
FACTORS AFFECTING PURCHASE INTENTION OF GENERAL INSURANCE CUSTOMERS: A CONCEPTUAL ANALYSIS

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ABSTRACT

Purpose: Purchase intentions always remain an important aspect for customers whenever they are going to buy or take decisions to buy any product and for business houses too when they enter into a market or offer new products or services to customers. Therefore, the purpose of the present study is to conceptually investigate the factors affecting purchase intention of General Insurance customers on the basis of Review of Literature, which helped in developing the theoretical framework. Indian insurance sector has taken a giant shape after liberalisation, entry of private companies and the establishment of Insurance Regulatory and Development Authority of India (IRDA) and now has become more competitive in order to meet the varied needs of its customers. Insurance being a growth-oriented industry has enlarged its ambit tremendously during the last two decades. Further, managerial implications have also been discussed. The limitation of this study is that it is conceptual in nature.

Key Words: Purchase Intentions, Personal Aspect, Market Aspect, Social Aspect, General Insurance Customers,

Introduction

The changing pace of global economy has brought new & emerging risks, new opportunities, increased demand for improved products etc., enhancing the growth prospects of the insurance sector. Insurance, being a skill based, knowledge based and relationship rich industry is a major contributor to the economic development. Expansion of insurance sector is being propelled by product innovation, digitalisation of services, entry of

foreign players, consumer awareness, increased domestic savings & investments and the new initiatives taken by Government. The Government of India proclaimed numerous policies over the last couple of years to strengthen the country's insurance sector. The increase in foreign direct investment limit in the insurance sector upto 49% in 2014 from 26% in 2010 makes India the third most attractive FDI destination in world after Japan & China.

According to IBEF Report (2018), insurance sector is expected to grow to US\$ 280 billion by the end of 2020. At present, it is operating with 24 life insurance and 33 general insurance companies offering different products under various categories namely, life, motor, health, travel, marine, fire and many more to attract customers with diverse needs and preferences (IRDA Report, 2017). As customers differ in their preferences, their intentions to buy insurance products being offered by general insurance companies also differ. Generally, purchase intention refers to individual's readiness and willingness to purchase a product (Zeithaml, 1988). It can be defined as a condition where a customer tends to buy a specific product in a specific situation. It has been established that price, risk, brand, attitude, subjective norm, service quality and social circle influenced the purchase intention of a customer. Rejikumar (2013) opined that purchase intention of a customer is influenced by perceived individual benefits, social benefits, perceived ease of understanding, perceived value and perceived risk. Besides this, risk, product knowledge and brand image also affect intention to purchase insurance policies (Chang et al., 2017). Thus, the aim of the present study is to explore factors that affecting purchase intention of General Insurance customers.

Review of Literature

Panigrahi et al. (2018) investigated the relationship between service quality dimensions, customer trust, satisfaction and intention to purchase life insurance products in Malaysia. Structured questionnaire based on 5-point Likert scale was used to collect data from 215 customers using convenient sampling technique and was analysed with the help of descriptive statistics, exploratory factor analysis, confirmatory factor analysis and structural equation modelling. The findings of the study established that customer satisfaction and trust along with service quality dimensions except empathy & assurance had significant impact on purchase intention. The study was restricted to purchase intention only and moreover, the opinion of employees was not considered. In future, the study could be

extended by exploring the relationship between purchase intention, actual purchase and switching behaviour of customers.

Chang et al. (2017) measured the impact of perceived risk, product knowledge and brand image on the purchase intention of Taiwanese youths for insurance products. 316 respondents were contacted for data collection by using structured questionnaire. Descriptive statistics, t-test, One-way ANOVA, correlation and regression analysis were used for examining the relationship among the study variables. It was found that perceived risk had negative impact on purchase intention while product knowledge and brand image had positive influence on the purchase intention of insurance products.

Fatma & Rahman (2016) investigated the impact of corporate social responsibility schemes on the purchase intention of Indian retail banking customers, moderating role of awareness and mediating role of trust in the proposed relation between CSR and purchase intention. Data were collected from 619 bank customers through questionnaire based on 7-point Likert scale using convenient sampling method. CFA (confirmatory factor analysis) and SEM (structural equation modelling) were used to analyse the data. The findings revealed that CSR and corporate ability has significant and positive impact on purchase intention. It was also found that customers who have trust and are aware about the company's CSR activities show positive intention in purchasing their products. The study was limited to banking customers of Delhi- NCR only and it couldn't be generalised for customers from other sectors and areas. In future, the role of personal factors like personality traits, cultural values, variety seeking behaviour etc. and control variables such as firm size, profitability etc. could be examined.

Jin et al. (2016) measured the affect of risk preference of farmers on their purchase intention for agricultural weather index insurance in Yongqiao, China. Data were collected from household survey of 200 household heads through face to face interview and analysed using logistic regression analysis and chi-square. It was found that risk-averse individuals prefer weather index insurance. It was also revealed that farmers with more experience and farmland have higher purchase intention for weather index insurance. The study was limited to a single district of China. In future, the study could be extended to other Asian

countries for devising better ways to create awareness among less educated farmers about weather index insurance.

Gunawardane et al. (2016) examined the conceptual relationship between perceived brand equity and purchase intention of life insurance customers in Sri Lanka. The study was based on secondary sources and the required information was exclusively taken from relevant literature available in both local and international contexts. The study postulated that perceived brand equity, perceived quality, perceived brand loyalty, perceived brand awareness and perceived brand association significantly influence purchase intention. In future, the study could be extended by inculcating more variables like celebrity endorsements, brand activations, brand personality, corporate social responsibility initiatives etc.

Ansari et al. (2016) examined the relationship between perceived service quality, purchase intention and brand preference in Iran. Data were collected from 300 customers of Saderat Bank of Tehran (Iran) through questionnaire based on 5-point Likert scale using simple random sampling technique and analysed using t-test and correlation. The study established that there is a positive and significant interrelationship between the perceived service quality, purchase intentions and brand preference. It was also revealed that tangibility, responsiveness and credibility had a significant relationship with the purchase intention and the preference of brand.

Fadare (2016) examined the impact of perceived risk, performance risk, financial risk, time risk, security risk and social risk on the intention to use internet banking in Nigeria. Data were collected through questionnaire from 120 randomly selected postgraduate students of UUM (University Utara Malaysia) and were analysed using descriptive analysis, correlation and regression analysis. The findings from the study revealed that perceived risk, financial risk, performance risk, social risk, time risk & security risk influence intention regarding the use of internet banking. The study had limited scope due to its small sample size and cross-sectional nature. In future, longitudinal studies with larger sample size should be carried out to enable wider generalisation of the findings.

Omar et al. (2017) investigated the affect of demographic variables viz. gender, age, level of income, level of education and presence of children on the purchase intention in Klang

valley, Malaysia. Data were collected from 150 respondents through questionnaire based on 5-point Likert scale using convenience sampling and analysed using ANOVA, t-test and descriptive statistics. The study found that gender, age and level of education exhibited significant impact on the intention of consumers. The study was limited due to cross sectional data and small sample size. In future, the study could be extended to other areas and the impact of other factors such as health, environmental issues, price, availability and quality of product on purchase intention could also be studied.

Bleize & Antheunis (2017) identified the factors that influence purchase intention of users in virtual world. Data regarding relevant literature were gathered through digital platforms like Google Scholar, Web of Science, Science Direct, Wiley Online Library and World Cat Discovery of Tilburg University. It was found that perceived enjoyment, social influence, customization and ease of use are the relevant factors that affect purchase intention. The study was limited due to secondary nature of data and it focuses only on personal factors that influence the intent to purchase ignoring the contextual factors (price and advertising strategy) and actual purchasing behaviour. In future, the relationship between purchase intention and actual buying behaviour could be measured in relation to contextual factors such as price and advertising.

Relevance of the Study

Indian insurance sector has taken a giant shape after liberalisation, entry of private companies and the establishment of IRDA and now has become more competitive in order to meet the varied needs of its customers. Insurance being a growth-oriented industry, has enlarged its ambit tremendously during the last two decades. The emergence of latest & vibrant distribution channels, digital services, innovative products, tax incentives etc. has positively influenced the growth of this sector. It is estimated to grow by over 26% to reach a size of Rs. 1,68,000 crore by 2018 and Rs. 2,50,000 crore by 2020 (IBEF Report, 2018). At present, the General Insurance sector in India is operating with 33 General Insurance Companies offering a wide range of products under different categories namely, health, motor, fire, travel, home, industrial, marine and many more in order to fulfil the varied needs and preferences of their customers. Thus, amidst availability of multiple insurance companies and competitive products, it becomes difficult for companies to attract customers

towards a particular product. Pertaining to the fact, marketers and scholars are probing deep into the factors influencing purchase intention of customers so that appropriate strategies can be framed accordingly.

Conceptual Framework

Purchase Intention

Traditionally, the term intention has been defined as those factors that motivate and compel customers to purchase certain products and services (Hawkins & Mothersbaugh, 2010). In this competitive world, it is one of the most common approaches that marketers are using to get better understanding about customers' actual buying behaviour (Blackwell, Miniard & Engel, 2006; Ghalandari & Norouzi, 2012). As the customers' buying process is very complicated, it is imperative for business organisations to gain useful insights about customers' buying behaviour by studying their purchase intentions. It is an effective instrument used in predicting actual buying process (Ghosh, 1990). It is the willingness of a customer to purchase a certain product or a service. Further, it is defined as the probability of customer's readiness to buy a certain product in the near future (Wu et al., 2011). Higher the intention, higher will be the willingness to buy a product (Schiffman and Kanuk, 2004). It could also be defined as a future plan to purchase certain goods or services (Hussain et al., 2016).

Factors affecting purchase intention of General Insurance customers

Personal Aspect

Personal aspects are individual specific aspects like attitude, trust, awareness, safety & risk coverage, perceived individual benefits, ease of understanding, age, occupation, economic condition etc. which influence the buying behaviour of an individual. These aspects vary from person to person depending on their perceptions, beliefs and attitudes. Some of the important personal aspects are as follows:

- a) **Attitude:** It is an individual's predisposed state of mind to behave in a favourable or unfavourable way towards a given object (Nahdi et al., 2015). It is the extent to which a person has a positive or negative evaluation of the behaviour in consideration. Infact, the

more positive the attitude towards a behaviour, the greater would be the intention to perform that behaviour (Ajzen, 1991).

- b) Trust:** Trust is essential for building strong relationship with customers. It is a belief that the product or service can be relied upon to behave in such a manner that the long term interests of the customers will be served (Fatma & Rahman, 2016). Moreover, creating trust among customers is necessary for successful marketing of insurance products.
- c) Awareness:** Awareness is the level of consciousness among customers about a product or service. It is the initial stage in the process of learning about a new product or service. Lack of awareness on the part of customers act as a critical barrier in getting a suitable product.
- d) Economic condition:** Economic condition of an individual also determines his buying behaviour. Individuals with higher income will prefer to buy expensive and premium products in comparison to those who have low income.

Marketing Aspect

These are market related aspects like product quality, price, place, promotion, brand image, procedural ease, better & timely services, access to credit etc. which influence the buying intention of an individual. Brief descriptions of these aspects are as under:

- a) Product quality:** One of the major determinants of the buying intention of a customer is the quality of a product. It is the ability of a product to fulfil some specific wants of a customer (Rana et al., 2015). The expectation of different customers varies due to different needs. Thus, it is important for the marketers to understand what type of product do the customer wants.
- b) Price:** Price is considered as a key factor in stimulating the purchase intention of a customer. A reasonable price and a good general outlook is more than enough to motivate a customer to purchase a product (Pandey & Srivastava, 2016).
- c) Brand image:** Brand image is the way people view a particular product or a company. It is the overall impression of a product or a company in customer's mind (Rana et al., 2015). It guides a customer to purchase more of a particular product having good brand image.

d) Advertising: Marketers have been using advertisements for many years to influence the buying behaviour of customers. They are used to create brand awareness among general customers (Neza & Myftaraj, 2016). These ads help customers to learn about new products and services being offered by different companies and motivate them to buy a particular product.

Social Aspect

Social aspect includes those factors that exist in society and generally affect the buying intention of a customer. Different individuals in a society have different preferences which influence the choices of other individuals (Durmaz & Durmaz, 2014). Following are the major social aspects influencing buying decision of a customer:

- a) Family:** Family is considered as one of the most important factor that influences the buying behaviour of an individual in one or the other manner. It plays a crucial role in framing one's preferences and behaviour regarding the purchase of a particular product or service. Generally, an individual passes through two families. First one is family of orientation, where an individual takes birth and the second one is family of procreation, a family created by an individual with his or her spouse and children. Both these families have a strong influence on the buying behaviour of an individual (Durmaz & Durmaz, 2014).
- b) Reference group:** A reference group can be defined as a group of people with which an individual likes to get associated (Ramya & Ali, 2016). It is believed that all the members of a particular group show same kind of buying behaviour and has a strong influence on each other's buying decision.
- c) Roles and status:** Position or status that an individual holds and the role he or she plays in a society also influences their buying decision. People tend to purchase those products that communicate their role and status in the society. Thus, marketers must understand the status symbol potential of their products and brands very much before the endorsement of these products (Ramya & Ali, 2016).

Conclusion

Owing to intense market competition, all the General Insurance companies have realised the importance of customer oriented culture in the organisation. Infact, maintaining better and long term relationship with the customers is considered crucial for the success of the business. Thus, it is concluded that in order to maintain proper growth rate General Insurance Companies should focus on their products, price, service quality, claim settlement and terms & conditions before offering products to the customers. Further, to create strong intentions among customers, General Insurance Companies should concentrate towards creating awareness, offering customised products and building trust among customers, which ultimately enhance the actual buying behaviour of customers and would contribute to the overall growth of the companies. The major implications of this study are: customers of General Insurance Companies are not fully satisfied with the products offered by these companies. Hence, management should focus on providing such products that cater to the needs of the customers and meet their expectations by making them fully satisfied. Customers of all the insurance companies pointed out that the requisite services are not provided in time. Therefore, it is suggested that companies should increase the strength of their help desk staff so as to provide quick services to their customers. General Insurance Companies should introduce innovative products with add on features at affordable prices. This will help insurance companies in acquiring new as well as retaining existing customers. Further, the study is not free from limitation. The major limitation of this study is that it is conceptual in nature, empirical study should be conducted in future research.

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