by the financial independence of the children. The wife is usually the only dependent during this stage, and she may be in the labor force. If she is not working or cannot support herself, be sure that the wife is provided for in the period between the possible death
of the husband and the time that she is eligible for social security or other retirement benefits.

When a person reaches retirement, his family's need for life insurance is usually much less than in former stages, especially if husband and wife are near the same age. The wife may be eligible for social security or other retirement benefits if the husband were to die. The family should consider whether these benefits will provide adequately for her living expenses (Hafstrom, et.al., 2011).

1.11 STATEMENT OF THE PROBLEM

Life insurance is a must for everyone because life is very precious. With a population of over 1.25 billion, national and international life insurance companies, see India as a land of opportunities and a market for big business. Until 1999, the business of life insurance in India was the monopoly of Life Insurance Corporation (LIC) of India.

Usually families purchase life insurance for protection. They are buying financial protection for themselves in the event that the breadwinner dies before the children are grown. In addition, some families buy financial protection for the years after the breadwinner's retirement.

Since the father is usually the family breadwinner, most of the life insurance purchased by a family is on the father. Today, more and more families have two breadwinners. Therefore, the family may need to consider insuring both, since the loss of income of either breadwinner may seriously affect the family's financial security.

Life insurance is based on the law of large numbers. This means that a large number of families that share the common risk of losing the breadwinner pay a small
amount of money (called a premium) each year. Then the dependents of those who actually die during that year receive a much larger amount of money than the annual premiums they have been paying. The life insurance company, as its part in the transaction, calculates the risk of the insured dying during the year, collects premiums from the persons sharing the risk, and handles payments to beneficiaries of insured individuals who die.

The type of financial protection a family needs varies with family income, resources, goals, composition, and stage in the family life cycle. Used correctly, life insurance can make a valuable contribution to family economic security. When used unwisely, however, it can be an excessive drain on family finances and, indirectly, on family happiness and satisfaction.

In today’s cut throat competition, it becomes essential for life insurers to provide better consumer services, spread more awareness, emphasis on need based innovative products and reasonable price. So that, every individual may avail the benefits of insurance and protect their lives against future uncertainties. With this background, the present research is attempted to study the, “Role of Family Life Cycle in Purchase Decision of Life Insurance Policy Holders in Chennai City”.

1.12 NEED FOR THE STUDY

Life insurance is the most important type of insurance which provides earnings replacement and financial protection to a person and his family in case of risks or accident. Life insurance through contractual obligation helps individuals and also encourages savings among people. Insurance companies play a vital role in the social welfare or creation of social security of human society by providing insurance
to millions of people against life risks such as uncertain death or physical disability during contractual period.

Considering the importance of social security, and increasing life style expenditure as well as concept of life value, insurance is gaining acceptance from compulsory to necessary. Among the various factors affecting individual’s purchase decision of life insurance policies, stages of family life cycle is the prime factor to decide the type of plan, period of plan, sum assured and premium rate. Therefore, the present research is very important to study the role of family life cycle for purchasing decision of life insurance policies by consumers.

1.13 SIGNIFICANCE OF THE STUDY

The family life cycle and demographic environment is of interest to marketers because it involves people and people make up market. The factors affecting need recognition for life insurance policies on purchase of types of plan would helpful to know the magnitude and direction of factors affecting need recognition for life insurance policies on purchase of types of plan by the policy holders. The information search by life insurance policy holders would be helpful to understand the different sources of information for policy holders to make purchase decision.

The evaluation of alternatives by life insurance policy holders would be useful to analyze and understand the various features of life insurance policies. The criteria for evaluation of alternatives for life insurance policy holders would be helpful to identify the criteria for evaluation of alternatives for life insurance policy holders. The relationship between criteria for evaluation of alternatives and purchase of types of plan would be useful to measure the degree of association and direction among
various criteria for evaluation of alternatives and types of plan purchased by policy holders.

The purchasing behavior of life insurance policy holders would be helpful to understand the policy holder’s purchasing behavior towards different types of plans of life insurance. The after sales service of Life Insurance Corporation would be useful to understand the satisfaction about service provided by Life Insurance Corporation after sales.

1.14 REVIEW OF LITERATURE

The researcher has reviewed the literature related to consumer’s purchase decision process, demographic variables and their implications in marketing and Indian car industry. The chapter is organized in the following manner:

i. The reviews related to the consumer’s purchase decision process in general

ii. The reviews related to the different stages of consumer’s purchase decision process

iii. The reviews related to demographic variables and their implications in marketing management and

iv. The reviews related to the Indian car industry with a focus on its future.

1.14.1 Reviews Related to Consumer’s Purchase Decision Process

Assael (1987) distinguished four types of consumer behavior based on the degree of buyer involvement and the degree of differences among brands.
Kassarjian and Kassajian (1979) point out that many purchase decisions are better described by low involvement conditions.

Petty and Cacioppo (1986) show that peripheral persuasion is more effective for low-involvement products. They argue that there are two routes to persuasion: the central route and the peripheral route. In the first, an appeal is made to the consumer on the basis of valued attributes of the brand. In the second, the advertisement may gain the awareness and liking of the consumer by using some indirect medium, for example, the endorsement of a sports celebrity and hope the favourable attitudes are transferred to the product.

Rothchild (1999) claims that, in a low involvement situation the role of advertising is to create awareness and familiarity through repetition. A small number of points should be emphasized in the ads; repetition creates a relationship between advertising symbols and brand use. In a high involvement situation, advertising seeks to go beyond awareness to influence the consumer through the persuasive message. The content of the message, rather than repetition, is the key.

Laurent and Kapferer (1985) indicate that knowing the involvement level on one facet (e.g. perceived importance, the classical indicator of involvement) is not sufficient. The full profile must be known because different facts have different influences on selected aspects of consumer behavior.
Tversky and Kahneman (1974) detailed the heuristics and biases they observed in decision makers (including consumers). The three biases they identified were representativeness (in which perceived ideas and stereotypes obstruct learning of new information), availability (in which respondents select events or outcomes that are familiar to them, even in defiance of the true probabilities), and anchoring (in which respondents are reluctant to adjust adequately from their preconceived ideas).

Pride and Ferrell (1989) prove that people engaged in extensive decision making follow all the stages of decision process, whereas those engaged in limited decision making and routine behavior omit some stages.

Kerr (1990) claims that products found to be high involvement purchases are insurance, cars and home computers. Consumers usually shop around for these products, seeking information from friends, publications, manufacturers and retailers.

Slama and Tashchian (1985) reveal that the purchase decision results from numerous experiences and evaluations that have occurred over a repeated number of purchases. Over such trials (or purchases), consumers develop a set of simple tactics for choosing products that permit a quick, yet, satisfactory decision.

Laurent and Kapferer (1985) make known that the important factors which influence consumers’ level of involvement in the purchase process are price, interest, perceived risk of negative consequences, situation and social visibility.

Simonson (1994) through his experimental study claims that providing consumers with a choice where there was originally none, can be a very good business strategy and one who does that can substantially increase sales.
Jones, Trocchia and Mothersbaugh (1997) pointed out that consumers’ primary motivation for price haggling, which was long thought to be desire to obtain a better price, may instead be related to the need for achievement, affiliation and dominance. Bagozzi and Dholakia (1999) proved that goal setting is especially important when it come to the doption of new products, because the greater the degree of newness, the more difficult it would be for the consumer to evaluate the product and relate it to his/her need (because of a lack of experience with the product).

Lilien, Kotler and Moorthy (1999) shows that how the diversity of consumers, of choice processes, and of decision contexts explains many differences and stresses the importance of having a model which must consider all these differences into account.

**Consumers are Different.** Consumers vary according to their personalities, values, preferences, and a range of other characteristics. These differences mean that a model that is appropriate for describing the behavior of one particular consumer may be adequate in explaining the behavior of another.

**Choice Decisions Differ.** Not only do consumers differ from one another, but also even for a given consumer, a model that might describe his/her behavior for a specific purchase decision may not work in describing another. There are a variety of reasons for these differences. The level of involvement that the consumer has in the decision will determine the amount of cognitive effort and search that he/she is prepared to invest in it. Phenomena associated with low involvement decisions (often called routinized response behavior) include habit, low risk, and lack of search. As the level of involvement grows through limited problem solving, other phenomena such as brand perceptions and evaluation rules become important.
The Context of Purchases Differs. Consumers vary in their decision-making rules because of the usage situation, the user of the good/service (for family, for gift, for self), and purchase situation (catalog sale, in-store shelf selection, salesperson-aided purchase). Each such context may invoke a different decision-making, example, a consumer buying a watch for herself may value consistency with her other jewelry image, and aesthetics, but when buying one as a gift for a friend, may treat price and manufacturer reputation as the most important attributes.

1.14.2 Reviews Related to Different Stages of Consumer Decision Process

The reviews related to the stages of consumer purchase decision process are given under the following headlines.

1.14.2.1 Need Recognition

Bruner (1987) points out that among the consumers, there seem to be two different need or problem recognition styles. Some consumers are actual state types, who perceive that they have a problem when a product fails to perform satisfactorily. In contrast, other consumers are desired state type, for what the desire for something new may trigger the decision process.

Zaltman and Wallendorf (1979) considered two major traditions in consumer behavior for building model for need recognition. The first tradition is Maslow's hierarchy needs. This theory suggests that needs can be prioritized in hierarchy and that consumers satisfy higher order needs before they satisfy those lower in the hierarchy, The second tradition is that McClelland theory which suggests that needs are learned. This approach emphasizes the importance of contextual variables in consumer choice.
Bruner (1985) says that when faced with an imbalance between actual and desired states, an individual experiences problem recognition. The desired state, the individual would like to achieve, reflects a need.

Reibstein (1975) points out that consumers recognize unfulfilled wants in the following ways:

- A currently used product or brand is not performing properly.
- A buyer wants to do something but can't find a product that will do it.
- A buyer hears about or sees a product whose features seem superior to the one currently used.
- A buyer has difficulty in locating or purchasing a preferred product and
- A buyer in running out of a product that is generally kept on hand.

1.14.2.2 Information Search

Bettman (1979) studied both the idiosyncratic structure of individual consumer's decision-taking processes and also how their beliefs change as they learn more about the behavior concerned. Bettman's theory has clear implications for how the information strategies should be theoretically designed.

Lilien, Kotler and Mooflhy (1999) found that the decision to buy within a product category (need arousal) leads customers to a state of heightened awareness about products and their attributes in such a product category. If the need is particularly acute, they undertake a process of active search.

Midgley (1983) identified five types of information seeking the symbolic product of fashion clothing: a) peer assisted, b) spouse assisted, c) extensive search, and d) minimal search (deliberate and decisive).
Urbany, Dickson and Wilkie (1989) found that the amount of search is related to two dimensions of customer uncertainty: a) uncertainty about what alternatives exist and b) uncertainty about which alternative to choose.

Lilien, Kotler and Moorthy (1999) make known that the consumers do not search and evaluate (consider) all the brands, which they are aware. The consideration set may be defined to be all those brands that the consumer will evaluate or search for a given purchase. Study of the composition of the consideration set is important for two reasons. First, lack of consideration may be important in its own right. Second, consideration may be important as a part of the overall study of the consumption process.

Hauser and Wernerfelt (1990) distinguished between the cost of search and the cost of evaluating between brands. They prove that low search cost brands are more likely to be considered.

Lilien, Kotler and Moorthy (1999) note that research has been conducted both into whether more search should be conducted and where, as well as how the information during search should be integrated into consumers' perceptions because, information integration is very important for making a right decision.

McAlister and Pessemier (1982) distinguish between several types of behavior by individuals that relate to multiple needs, the acquisition of information and the alternating purchase of familiar products (variety seeking). They hypothesize that consumers have an ideal point of satiation level for the products attributes that leads to its decreasing utility after a period of sustained consumption. Thus, if a person
drinks six colas there is a good chance that on his next consumption occasion he might wish a lemon soda just for a change, that is variety seeking.

Nedungadi (1990) notes that the information once remembered will not necessarily be recalled and he also stresses the salience of brands and stimuli.

Malhotra (1982) states that the information overload also affects choice. It is necessary to know how consumers react when there is incomplete information or when there is too much information.

Lamb, Hair and McDaniel (1992) indicate that the trouble and time consumers take to find the data about the product are less than the cost of buying a wrong product in a complex decision making process.

Johnson and Leven (1985) note that the more consumers know the more efficiently they search: that is, they seek less information about inappropriate alternatives. They not only have plenty of stored information about the product and also feel self-assured about making the right decision. People lacking this confidence will continue information search even when they are extremely knowledgeable.

Klein (1998) through his study found out that there is a vast difference between men and women in terms of their response to shopping. Whereas most men do not like to shop, most women claim to like the experience of shopping; and although the majority of women found shopping to be relaxing and enjoyable, the majority of men did not have the same response. Generally, the act of shopping is an important form of external information. In addition to gender differences, the study reveals that price considerations can also play a role in determining the extent of the search process.
Beatty and Smith (1987) conducted a study for examining the external search effort associated with the purchase of different product categories and found that as the amount of total search effort increased, consumer's attitude towards shopping became more positive and more time was made available for shopping. Not surprisingly, external search effort was greatest for consumers who had the least amount of product category knowledge.

Spreng, Divine and Page (2001) indicate that consumers high in subjective knowledge (a self-assessment of how much they know about the product category) rely more on their own evaluations than on dealer recommendations.

1.14.2.3 Evaluation of Alternatives

McAlister (1979) reveals that the consumer arrives at attitudes (judgments, preferences) toward the various brands through an attribute evaluation procedure. Bettman and Park (1980) state that brand evaluation seems to occur in two ways; i) Choice by processing brands (CPB) and ii) Choice by processing attributes (CPA). In CPB, one brand is evaluated on all of the criteria before another brand is processed. In CPA, all brands considered are evaluated on one attribute and then the next attribute, and so on. CPB appears to be the more frequently used processing approach. The study of Bettman and Park suggest that CPA is more likely to occur in early stages of the decision process and CPB, as one gets closer to the final choice.

Wilson, Matthews and Harvey (1975) found that attitudes toward the purchase of a brand and behavioral intention were closely related to behavior than were attitudes toward the brand itself.
Gupta and Singh (1989) found from their study that the durability, band image better guarantee/warranty, family liking, after sales service and price were the most important attributes affecting the choice of a brand.

Nakanishi and Bettman (1975) quote that an evaluation process may be too complex for many consumer goods; consumers may evaluate brands on two or three key attributes and eliminate brands if they are not adequate on any one attribute.

Lilien, Kotler and Moorthy (1999) explain two models for evaluation of brands. Non-compensatory models require consumers to process information by attribute across brands, while Compensatory Models require consumers to process information by brand across attributes. Since evaluations are simpler and faster in non-compensatory models, it is likely that they are better representations of decision processes for low-involvement goods or for the screening phase when there are many brands, while compensatory models more accurately describe brand evaluations for high involvement products in more complex decision making settings.

Johnson (1988) has suggested that the more consumers are faced with non-comparable alternatives; the more they resort to hierarchical-based processing. That is, he asserts that with non-comparable alternatives, consumers eliminate brands by a very general comparison, rather than a specific attribute-based one.

Johnson and Lehman (2000) found from their research that a consumer's consideration set increases in size as experience with a product category grows.

Johar, Jedidi and Jacoby (1999) found that if evaluations are made online, information acquired later (the recency effect) is given more weight than information
that had been acquired earlier (although this decreases with the amount of knowledge that consumers already possess).

Sen and Johnson (1997) proved that the mere possession of a rebate coupon (whether it is used or not) for a product purchase enhances consumer's preference for that object.

Wood (2001) evidently shows that when making a 'remote' purchase (i.e., the consumer is shopping from home or office rather than in the actual store) the leniency of the retailer's return policy can influence the decision process because it reduces consumer risk.

Schiffman and Kanuk (2004) point out a research results that when consumers discuss 'right products', there is little or no mention of price; brand names are not often upper most in consumers' minds; items often reflect personality characteristics or childhood experiences; and it is 'often love at first sight'.

Spears (2000) reveals that time pressure also play a role in the consumer's decision process. She has found a positive association between time pressure and both sales proneness (i.e., respond positively to cents-off coupons or special offers) and display proneness (i.e., respond positively to in-store displays offering a special price).

1.14.2.4 Purchase Decision

Peterson, Balasubramanian and Bronnenberg (1997) forecast that early in the twenty first century consumers will be purchasing food and other basic household needs via in-home television computer systems. The shopper will make choices after
viewing brands and prices on the screen. So, the purchasing process itself may change dramatically in the coming decades.

Lilien, Kotler and Moorthy (1999) reveal that a consumer's purchase intention is influenced by changes in anticipated situational factors. The consumer forms a purchase intention on the basis of such factors as expected family income, the expected total cost of the product and the expected benefits of the product. Furthermore, when the consumer is about to act, unanticipated situational factors may intervene him from so (such as lack of availability of a preferred product). Hence, preferences and purchase intentions are not completely reliable predictors of actual buying behavior: while they guide purchase behavior, they fail to include a number of additional factors they may intervene.

1.14.2.5 Post Purchase Behavior

Thaler (1985) suggest that there are two forms of utility associated with every consumer decision: acquisition utility and transaction utility. Transaction utility reflects the approval or pleasure that consumers gain from the transaction. Transaction utility is particularly tied to the concept of fairness and appropriateness.

Sandvik, Gronhaug and Lindberg (1997) found out from their study that there was no direct relationship between satisfaction and retention. The findings show that customer retention may be more a matter of the brand’s reputation – especially for products consumers find difficult to evaluate.

Kotler and Mantrala (1985) state that the larger the gap between expectation and performance, the greater the consumer’s dissatisfaction and they prove that some
consumers magnify the gap when the product is not perfect and they are highly dissatisfied; others minimize the gap and are less satisfied.

Andrews and Withey (1974) found that the people who are generally feel competent in their everyday lives tend to be more satisfied with their major purchases than those who feel less competent and also the more a consumer searches for information, the more satisfied he/she tends to be with cognitive dissonance are: i) finding information that reinforces positive ideas about a product purchased, ii) avoiding information that would contradict their purchase decisions and iii) revoking the original decision by returning the product.

Gatignon and Robertson (1985) conducted a research and found that customer sometimes rely on word of mouth to reduce cognitive dissonance, especially when they are dissatisfied, In some instances, people will deliberately seek out negative facts in order to refute then) and reduce dissonance.

Donnelly and Ivancevich (1970) found that post purchase letter sent by manufacturers and dissonance reducing statements in instruction booklets result in fewer product returns and future-order cancellations.

1.14.2.7 Reviews Related to Demographic Variables

Dhanna (1084) found from his study that the brand awareness is more among the male respondents than the female respondents in India.

Bass, Tigert and Lonsdale (1968) conducted an extensive study and found that light and heavy users of ten product categories were different with respect to their income, educational level, marital status, occupation and number of children.
Stanton, Etzel and Walker (1994) reveal teenagers constitute a big market for videocassettes, apparel, cosmetics, autos, stereos, and other products in the present scenario. The teenage market is large and free spending but it has proved difficult for advertisers to reach.

Garland, Linn, Power, Shao and Siler (1991) found that the early middle age consumers are very conscious of saving time and it is reflected in the growth of catalog sales, home repair and town care services, and ready to eat foods.

Campbell (1991) reveals that the manufacturers and retailers alike are beginning to recognize that people at the older end of the age spectrum are logical prospects for small housing units, cruising and foreign tours, health products, cosmetics developed especially for older people and toys (for the grand children).

Morton (2000) finds that investors younger than 55 years of age base their investment decisions on long-term gain and consider current income and intermediate gain less important, whereas investors over 55 years of age are more cautious and place more importance on the intermediate gain and current income of a potential investment.

Smith and Whitlark (2001) have conducted a research and found that men and women differ in terms of the way they look at their Internet usage. Specifically men tend to click on web site because they are information hungry, whereas women click because “they expect communications media to entertain and educate”.

Kotler (2003) reveals that the automate industry beginning to recognize gender segmentation. Since there are no more women car owners, some manufacturers are
designing features to appeal to women although they stop short of advertising the cars as women's car.

Charlier (1991) evidently states that companies engaged in international marketing also pay attention to gender and age. Utah ski resorts, working together to attract Japanese consumers, targeted young adult men, just as they would in the US. They didn't realize that it is not customary for young Japanese men to take long vacations because of their work obligations. Had they studied Japanese skiers, they would have discovered that better targets are young women and older men with established positions and more free time.

Nielson Survey Report (2000) reveals that consumers with lower incomes, lower education, and blue-collar occupations tend to spend more time online at home than those with higher income, higher education and white-collar occupations. One Possible reason for this difference is that those in blue-collar jobs often do not have access to the internet during the course of the workday.

Labich (1994) found that the tastes of social classes could change with the years. The 1990s were about greed and ostentation for the upper classes. Affluent society now run more toward the utilitarian - a Ford explorer rather than a Mercedes.

Forrester Research (2001) reports that affluent customers have an affinity for technology, especially when it comes to the task of managing their finances.

Casion (1999) comments that most people who have money are fairly conservative and have accumulated wealth because they are very good savers.
Goldman (1999) defines middle class as households composed of college-educated adults who in some way use computers to make a living are involved in their children’s education, and are confident that they can maintain the quality of their family’s life.

Bailay (2000) notes that Tropicana and other fruit juice companies have been successfully positioning their products to the expanding middle class Indian consumers who are seeking more health oriented products. Dobhal (2001) unearths four distinct psychographic profiles of the Indian male:

i) **The traditional (35%)**: He buys on the basis of value for money. He is conservative and driven by values. He cherishes the family and eschews ostentation, Traditionals span all the age groups and are mostly married. They generally belong in the second rung of the socio economic hierarchy.

ii) **The pleasure seeker (41%)**: He buys on the basis of what is the best. A self oriented person; he is driven by status (and status symbols). He is the risk taker. Most pleasure seekers are young unmarried and residents of the metropolitan cities.

iii) **The social chameleon (17%)**: He buys on the basis of what will impress others. He is a hypocrite of sorts who craves to project a political and socially correct image. Social chameleons are tech-savvy and individualistic. The majority is between 30 and 40 years of age, executives and post-graduates.

iv) **The intrinsic progressive (7%)**: He buys on the basis of quality and is driven by rational reasons. He believes in family values, equality of sexes
and is not confined by traditions. The intrinsic progressive is young and unmarried, and executives.

Lauman and House (1970) found that consumers with high social status and modern purchase tendencies bought different articles for their living rooms than those with high social status and traditional purchase tendencies; yet both of these social groups purchased different items than either modern or traditional consumers of low status.

Sonefield (1990) found that people in the upper-upper class generally have conservative lifestyles including their consumer behavior. They tend towards the tweedy rather than the trendy and they usually patronize long established up-market retailers.

Hirshchman (1990) found that the consumption of lower upper class tend to be less conservative and more expressive than those of the aristocracy; that is they are more inclined to buy particularly fashionable and expensive goods and services because of the effect these have on their social standing.

Larsen (1991) states that the working classes form an enormous market accounting for almost a third total income and they display greater brand loyalty than more upmarket consumers.

Dalton (1999) finds that families’ financial needs tend to shift they through the various stages of life.

Javalgi and Dion (1999) conducted a research to investigate how a consumer chooses a bank and found that location of the bank is very important to all the
respondents, but other bank attributes tended to be much more important to some family life cycle segments than others. For instance, fast service was ranked fifth by bachelor stage individuals and twelfth and thirteenth by full-nest II and empty-nest II respondents.

Chisnall (1994) notes that many household durable goods are now increasingly bought from the dual incomes of the husband of wife. This joint decision-making has implications for marketing strategies. Personality factors of both parties may be significant influences in the choice of the particular brand of the product.

Putnum and Davidson (1984) reveal that the role that family members adopt at any given time may also depend on which spouse is dominant and for which product. There are four possibilities here, based on the relative influence each perceives. Either (I) husband or (2) wife may dominant or equal number of individual decisions may be made by each spouse, known as (3) autonomic or (4) decisions may be joint. The most likely situation for a given product will depend on the nature of the product, the situation in which it is being considered and the particular stage in the decision making process. Findings for the specific products are as follows:

i) **Husband dominant**: lawn movers, hardware

ii) **Wife dominant**: women's and children's clothing, kitchen wares, groceries

iii) **Autonomic**: sports equipment, cameras, lamps, toys and games.

iv) **Joint**: holidays, television sets, refrigerators, cars etc.

David (1876) found that women still do most of the actual buying but they usually have other family members in mind when they do so.
1.14.2.8 Reviews Related to Insurance Industry with a focus on its Future

Namasivayam et. al., (2006) studied the socioeconomic factors influencing the decision to obtain life insurance policy. The study reported that socioeconomic factors, such as age, education level and gender of the policy holders were insignificant but income level, occupation and family size were significant factors influencing the preference of the policyholders towards various types of policies of LIC of India.

Devasenathipathi, et.al., (2007) reported that awareness and growth prospects of LIC were considerably better than the private players. Nevertheless, with the increasing use of Information Technology tools, like Internet and ecommerce, LIC had to face tough competition from private insurers, as its use of the technology happened to be lower than the private players. On the other hand, private players felt that convenience, time savings and money saving schemes were the key factors to the success of a business, and they had clearly tapped consumers' expectations. From the study, it became clear that consumers expected multiple benefits than the single benefit from the policy. The reasons behind the preference for a particular company included: more returns from policy, less premium, more awareness created by companies, variety in policies and advertisement.

Khurana (2008) showed that protection was the main purpose of buying an insurance policy. Half of the respondents (50%) faced the claim settlement problem and the remaining half faced problems while collecting the relevant information from the insurance company. Out of the total sample 28.1 % of the respondents had obtained the Money-Back Policy, out of which 77.8% were policyholders of LIC
only, which meant that the customers preferred public sector companies to private sector companies.

Keerthi and Vijayalakshmi (2009) concluded that the policy holders’ expectations were well met in the case of certain factors reacting to service quality. In the case of other variables, there exist a significant gap which meant that policy holders had experienced low levels of service as against their expectations. If all the players in the life insurance industry focused on the effective delivery of services, they could win the hearts of customers and anticipate their increased market share.

Selvakumar and Priyan (2010) found that insurance companies were increasingly tapping the semi-urban and rural areas to take across the message of protection of life through insurance cover. Higher level of protection implied that customers were more conscious of the need for risk mitigation, greater security, and about the future of their dependents. Insurance sector had been evolving and improving its underwriting and risk management abilities.

Yadav (2011) concluded that LIC was the leading brand in life Insurance sector but its market share was declining after privatization, LIC needed to improve its service quality to meet changing demands and expectations of customers. The study was significant also because it would help LIC to create a positive impact on its customers by working on its lacking qualities.

Sanjaykumar and Patil (2012) pointed out that there were 65% of respondent’s objective while purchasing Insurance policy was to cover risk, 25% respondent’s objective while purchasing Insurance policy was future investment and 10% respondent’s objective while purchasing Insurance policy was long term benefits.
Mahajan (2013) found that the consumer’s perception towards Life Insurance Policies was positive. The major factors playing the role in developing consumer’s perception towards Life Insurance Policies were Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client Relationship.

Singh (2014) concluded that in post-liberalized-era, government service men of 26-45 age group population were more aware of buying insurance policy for several purposes. A major segment of age group below 25 years and more than 55 years, were not able to buy insurance plan. They could not identify suitable products according to their need. Mostly urban educated graduates or post graduate people purchased maximum risk cover plans by insurance companies, as compared to others degree holders. Less number of the Intermediates passed respondents was under insurance covers because they were not able to get suitable products. The 4-6 family size was having maximum insurance policies as compared to other family sizes in the study area.

Thakur and Nigam (2015) found that LIC of India still enjoyed the brand preference and affecting to a greater extent the decision making process of buying insurance. Risk cover played a dominant role in buying a insurance which showed the quality of awareness amongst respondents as well as commonality of tax benefit feature within all policies. Term insurance needed to inch up as compared to endowment as still the same hold a big pie.
1.15 OBJECTIVES OF THE STUDY

The objectives of the study are:

1. To identify the demographic profile of the life insurance policy holders
2. To examine the type of insurance plans owned by life insurance policy holders.
3. To identify the factors determining the different stages of purchase decision of life insurance policy holders
4. To determine the family life cycle of life insurance policy holders
5. To analyze the impact of family life cycle on different stages of purchase decision life insurance policy holders.
6. To find out whether there is any relationship between the family life cycle of life insurance policy holders and the type of life insurance policies.
7. To give suitable recommendations to the life insurance industry.

1.16 RESEARCH DESIGN

Research design is the conceptual structures within which research is conducted and it’s constitute the blueprint for the collection, measurement and analysis of data. Here descriptive research design has been employed for the present study. It is designed to describe something—for example the demographic profile of the life insurance policyholder. The descriptive research will facilitate the researcher to obtain accurate information regarding a concept or a situation or a practice.

1.17 PILOT STUDY

The data have been collected from the primary source of life insurance policy holders of Life Insurance Corporation (LIC) in Chennai city through pre-tested structured questionnaire which was developed after an extensive review of literature. A
A pilot study was carried out for 50 (10% of the total sample size) life insurance policy holders of Life Insurance Corporation (LIC) in Chennai city through the questionnaire method as well as personal discussion method and it was conducted for two purposes. The first one was to limelit the weaknesses of the questionnaire with respect to the understandability of the statements and the second one was to check on the time taken by the respondents to fill up the questionnaire. The loopholes in the questionnaire were mitigated to some extent and a modified questionnaire was then administered for field study.

1.18 TYPE OF DATA COLLECTED

The researcher has used both primary and secondary data for his research. The secondary data has been collected from companies (selected study units). The companies’ bulletins their annual reports, their advertisement and their websites have been used as sources for secondary data. Further, the researcher has used international and national journals in the field of management as well as marketing, business magazines, business dailies, referred text books in the marketing as well as consumer behavior and academic studies conducted in the related areas for the purpose of building a strong conceptual background including the review of literature for the study.

1.19 METHOD OF DATA COLLECTION

For the descriptive type of researches, the best-suited research approach is survey method. From a sample, data is collected and different magnitudes are measured with respect to the whole population. Here we used questionnaire for the purpose of collecting primary data from the life insurance policy holder for the study.
1.19.1 Questionnaire Design

Designed the questionnaire for collecting the data from the life insurance policy holder with the objectives of i) knowing their demographic profile and ii) identifying the how they go through various staged of purchase decision and how each stage of family life cycle affect the purchase decision.

For meeting the above objectives, questionnaire has been structured in two parts:

The first part consists of 9 question related to the demographic background and family life cycle.

The second part consists of 15 questionnaire related to the various stages of consumer decision process. The questionnaire totally consists of 24 questions.

1.19.2 Sampling Design

Sampling design includes Sampling unit, sampling population, sample size and sample method employed for identifying the potential respondents.

1.19.2.1 Sampling Unit

Market leader in the life insurance industry is Life Insurance Corporation. Hence the sampling unit was decided as life insurance corporation policy holders in Chennai city.

1.19.2.2 Sample population

For the research, the population is designed as the people in Chennai city who bought life insurance policies at LIC of India during the financial year 2013-2014. The distribution of sample population given below.
As mentioned above, there are two divisions of Life Insurance Corporation (LIC) in Chennai namely Chennai-I (includes 17 branches) and Chennai-II (includes 16 branches). From these divisions, Ambattur branch in Chennai-I and Tambaram branch in Chennai-II have been selected for the present study based on highest number of policies sold in FY 2013-2014.

### TABLE 1.02

**BRANCHES SELECTED FOR THE STUDY IN 2013-14**

<table>
<thead>
<tr>
<th>BRANCH</th>
<th>No. OF POLICIES SOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAMBARAM (CHENNAI-I DIVISION)</td>
<td>5123</td>
</tr>
<tr>
<td>AMBATTUR (CHENNAI-II DIVISION)</td>
<td>4846</td>
</tr>
</tbody>
</table>

The sample size for the study is determined as five percent of the life insurance policy holders of each branch Tambaram branch (256) and Ambattur branch (242). Hence, it is rounded off to 500.

### 1.19.2.3 Sampling Method

Random sampling Method was used for the study. Under the random sampling design, every item of the universe has an equal chance of inclusion in the sampling. In
the random sampling, the researcher used simple “Simple Random Sampling” for the selection of the specific policy holders from the listed sample population in every sampling unit.

1.20 HYPOTHESES

Keeping in view the wider theoretical framework and the above objectives of the study, the researcher has formulated the following hypotheses.

1. There is no significant association between demographic profile of Respondents and types of plan.
2. There is no significance difference between the different stages of FLC of respondents and need recognition of life insurance policies.
3. There is no significance difference between the different stages of FLC of respondents and information search of life insurance policies
4. There is no significant difference between the different stages of FLC of respondents and Evaluation of alternatives of insurance policy holder.
5. There is no significant association between family life cycle of life insurance policy holders and consideration for other company’s plan by life insurance policy holders.
6. There is no significant difference between the different stages of FLC and mode of payment
7. There is no significant relationship between criteria for evaluation of alternatives and purchase of types of plan.
8. There is no significant association between FLC of life insurance policy holder and mode of purchase of insurance plan
9. There is no significant difference between family life cycle of life insurance policy holder and the after sales service of Life Insurance Corporation.

10. There is no significant association between family life cycle of life insurance policy holders and time spent for planning the purchase of insurance plan.

11. There is no significant association between family life cycle of life insurance policy holders and mode of payment for insurance plan.

12. There is no significant association between family life cycle of life insurance policy holders and mode of purchase of insurance plan.

13. There is no significant association between mode of payment for insurance plan and mode of purchase of insurance plan.

14. There is no significant association between family life cycle of life insurance policy holders and recommendation of insurance plans.

15. There is no significant difference between FLC of life insurance policy holders and the after sales service of Life Insurance Corporation.

1.21 PERIOD OF STUDY

The study pertains to the period from July 2014 to December 2014, in which the sample survey (including the pilot survey) is conducted in the study area of Chennai city.

1.22 DESIGN OF QUESTIONNAIRE

PART-I : It consists of demographic profile of life insurance policy holders.

PART-II : It includes need recognition for life insurance policies and
information search by life insurance policy holders.

**PART-III** : It deals evaluation of alternatives by life insurance policy holders.

**PART-IV** : It consists of purchasing behavior of life insurance policy holders.

**PART-V** : It deals with after sales service of Life Insurance Corporation.

The Cronbach’s alpha of the scale for the various components of questionnaire is varying from 0.81 to 0.92 indicating acceptable level of internal consistency.

### 1.23 FRAMEWORK OF ANALYSIS

In order to examine the demographic profile of life insurance policy holders of Life Insurance Corporation (LIC), purchase decision of life insurance policies, and purchasing behavior of life insurance policy holders, the frequency and percentage analysis have been worked out. The weighted average has been worked out for information search by life insurance policy holders, evaluation of alternatives by life insurance policy holders and after sales service of Life Insurance Corporation. The rank analysis is carried out for the influencer in purchasing of insurance plan for life insurance policy holders.

In order to identify the factors affecting need recognition for life insurance policies and the criteria for evaluation of alternatives for life insurance policy holders, the exploratory factor analysis has been employed.

In order to examine the association between demographic profile of life insurance policy holders and types of plan, association between family life cycle of life insurance policy holders and consideration for other company’s plan by life
insurance policy holders, association between family life cycle of life insurance policy holders and time spent for planning the purchase of insurance plan, association between family life cycle of life insurance policy holders and mode of payment for insurance plan, association between family life cycle of life insurance policy holders and mode of purchase of insurance plan, association between mode of payment for insurance plan and mode of purchase of insurance plan, association between family life cycle of life insurance policy holders and recommendation of insurance plans and association between family life cycle of life insurance policy holders and recommendation of insurance plans in future, the Chi Square test has been applied.

In order to study the difference between demographic profile of life insurance policy holders and factors affecting need recognition for life insurance policies, difference between family life cycle of life insurance policy holders and information search by them, difference between demographic profile of life insurance policy holders and the evaluation of alternatives and difference between demographic profile of life insurance policy holders and the after sales service of Life Insurance Corporation, the ANOVA(Analysis of Variance) test has been employed.

In order to analyze the factors affecting need recognition for life insurance policies on purchase of types of plan, multiple regression analysis has been applied. The correlation analysis has been carried out to study the relationship between criteria for evaluation of alternatives and purchase of types of plan.

1.24 LIMITATIONS OF THE STUDY

The present study is with the following limitations:

1. The present study is carried out in Chennai city only.
2. The present study is based on the primary data collected from the life insurance policy holders of Life Insurance Corporation (LIC) only.

3. The drawbacks and limitations of the field level survey are very much applicable to the present research.

4. The data and information collected from the life insurance policy holders of Life Insurance Corporation (LIC) are subjected to recall bias.

1.25 CHAPTER SCHEME

The present study entitled, “Role of Family Life Cycle in Purchase Decision: A Study With Reference To Life Insurance Policy Holders in Chennai City” is organized into seven chapters.

The First Chapter includes the introduction and design of the study. It covers detailed introduction, statement of the problem, objectives of the study, hypotheses, research design, sampling procedure, design of questionnaire, framework of analysis, limitations and chapter scheme.

The Second Chapter comprises of family life cycle and consumer purchase decision process.

The Third Chapter deals with the Indian insurance industry.

The Fourth Chapter deals with data analysis and interpretation-Part-I.

The Fifth Chapter includes data analysis and interpretation-Part-II.

The Sixth Chapter comprises of summary of findings, recommendations and conclusion.