

# Impact of Pre-Purchase and Post Purchase of Life Insurance Products

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**Abstract** - This will determine the attributes which influence consumer decision making process while opting for any financial instruments or tax saving instrument like life insurance depending upon its flexibility, reliability of brand, liquidity and many other features. By understanding financial services can improve business for companies on the basis of the better service received. The insurance firms strive to identify customer requirements and develop strategies that allow them to meet the service level provided their competitors. This study tries to analyse which insurance company they prefer.

**Index Terms** – life insurance, decision-model, strategies.

## INTRODUCTION

Life of human being is full of risk and uncertainties, and life insurance substitutes the uncertainty with certainty. Insurance sector plays a very important role in economy also it provides long term funds for infrastructure development and strengthens the risk-taking ability. Basically, Indian consumers have big influence of emotions and rationality on their buying decisions. They believe in future rather than present and desired to have a better and secured future. In this direction lie insurance service have its own value in terms of minimizing risk and uncertainties.

Life insurance is an insurance that pays out a sum of money either on the death of the insured or after a set of period.

Consumer behaviour is the study of individuals, groups, and organizations and all the activities associated with the purchase, use and dispose of goods and services. Consumer consists of how the consumer's emotions, attitudes and preference affect buying behaviour.

## OBJECTIVES

- To study the consumer decision process while purchasing life insurance product.
- To study the strategies to aware the consumer about benefits provided by the life insurance companies.

## RESEARCH METHODOLOGY

Secondary data has been collected from websites and articles to understand the consumer behaviour in the process of decision making in life insurance products.

## LITERATURE REVIEW

Life insurance is a vital protection coverage for the family in the event of untimely death. But apart from providing financial assistance, there are many other reasons why a life insurance policy is important.

One of the most important life insurance benefits is that it helps to secure the family's financial needs. If individual have a wife and children or parents who are dependent on him, it can be difficult for them to be sustain and take care of their expenses in the event of his demise. This is where life insurance plays an important role; the death benefits can help them take care of their regular expenses like child education, pay off a home loan, etc. and have the financial stability without having to compromise on their lifestyle.

A Lot of people have no idea about what does the life insurance cover? Apart, from covering individual family, there are some life insurance policies that provide coverage to his business. If individual is a business owner, and in case if something happens to him, individual business partner can purchase a certain portion of his business, and the pay-out will be paid to nominee. However, people must know that in this arrangement, the nominee will not get any stake in the business.

During individual active working life, he may avail of a loan to purchase a home, a car, even to repay debts. However, in case he pass away before paying off the loan, the debt will directly fall onto his family members. Even if the dependents are employed, managing the loan can be difficult for them. This is why life insurance is required if individual have a life insurance cover; the family can pay off the debt with sum assured and live a financially independent life.

It is the innate desire for all to have a good retirement fund. Individual can accomplish this goal by investing in good life insurance plans. There are some life insurance policies that provide regular income on a monthly basis.

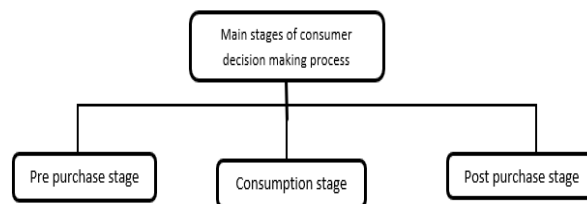
Apart from protection, one of the most significant advantages of life insurance is that it helps individual get tax benefits. No matter what type of life insurance policy he buy, individual can save taxes. Under section 80c of income tax Act, the premium paid for life insurance is eligible for deduction up to a maximum amount of 1.5 lakh. Also, the death benefit or maturity is exempted from tax under section 10(10D).

The major purpose of life insurance is protection the instant estate to meet survivor needs. Some policies include a savings feature and when buying life insurance the primary concern should adequate protection.

### CONSUMER DECISION MAKING PROCESS

Nowadays it is important to understand the consumers how they choose among choice of services offered to them and how they evaluated these insurance services once they have received them. To market insurance companies effectively, marketing manager needs to understand the thought process of consumers during the stages of purchase decision. When buying an insurance policy or services, new or high premium policy, the consumer decision making process go through following five stages.

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



#### 1. pre purchase stage

a. stimulus: it has been observed that an individual receives a stimulus that may encourage him to consider a purchase. this stimulus may be commercial cue, social cue or a physical cue.

- Commercial cues are the result of promotional efforts by advertisers. social cues are obtained from the individual peer groups. Example: friends are opting for term insurance or ULIP/mutual funds/SIP instead of traditional life insurance plans.

- this stimulus may also result in physical cue such as biological cue. example: fear to die from accident, critical illness, physical disablement, etc which can create tension about family members.

b. Need recognition: it is a stage where consumer found out that they are missing something and look for means for filling a such gap and activates them to purchase risk coverage.

- internal stimuli are the occurrences we experience such desire for security, saving for family or for future planning.

- external stimuli are the influences from outside source such as someone has recommended a new investment plan, whose features, flexibility, benefits, charges, switching options, types of funds, guaranteed returns etc under a brand name mentioned by a friend or colleague.

c. Information search: In this phase the individual will collect the information regarding possible alternatives available to satisfy the need. An information search can be internal or external or both.

- Internal search: with family, friends, funds available and tax bracket etc

- External search: the information may collected from outside environment i.e. banks, websites of various insurance companies are ([www.irdaindia.org](http://www.irdaindia.org), [www.policybazaar.com](http://www.policybazaar.com), [www.bimaoline.com](http://www.bimaoline.com), [www.licindia.com](http://www.licindia.com), [www.icicprulife.com](http://www.icicprulife.com), [www.kotaklife.com](http://www.kotaklife.com), etc), mutual funds, ELSS, PPF, EPF, NSC, post office savings scheme etc. different insurance products(

term, endowment, money back, whole life, pension plans, single premium, etc)

Around 67% of users in India use online review before making purchase decision. Thus consumer's information search should yield a group of brands called evoked set. From this set the buyer will further evaluate the alternatives and make a choice. Having too many choices can be confuse consumer and cause them to delay in purchasing the insurance product.

d. Evaluation of alternatives: after getting a information and constructing an evoked set of alternative products the consumer is ready to make a decision, a consumer will use the information stored in memory and obtained from outside sources to develop a set of criteria. The internal information and external information help consumers evaluate and compare alternatives.

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

3. post purchase stage: while purchasing or choosing a service firm the consumers expect some outcomes from the purchase. How will these expectations are met determines whether the consumer is satisfied or dissatisfied with the purchase. At this stage the consumer may experience varying levels of disturbances called cognitive dissonance a doubt that the correct product has been purchased. Marketers, often, attempt to minimize the consumer's cognitive dissonance by reassuring the customers that the correct decision has been made. Customer satisfaction is achieved when consumer's perceptions met or exceed their expectation.

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

- Educating customers to avoid peak demand period.
- Launch awareness movement through various convenient people-oriented programs. Through media, rural camps and popular communication channels including radio, T.V, and publicity vans;

- Awareness of products and services through visuals that trigger curiosity in terms of desire and later purchase transactions;
- Campaigns to educate rural people on the need for security that protects their livelihood, security for produce and belongings and create feel-good feelings;
- Beyond these stages, to take up awareness of other aspects such as product, price, quality;
- Engage NGOs with proven credentials and rural intermediaries.

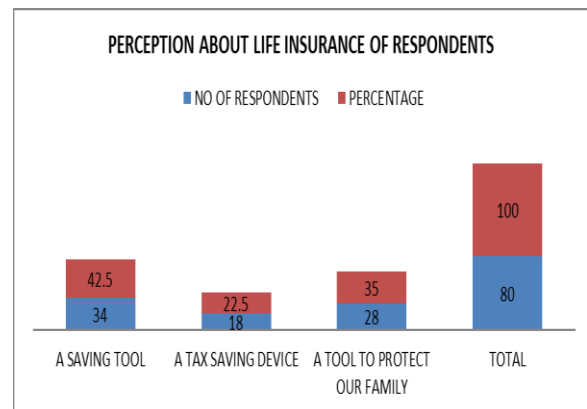
### DATA INTERPRETATION

#### PERCEPTION ABOUT LIFE INSURANCE OF THE RESPONDENTS

PERCEPTION ABOUT LIFE INSURANCE	NO OF RESPONDENTS	PERCENTAGE
A SAVING TOOL	34	42.5
A TAX SAVING DEVICE	18	22.5
A TOOL TO PROTECT OUR FAMILY	28	35
TOTAL	80	100

Percentage can be calculated by using this formula,

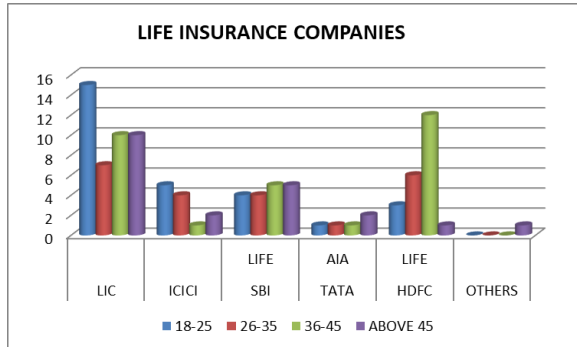
$$= \frac{\text{actual respondents}}{\text{Total number of respondents}} \times 100$$



Most of the respondents choose life insurance as a saving tool, as percentage was shown more to saving tool and to protect the family.

#### RELATIONSHIP BETWEEN AGE AND RESPONDENTS PREFERENCE OF LIFE INSURANCE COMPANY

AGE	LIFE INSURANCE COMPANIES						TOTAL
	LIC	ICICI	SBI LIFE	TATA AIA	HDFC LIFE	OTHERS	
18-25	15	5	4	1	3	0	28
26-35	7	4	4	1	6	0	22
36-45	10	1	5	1	12	0	29
Above 45	10	2	5	2	1	1	21
Total	42	12	18	5	22	1	100



### CONCLUSION

This study is made to analyse the consumer decision making process in life insurance. Majority of the respondents are willing to invest in government owned insurance company (LIC). So, private insurance company must focus on the promotional activities to improve their company's name among the customer. Customers are expecting more innovative policies with high return and more policy benefits. The customers are satisfied with the policies of the life insurance company. Still some customer view about the life insurance policy is only as a saving tool the life insurance company has to make people believe that life insurance is tool to protect their family in future need.

### REFERENCE

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