

Customer's Choice of Health Insurance: A Comparative Study of Public and Private Sector Insurers

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Abstract

Present study focuses on the factors that determine the demand of health insurance product. The study attempts to find out the prompted reasons for insurance customers that influence them to buy a particular health insurance product. A comparative study based on 400 individual customers from public and private health insurance providers were evaluated and it was found that the Brand Image, Agents' persuasion, and Friends/family recommendation play most influential role in prompting the customer to buy health insurance from a particular company even if the price of the product was high.

Keywords

Indian Insurance Industry, Health Insurance, LIC, Brand name, Price, Insurance Agents

I. Introduction

Health insurance has always been a matter of concern and challenge in India. It is directly or indirectly linked to financial and service industry. Health has always been of prime importance and concern for everyone. Rising cost in health care and uncertain risk have made health insurance utmost important. Health insurance is an emerging segment of Indian insurance industry with vast potential. Health insurance is a state of complete physical, mental and social well being and not merely the absence of disease or infirmity (WHO, 2006). Good health is right of every person that ultimately leads to peace of mind of individual and is held responsible for economic growth of the nation. Primary objective of health insurance is i) Preventing one from large out-of-pocket expenditure ii) providing universal coverage and iii) improving health status by proper utilization of health services (WHO, 2010).

Indian Insurance Industry had seen many changes from nationalization to privatization. Formation of IRDA and other related Acts has opened up gateway for the private players for doing business in Indian market. Indian giants LIC and GIC subsidiaries are facing hard competition and are struggling to maintain their market share with new innovation in technology and new channel of distribution (Kannan, 2010). There exists a strong relationship between the demographic factors and perception of the Indian population. Though after privatization Indian industry got flourished with lot of opportunities and this period is considered to be the golden era for the insurance but still perception of the Indian population is not favoring much in insurance industry. Therefore, a lot needs to be done to change the perception about insurance and gain volume in insurance market (Jain, 2012).

LIC and GIC have played vital role in Indian insurance industry by providing services to the customers for long run and establishing their brands. Brand provides the basis upon which consumers can identify and bond with a product or services or a group of products or services (Weilbacher, 1995). Brand plays vital role in purchase decision of any organization. 4P's of marketing form another set of attributes that prompt and influence the customer to go for particular product or services. Product Pricing is the premium charged against the policy, interest on defaulted payments of

premium and commission charged by underwriters and consultancy services, therefore it becomes difficult to set appropriate price or premium for the insurance product, that not only suits pocket of the customers but also prove to be profitable for insurer. Product promotion includes agents, advertising and publicity, seminars etc physical distribution that is considered to be one of the most important, expensive and time consuming process for insurers to make marketing process effective (Kumawat, 2013).

II. Marketing Strategies Adopted by Life Insurance Companies of India

With globalization, monopoly of public insurance companies has got threatened. Insurance companies have adopted various strategies to retain their level in the market as leaders. Strategies they used are firstly, new product development strategy, secondly, latest promotional strategies such as push or pull strategy, expansion of distribution channel like appointing agents, bank assurance, alternate channels, foreign branches and micro insurance plans, thirdly, communication model: AIDA (Attention, Interest, desire & Action) and fourthly, promotion through life cycle, fifthly, internet promotion (Mohamed & Murthy (2012). Above all brand image, friends and family too play very important and vital role. Brand building efforts has to be aligned with organizational processes that help deliver the promises to customer through all company, departments, intermediaries etc as all these play an important role in the experience that customer have with the brand (Ghodeswar, 2008).

The customer decides the success of any business. Therefore it becomes very important for any organization to retain its customers. It can only be made possible if best suited product at appropriate price will be provided making customer as delighted customer. Agents play vital role in this as they are the face of any organization dealing directly with customers. Hall (2000) describes important role of an agents. They make major contribution in insurance industry. Agents help in sharing the efficiency and fairness of insurance market and its customers. Vallakal (2013) examined the determinants of scale up process of health insurance agents who behaves rationally while selling health insurance or any other form of insurance with subject to time, efforts and commission on premium paid by policyholders. Also it examined new concept of "insurance habit" and asymmetric health insurance scheme. 4Ps play important part in every set of business. When product is distributed evenly with efficient sales force (agents/advisors etc). it leads to growth of the company. Regan & Tennyson (1998) discussed product distribution system in insurance industry from employee sales force to direct response method such as mail and telephonic solicitation. The three major issues in insurance distribution are distribution system choice, nature of insurer-agent relationship, and regulatory oversight of insurance distribution activities. Mir et. al (2013) examined that almost every insurance company uses best of their promotional strategies to be competitive in market and maintain that level. Dar et.al. (2012) studied design, distributional and promotional strategies in public and private sector companies. Also the potential of insurance market was assessed

according to household income group. Study revealed that there is difference between the promotional strategies of both private and public sector undertakings. Private sector uses push strategies to attract potential customer and are considered to be less reliable as compared to the public sector, but good service providers. On the other hand public sector are considered to be reliable but do not out perform in quality services. Kumar (2013) describes that because of competitive nature of Indian insurance industry appropriate distribution channel is very important for maximum coverage and providing benefits to the customer. Globalization has added faster economic growth and increased volume of the business. Granvist et.al. (2004) analyzed that most important tool of marketing services are personal selling and advertising in order to create awareness and building personal relationship. Also external and internal factors influence the choice of promotional strategies like technology, orientation of industry, cultural aspect, market competitiveness and economic factors. Local condition and difference in customer's preferences and expectations greatly influence adaptation of promotional strategies. To reduce the cost on promotion and reach economies of scale attempts are to be made in improving promotional mix. Price or premium of the insurance plays a vital role in making purchase decision of insurance product from any particular organization that influences the most. Cetina & Mihail (2007); Singh (2013) examined price as an important element of marketing mix in financial industry. Settling appropriate price is important to remain in both market and competition. Kumar & De (2014) studied impact of social, economic and demographic factors that promote awareness and willingness to buy and pay for the health insurance schemes. It was found that education, income and size of family influence the purchase decision. Education has strong relationship between awareness of health insurance among the population. Study shows that higher income and higher education groups are more aware and willing to buy health insurance. Cenziz & Yayla, (2007) analyzed existence of strong relationship between marketing mix (Price, Place, Promotion and Place) and word of mouth communication. Author defined seven factors that contribute to word of mouth as strong promotional method, its as global phenomenon, it operates across all industries, proportion of consumer engaged in word of mouth is very high, it spread quickly, it can be shard and it can be retransmitted. It is one of the powerful way to search customer and all the 4 P's of marketing get effected with word of mouth communication. Singh et.al. (2011) described Brand as multidimensional construct involving the blend of functional and emotional values to match consumers, performance and psychological needs. Branding is giving product name and is essential attributes about enhancing and managing the relationship between the insurer and its customers and general public. Manisha (2012) analyzed necessity of marketing communication in competitive business environment and studies five parameters of communication- providing information, creating awareness, changing attitude, creating Brand Image and Brand loyalty among the customers. Study was made of public-private banks and revealed that marketing communication helps to create powerful image of the companies and create and develops sense of credibility, confidence and assurance. The study assessed the effectiveness of advertising, sale promotion, personal selling and publicity and public relations. Banerjee (2013) analyzed personal selling as one of the most appropriate, effective promotional tool, and unique method to promote the insurance product. It helps in creating awareness, providing product information, providing information on product benefits and features. Also it influences customer satisfaction in insurance industry.

III. Objectives and Research Methodology

Present study focuses on the factors that determine the demand of health insurance product. Study revolves around two major objectives firstly, to evaluate the responses of respondents about the prompted reason to buy particular health insurance product. Secondly, what were the reasons those influenced customer to make a purchase decision of insurance product from a particular company even if the prices were high. The purpose of this paper is to analyze how customers' focus on different attributes, factors, and promotional media to make a purchase decision. The study is based on the primary data collected from 400 individual respondents from states of Punjab and Haryana. Secondary data was collected from various published and unpublished sources. The tool used in the comparative analysis which was among the public and private health insurance respondents was evaluated with Mann-Whitney U test and cross tabulation analysis i.e., Chi-Square Test of association was also used for categorical variables for the following null hypothesis.

Hypothesis (H₀₁) There was no significant difference in the responses of the public and private health insurance companies' customers on the prompted reasons of buying particular brand of health insurance products.

Hypothesis (H₀₂) There was no significant difference in the responses of the public and private health insurance companies' customers on the influential reasons that affected to buy health insurance product of particular company.

Hypothesis (H₀₃) There was no significant difference in the responses of the public and private health insurance companies' customers on the reasons of buying products even though their prices are high

Hypothesis (H₀₄) There was no significant association presents between the customer responses of the public and private health insurance companies' in respect to the influence of promotional media.

Hypothesis (H₀₅) There was no significant association presents between the customer responses of the public and private health insurance companies' in respect to the agents as promotional tool.

Hypothesis (H₀₆) There was no significant association presents between the customer responses of the public and private health insurance companies' in respect to the effect of promotional media.

IV. Data Analysis and Results

Table 1: Mann Whitney comparative analysis of the customers of public and private companies, on the prompted reasons to buy health insurance products

Attributes	Type of Company	N	Mean	SD	MW Test	P value
Brand image of the company	Public	163	5.00	.000	11573.0*	0.0001
	Private	237	4.59	.519		
Excellent past performance	Public	163	4.42	.628	9306.0*	0.0001
	Private	237	3.68	.723		
Intermediaries regular visits to buy plan	Public	163	4.39	.812	17261.0*	0.045
	Private	237	4.22	.865		
Quality	Public	163	4.58	.608	4942.0*	0.0001
	Private	237	3.39	.659		
Price	Public	163	3.45	1.177	18107.5	0.250
	Private	237	3.37	.896		

Gifts/coupons	Public	163	2.36	1.132	17797.5	0.162
	Private	237	2.22	1.039		
Product knowledge of insurance agent	Public	163	3.79	1.097	8596.5*	0.0001
	Private	237	4.73	.590		
Regular follow up by manager/agents etc	Public	163	4.10	.862	11874.0*	0.0001
	Private	237	4.65	.623		
Presentation skills of agents/representatives	Public	163	3.80	.557	4286.0*	0.0001
	Private	237	4.77	.423		
Influenced by friend/relative who purchased product from same co.	Public	163	3.80	.823	17084.5	0.031
	Private	237	3.96	.785		
Journal advertizing	Public	163	1.20	.398	6121.0	0.0001
	Private	237	2.07	.660		
Sponsorships	Public	163	1.12	.375	6134.0	0.0001
	Private	237	2.03	.753		
Insurance literature	Public	163	1.23	.424	10043.0	0.0001
	Private	237	2.00	1.019		

MW= Mann Whitney; SD = Standard Deviation; N= Number; P value is probability, assuming null hypothesis rejected at p < 0.05

The analysis of Table 1 showed the null hypothesis H₀₁ was rejected for prompted reasons of buying particular brand of health insurance products based on brand image of the company as (MW = 11573.0, p < 0.05); excellent past performance as (MW = 9306.0, p < 0.05); Intermediaries regular visit to buy the plan as (MW = 17261.0, p < 0.05); Quality as (MW = 4942.0, p < 0.05); Regular follow ups by the managers and agents as (MW = 8595.5, p < 0.05). This inference that there was a significant difference between the responses of the customer from public sector those were more agreed then the customers from the private sector.

Product knowledge of the Insurance agents as (MW = 8595.5, p < 0.05); Presentation skills of agents and representatives as (MW = 4286.0, p < 0.05) as there was less significant difference among the responses of the customers from public sector as compared to private sector on different attributes contributing to influential reasons for buying the product.

The analysis of table 1 showed the null hypothesis H₀₁ was accepted for prompted reason of buying particular brand of health insurance products based on Price as MW = 18107.5, p > 0.05); Gifts/coupons as (MW = 17797.5, p > 0.05); Influence of the friend and family those had purchased same company product earlier as (MW = 17084.5, p > 0.05); Journal advertising as (MW = 6121.0, p > 0.05); Sponsorships as (MW = 6134.0, p > 0.05); Insurance literatures as (MW = 10043.0, p > 0.05) as there was no significant difference between the response of the customer from public and private sector regarding prompted reason of buying health insurance product .

Table 2: Mann Whitney comparative analysis of the customers of public and private companies, on the influential reasons to buy health insurance products

Attributes	Type of Co.	N	Mean	SD	MW Test	P value
Preferred to buy same brand as it was already bought by my friend	Public	163	4.20	.668	1815.0	0.235
	Private	237	4.14	.581		

Agent/advisor helped a lot in making buying decision	Public	163	4.91	.281	1633.0*	0.0001
	Private	237	4.76	.428		
Brand name and company influenced me a lot to buy the product	Public	163	4.95	.217	1285.0*	0.0001
	Private	237	4.62	.487		
Consulted other people for the best alternative	Public	163	3.07	1.061	1194.0*	0.0001
	Private	237	3.88	1.198		
Premium was low as compared to other product	Public	163	2.60	1.270	1673.0*	0.018
	Private	237	2.90	.833		
No claim bonus feature	Public	163	2.89	1.310	1892.0	0.718
	Private	237	2.92	1.053		

MW= Mann Whitney; SD = Standard Deviation; N= Number; P value is probability, assuming null hypothesis rejected at p < 0.05

The analysis of Table 2 showed the null hypothesis H₀₂ was accepted as influential reason that affected to buy health insurance product of particular company as preferred to buy same brand as it was already bought by my friend (MW = 1815.0, p > 0.05) as there was no significant difference among the responses of the customers from the public and private sectors.

The analysis of Table 2 showed the null hypothesis H₀₂ was rejected influential reason that affected to buy health insurance product of particular company agent/advisor helped a lot in making buying decision as (MW = 1633.0, p < 0.05); brand name and company influenced me a lot to buy the product as (MW = 1285.0, p < 0.05). This inference that there was a significant difference between the responses of the customer from public sector were more agreed then the customers from the private sector.

The analysis of Table 2 showed the null hypothesis H₀₂ was rejected influential reason that affected to buy health insurance product of particular company on the basis of attribute that consulted other people for the best alternative as (MW = 1194.0, p < 0.05); premium was low as compared to other products as (MW = 1673.0, p < 0.05) as there was less significant difference among the responses of the customers from public sector as compared to private sector on different attributes contributing to influential reasons for buying the product.

Table 3: Mann Whitney comparative analysis of the customers of public and private companies, on the health insurance product even though its high in prices

Attributes	Type of Co.	N	Mean	SD	MW Test	P value
High quality service providers	Public	163	4.33	.470	1460.0*	0.0001
	Private	237	4.05	.484		
Reputed company	Public	163	4.15	.803	1840.0	0.339
	Private	237	4.17	.572		
Good hospital network	Public	163	4.30	.890	1601.0*	0.001
	Private	237	4.19	.586		
Better cashless facilities	Public	163	4.43	.497	1521.0*	0.0001
	Private	237	4.18	.577		

Good TPA	Public	163	4.40	.751	1619.0*	0.002
	Private	237	4.26	.617		
Non delay claim settlements	Public	163	4.42	.496	1469.0*	0.0001
	Private	237	4.09	.713		
No claim bonus	Public	163	4.58	.495	1058.0*	0.0001
	Private	237	4.02	.670		

MW= Mann Whitney; SD = Standard Deviation; N= Number; P value is probability, assuming null hypothesis rejected at $p < 0.05$

The analysis of table 3 showed the null hypothesis H_{03} was rejected for reasons of buying products even though their prices are high based on high quality service provided as (MW = 1460.0, $p < 0.05$); good hospital network as (MW = 1601.0, $p < 0.05$); better cashless facilities as (MW = 1521.0, $p < 0.05$); good TPA's as (MW = 1619.0, $p < 0.05$); non delay claim settlements as (MW = 1469.0, $p < 0.05$); . No claim bonus as (MW = 1058.0, $p < 0.05$) at different levels as there was significant difference among the responses of the customers from public and private sector companies.

The analysis of table 3 showed the null hypothesis H_{03} was accepted for reason of buying products even though their prices are high based on reputed company as (MW = 1840.0, $p > 0.05$). This inference that there was no significant difference among the responses of the customers from the public and private companies.

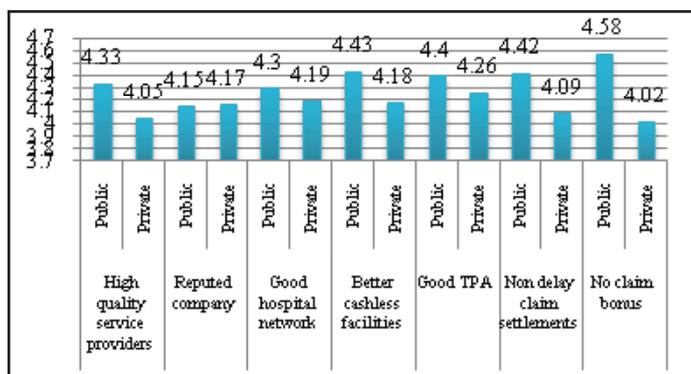


Fig. 1: Comparative Analysis of the Customers of Public and Private Companies, on the Health Insurance Product Even Though its High in Prices

Table 4: Cross tab analysis of the customers of public and private companies, on the influence of promotional media, agents and effect of promotional media

	Attributes	Sector		Total
		Public	Private	
Influence of promotional media $\chi^2 = 14.718, p = 0.001$	TV		7.6%	4.5%
	Bank	47.9%	38.0%	42.0%
	Agent/ advisor	52.1%	54.4%	53.5%
Agents as tools $\chi^2 = 0.001, p = 0.977$	Agreed	35.6%	35.4%	35.5%
	Strongly Agreed	64.4%	64.6%	64.5%
Effect of promotional media $\chi^2 = 20.11, p = 0.001$	Disagreed	1.2%		.5%
	Agreed		3.4%	2.0%
	Strongly Agreed	98.8%	96.6%	97.5%

χ^2 is chi square; p =value of probability

The analysis of table 4 showed the null hypothesis H_{04} was rejected as Chi Square = 14.71, $p < 0.05$ i.e. influence of promotional media is significantly associated with the public and private companies customer response. This inference that there was significant association presents as in the public companies 47.9% customers reported bank as influential media whereas 38.0% private companies customer were responded on it. On contrary, 7.6% private customers reported that they had influence of television. Lastly, 52.1% and 54.4% of the public and private companies' customers reported agents/ advisors as the promotional media influence.

The analysis of table 4 showed the null hypothesis H_{05} was accepted as Chi Square = 0.001, $p > 0.05$ i.e. agents as promotional tool is not significantly associated with the public and private companies customer response.

The analysis of table 4 showed the null hypothesis H_{06} was rejected as Chi Square = 20.11, $p < 0.05$ i.e. effect of promotional media is significantly associated with the public and private companies customer response. This inference that there was significant association presents as in the public companies 1.2% customers were disagreed on this issue while 3.4% customers from private companies were agreed. Lastly, 98.8% and 96.6% of the public and private companies' customers reported strongly agreedness on this issue.

V. Conclusion and Recommendations

The television as an advertisement medium and the banks as promotional medium both act as important vehicle for the growth of any insurance sector player but the Agents are the most important and integral part for the success of any insurance company. The study concludes that the agents are the best promotional tool that influences the customers in making purchase decision. However, it has been found that the Agents mostly from public sector companies do not possess much of product knowledge and are not that presentable as compared to the agents from private sector. There is a great need of providing regular training and regular product updates to the agents so that they can settle down queries of the customers efficiently and effectively.

Price being an important and integral part of 4Ps, it has been found that pricing plays very important role in making any purchase decision. Price of public insurance products are low as compared to the private players. On other hand it has also been analyzed that the perception of customers with respect to high priced product was that they were more relevant and possessed better features, product plans, and provides better before and after sale services like fast claims settlement, good hospital networking etc. Therefore, Insurance companies must set appropriate price or premium for their products as today's customer is not loyal and may shift to any other company with better product mix.

With changing markets, insurance industry has realized that the importance of brand value. Brand name gains value only if it values its customers. A delighted customer is always considered as best source of advertisement. The brand image, quality, and most of all price has influenced and prompted many customer to buy insurance from public sector companies. Private companies though possess good brand image but still they are facing tough competition from government owned public insurers.

Friends/ family, published sources, and other attributes like No Claim Bonus, gift, incentives etc also are influential attributes that lead to a buy decision. Both public and private sector companies are giving tough competition to each other but still they need to focus more on customers' concerns which may help them gain maximum market share and loyal customers.

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