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Study on Factors influencing consumer behaviour in general

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Abstract:

Due to some of the shortcomings of the Indian insurance industry, the government of India decided to liberalize the insurance industry. The basic factor behind most of the shortcomings pointed out in Indian insurance sector pre-liberalization had been supposed to be lack of competition in Indian insurance market. The nationalized insurance companies perceived themselves to be extension of government and accordingly function in bureaucratic manner without giving regard to emerging requirement of the economy. This reflected in their lack of innovation with regard to designing of products. Appreciating these concerns and realizing the utmost need of vibrant insurance industry Government of India liberalized the industry to private players.

Keywords: BEHAVIOURAL, LIFE INSURANCE CUSTOMERS, FACTORS INFLUENCING

Introduction:

Costumer behaviour can be defined as: “The study of individuals, groups, or organizations and the processes they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.” Consumer behaviour is the study of when, why, how, and where people do or do not buy a product. Behaviour of consumer differs between a purchase of a physical product and a service related product (Hawkins et al., 2001).

The consumers’ buying behavior has been always a popular marketing topic, extensively studied and debated over the last decades while no contemporary marketing textbook is complete without a chapter dedicated to this subject. The predominant approach, explaining the fundamentals of consumer behavior, describes the consumer buying process as learning, information-processing and decision-making activity divided in several consequent steps:

(1) Problem identification
(2) Information search
(3) Alternatives evaluation
(4) Purchasing decision and
(5) Post-purchase behavior1.

A distinction is frequently made between high and low involvement purchasing, implying that in practice the actual buying activity can be less or more consistent with this model, depending on the buyer’s perceived purchasing risks High or low degree of involvement is also a question of buyer experience; products purchased for the first time, in general, require more involvement than frequently purchased products.

Most academics and practitioners agree that demographic, social, economic, cultural, psychological and other personal factors, largely beyond the control and influence of the marketer, have a major effect on consumer behavior and purchasing decisions.

Despite their incapacity to exercise any substantial influence on the above factors, marketers can have some bearing on the outcome of the buying process by engaging different marketing tools, the most prominent being the 4Ps - product, price, place and promotion - also known as the marketing mix. While the value and current standing of the mix as marketing toolkit is frequently disputed.

Marketing practitioners nonetheless widely deem the 4Ps as the tools that can influence the consumer’s behavior and the final outcome of the buyer-seller interaction. Next to the personal and external uncontrollable factors influencing the buying behavior, exposure, of customers to the company’s marketing can affect the decision-making by providing inputs for the consumer’s black box where information is processed before the final consumer’s decision is made.

Customer satisfaction has been used as one of the key constructs to predict consumer behavior for decades. Customer satisfaction has many benefits - it heightens customer loyalty and prevents customer churn, lowers customers’ price sensitivity, reduces the costs of failed marketing and

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new customer creation, reduces operating costs as customer number increases. Also the connection between customer satisfaction and customer loyalty is not always a linear relation, although it constitutes a positive relationship and hence there should be negative relationship between customer satisfaction and customer churnability.

Customer satisfaction is the result of customers comparing their perception of performance of the service with their expectations. Customer expectations are beliefs about service delivery that function as standards or reference points against which the performance is judged. Customers perceive services in terms of the quality of the service and how satisfied they are with their expectations.

Companies have become increasingly interested in hearing from their customers. Dissatisfied customers, in particular, are often encouraged to communicate their complaints to company service representatives over the telephone. Research suggests that in many cases, companies make good-faith efforts to address the complaints, of these dissatisfied customers. Many managers, for example, are often prepared to exceed consumer expectations in striving to address complaints.

Given the direct relationship between customer satisfaction and company profitability such efforts to resolve customer complaints make good business sense. Unfortunately, the number of complaints received by a company may not always be a good measure of customer satisfaction. This is because not all disgruntled consumers complain. Instead of complaining, a dissatisfied customer may terminate the relationship or "suffer in silence confident that things will get better soon".

The decision not to complain may be situational. For example, a dissatisfied customer may not have the time to wait for a manager and decide instead to leave the store. Satisfying the customers is the primary objective of all the companies nowadays, especially the service sector. There are numerous studies that have looked at customer satisfaction in the service industry. Satisfaction is equated with the well or better performed function of a business to the expectation of the customer. The literature on satisfaction indicates that a satisfied customer will create repeat purchase, favorable word of mouth recommendation, increased loyalty, and therefore, profits to the company.

A satisfied customer is the cheapest method of promotion as there is always hope that they will share with others their experience of the service, thus promoting the service. Satisfaction from the customer's point of view is similar to Gap 5, the difference between perception and expectation of the service performed. Satisfaction is beyond the physical, situational and behavioral terms, to that of a state of mind. This state of mind of the customer is the leading criterion for determining the quality that is actually delivered to customers through the product/service and by the accompanying service.

The challenge is to offer the right quality of service that is required by the customer. Hence this study aims at studying the consumer behavior in the life insurance industry and also how what the consumers' preference and perception is with regard to the life insurance industry in India.

Intangibility, Inconsistency, Inseparability makes the purchase of services more complex when compared to purchase of physical product. Gone are the days where customer purchased a product or service because of only one factor called brand loyalty. Consumers these days analyse the features and utility before making a buying decision.

Factors influencing consumer behaviour in general

The following four factors, cultural, social, personal and psychological factor play a very important role in influencing consumer decisions while buying a product or service. The weightage of influence depends on the item that they are going to purchase and individual preferences. Whether buying a product or service, these factors play a vital role for and facilitates decision making.

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Consumer behavior can be broadly classified as the decisions and actions that influence the purchasing behavior of a consumer. What drives consumers to choose a particular product with respect to others is a question which is often analyzed and studied by marketers. Most of the selection process involved in purchasing is based on emotions and reasoning.

The study of consumer behavior not only helps to understand the past but even predict the future. The below underlined factors pertaining to the tendencies, attitude and priorities of people must be given due importance to have a fairly good understanding of the purchasing patterns of consumers

Marketing Campaigns

Advertisement plays a greater role in influencing the purchasing decisions made by consumers. They are even known to bring about a great shift in market shares of competitive industries by influencing the purchasing decisions of consumers. The Marketing campaigns done on regular basis can influence the consumer purchasing decision to such an extent that they may opt for one brand over another or indulge in indulgent or frivolous shopping. Marketing campaigns if undertaken at regular intervals even help to remind consumers to shop for not so exciting products such as health products or insurance policies.

Economic Conditions

Consumer spending decisions are known to be greatly influenced by the economic situation prevailing in the market. This holds true especially for purchases made of vehicles, houses and other household appliances. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their personal financial liabilities.

Personal Preferences

At the personal level, consumer behavior is influenced by various shades of likes, dislikes, priorities, morals and values. In certain dynamic industries such as fashion, food and personal care, the personal view and opinion of the consumer pertaining to style and fun can become the dominant influencing factor. Though advertisement can help in influencing these factors to some extent, the personal consumer likes and dislikes exert greater influence on the end purchase made by a consumer.

Group Influence

Group influence is also seen to affect the decisions made by a consumer. The primary influential group consisting of family members, classmates, immediate relatives and the secondary influential group consisting of neighbors and acquaintances are seen have greater influence on the purchasing decisions of a consumer. Say for instance, the mass liking for fast food over home cooked food or the craze for the SUV's against small utility vehicle are glaring examples of the same.

Purchasing Power

Purchasing power of a consumer plays an important role in influencing the consumer behavior. The consumers generally analyze their purchasing capacity before making a decision to buy and products or services. The product may be excellent, but if it fails to meet the buyers purchasing ability, it will have high impact on it its sales. Segmenting consumers based on their buying capacity would help in determining eligible consumers to achieve better results.

Understanding, analyzing and keeping track of consumer behavior is very critical for a marketing department to retain their position successfully in the market place. There are various other factors too that influence consumer behavior apart from the four listed above

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