

PARTICULARITIES OF LIFE INSURANCE PURCHASING PROCESS

Nicoleta GRIDEANU*,
Ilie-Mircea BARBU

Abstract: The decision to buy a life insurance policy is in most of the cases a complex decision. The consumer faces many problems before the purchase and during the effective process and after the purchase.

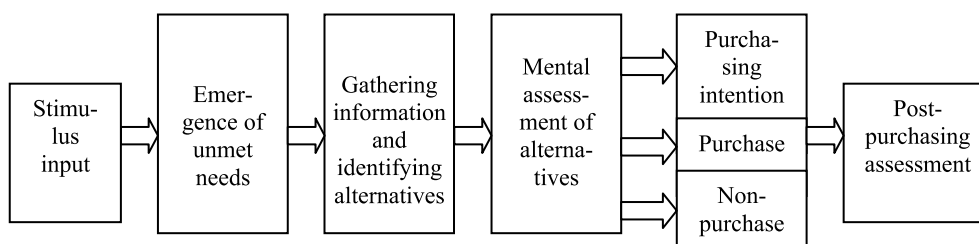
Keyword: life-insurance, insurance policy, situational factors, decision-making.

JEL Classification: M₃₁, G₂₂.

1. Introduction

The decision to buy a life insurance policy is in most of the cases a complex decision. The consumer faces many problems before the purchase and during the effective process and after the purchase. In the case of a life-insurance policy purchase the same traditional steps are to be followed as in the decisional purchasing process:

- emergence of unmet needs;
- gathering information and identifying alternatives;
- mental assessment of alternatives;
- result of assessment;
- post-purchasing assessment.



Source: Cătoi, I., Teodorescu, N., 2004, p. 32

Fig. 1. Stages of the decisional purchasing process

* "Spiru Haret" University, Romania, Faculty of Management, Braşov, nicoleta_grideanu@yahoo.com, mirceabarbu@yahoo.com.

2. Emergence of unmet needs

The emergence of unmet needs may be generated by the action of marketing inputs, of external environment inputs (economic, demographic, legislative, technology, social, cultural factors, etc), as well as by the action of certain variables characterizing the consumer (social and cultural factors, psychological and social factors, personal and psychological factors). The most frequent situations leading to the insurance need are:

- an increase of the existing needs, their change and the appearance of new ones. For example, a person who has a life insurance (the private pension type) may wish to sign an insurance for their child, when the child is born (the scholarship type);
- the need of insurance may appear as the result of the acquisition of another product or service. For example, when a person decides to spend the holiday abroad, s/he must purchase a travel medical insurance for the period s/he will be out of the country.
- in the case of life insurances, whether traditional products or modern ones, the need for insurance is acknowledged, most of the times, following the meeting of the potential insured with the insurance consultant;
- changes occurred in the economic, demographical, social status of a person;
- occurrence of new risks on the market (resulting in new products);
- occurrence of new distribution technologies (electronic commerce) etc.

Personal variables: good material status and cautious nature of the person may encourage the development of the need of insurance.

3. Gathering information and identifying alternatives

Once the insurance need arises, the potential insured tries to learn as much information about how this can be satisfied as possible. Voluntarily or involuntarily s/he seeks information about insurance products, about the companies that offer such products, about the insurance premiums and terms of payment, duration of insurance, about fairness and competence of various insurance companies about the possibilities of obtaining the insurance policy, the advantages and disadvantages of policies offered by insurance companies, etc.

A main feature of insurances is the intangibility and that is why the process of gathering information is in most cases a difficult one. The complexity of the process of gathering information varies by type of insurance (for example, it is much easier to find relevant information in case of motor civil liability insurance, than about life insurance).

The process of gathering information is more or less extensive, depending on the features of the potential insured, the way s/he perceives risk, the person's available time, the immediacy to take decision for the insurance, stringency for the need of insurance, the cost involved in making a wrong decision, etc (Petrescu, E. C., 2005, p. 148). Only if the consumer has a high degree of *fidelity* to a particular service, with a particular insurance company, the search for information is simplified.

Gathering information could be *internal* or *external*.

4. Mental assessment of alternatives

From the great amount of information received, the potential insured retains only the ones which seem useful. Each person assesses the gathered information according to its own values and beliefs. Given that sometimes messages get distorted from the insurance companies to the potential insured, the assessment is not always objective.

The gathered information attract the attention of a potential insured toward a relatively small number of choices, called by the researchers of the consumers' behaviour the "set of evoked alternatives".

The main stages in alternative (choices) assessment are (Cătoiu, L., Teodorescu, N., 2001, p. 36, 37):

- identification of criteria used to assess and compare the alternatives;
- determination of the importance of each criterion;
- determination of decision principles.

5. Result of assessment

The natural result of the assessment is signing the insurance policy. However, there may be other possible variants: the potential insured may change their mind and may decide not to purchase that insurance policy or may delay the purchase or may decide to purchase another service.

When a consumer *purchases a service* – s/he practically purchases the experience created by the delivery of the service. The package of benefits purchased by the consumer in case of services is provided by means of an interactive process (Petrescu, E. C., 2005, p. 154). While for products the package of benefits is closely related to the product itself and disappears when the product has been consumed or if the product is not used, for services – different parts of the package of benefits may come from different sources at a time, illustrated by the *servuction system* model.

6. Post-purchasing assessment

After signing the insurance policy the customers assess their choices. It is very important the way the relation between the insured and the insurer evolves, because this is how the customer perceives the image of that insurance company.

Following the purchase the customer remains either with a feeling of satisfaction, or with one of disappointment. The final purpose of the marketing activity is customer's satisfaction. One of the most simple and relevant models that studies how it appears is the *non-fulfilled expectations model* (Eiglier, P., Langeard, E., 1996, p. 25).

According to this model, customers assess the services by comparing their *expectations* regarding the purchased insurance with the *perception* of the services of the insurance company. If the perceived service is equal or better than the expected service, then the customer is satisfied. Consequently, what matters for the consumers is their perception of the service.

Regarding their *expectations* about a service, consumers have two standards: "*desired service level*" (maximum level) and "*acceptable service level*" (minimum level); between them there is a "tolerance zone".

The desired level is what the consumer hopes to receive, a combination between what the consumer thinks that it "may be" and what it "should be". The accepted level reflects what the consumer believes it is sufficient (Cetina, I., Olteanu, V., 1994, p. 66).

The *Desired service level* is influenced by (Bateson, J. E. G., Hoffman, D., K., 1999, p. 27):

- lasting factors leading to an increase of the expected level, the "enduring service intensifiers", such as "derived expectations" and "personal idea about the services";

- personal needs. For example, the need of people in wheelchairs to have a ramp to enter the insurance company building.

The *acceptable level of service* is influenced by (Bateson, J. E. G., Hoffman, D., K., p. 28):

- perceiving their own role in the service;
- transitory service intensifiers;
- perception of alternative services, which may raise or lower the minimum level. Generally, when there are several alternatives, the consumer establishes a minimum level of expectations higher than if s/he has a limited number of options. In the latter case his/her degree of tolerance is higher;
- situational factors that can not be controlled by the company and which lead to a decrease for a short period of the minimum level of expectations regarding the service (the opposite of transitory service intensifiers which lead to an increase of the minimum level);
- predicted service – which is determined according to consumer's own experience and the environmental information (explicit or implicit promises of companies, information obtained from professional people or from close ones, relatives, friends, colleagues).

Perceptions of the insurance company's service are not determined only by the technical qualities of the service, but also by several factors – environment, look and behaviour of the contact persons (from insurance consultant to the secretary who welcomes the customer at the entrance), opinions of people around, advertising etc. Perception of a service is formed as well depending on the experience of the consumer on that service.

Parasuraman, V. A. Zeithaml and L. L. Berry have created a model that explains the differences between the perception of the quality of the service provided and the expectations of the consumer through five elements (Payne, A., 1993, p. 221):

1. differences between the expectations of the consumer and the perception of the company's management on the consumer's expectations. For example, some marketing researches have shown that the financial service providers treat often the aspects concerning the confidentiality of clients' data with less importance, whilst consumers consider this aspect very important;

2. differences between the perception of the management and the quality standards the service must fulfil (service quality specifications). Managers establish quality standards depending on what they believe the consumers expect, without any prior study of their real expectations;
3. differences between quality standards and the service provided;
4. differences between the provided service and the external communications of the company to the consumers. It is very important to explain the services in the insurance field. The promises of the insurance companies must reflect the real quality of the service and not an ideal image of it, because keeping the promises is a very important point in satisfying the consumers;
5. differences between expected service and perceived service.

The experience the insured acquires from their relation with the insurer helps them with their future choices. If a customer is satisfied, s/he will recommend that company to others as well, and this recommendation is very precious because in services the reviews of people around represent an important factor in making the purchasing decision.

When a consumer has certain non-satisfaction reasons related to the choice s/he made, a feeling of tension may appear called cognitive dissonance. The more expensive the product is, the higher the attraction of rejected alternatives and the higher the importance of the purchasing decision, the greater the cognitive dissonance is. To reduce it, the consumer avoids information that could lead to the idea that s/he made a bad choice, s/he tries to gather as much information to confirm the purchasing decision, and even change certain attitudes regarding the purchased service (Cătoi, I., Teodorescu, N., 2003, p. 39).

During the purchasing decision-making process the consumer often faces real internal conflicts and the role of marketing is to try to resolve them.

References

1. Bateson, J. E. G., Hoffman, D. K., (1999), *Managing Services Marketing. Text and Readings*, The Dryden Press, Harcourt Brace College Publishers, Fort Worth
2. Băiescu, A., (2005), *Asigurările de viață la debutul mileniului III*, Editura Dacia, Cluj-Napoca

3. Bistriceanu, Gh., (2006), *Asigurări și reasigurări în România*, Editura Universitară, București
4. Brătucu, G., Brătucu, T., (2007), *Procesul adoptării deciziei de cumpărare*, în: “Convorbiri economice”, nr. 3
5. Cătoiu, I., Teodorescu, N., (2004), *Comportamentul consumatorilor*, Editura Uranus, București
6. Cetină, I., Olteanu, V., (1994), *Marketingul serviciilor*, coediție Marketer-Expert, București
7. Eiglier, P., Langeard, E., (1996), *Servuction. Le marketing de services*, Ediscience International, Paris
8. Payne, A., (1993), *The Essence of Services Marketing*, Prentice Hall International, London
9. Petrescu, E. C., (2005), *Marketing în asigurări*, Editura Uranus, București