A STUDY ON CONSUMER CHOICES IN OBTAINING INSURANCE PRODUCTS THROUGH A MULTI CHANNEL DISTRIBUTION SYSTEM

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ABSTRACT

Buying health insurance is complex, reason health insurance products lot of terms and conditions of insurance products need to check-in Pre, During, Post hospitalization levels which are pushing all buyers to take any expert help, these conditions push buyers to select different channels as per their will and wish, this paper finding the whether the variables impacting offline and online buying.

Key words: Health insurance, Channel characteristics, Product characteristics, Consumer characteristics, Retailer characteristics, Choice of Channel

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1. INTRODUCTION

The future is uncertain at any time; people are started investing in insurance as one of their portfolio instruments, after the pandemic purpose of buying insurance has changed and the importance of health insurance has increased with the uncertain experience of covid,

. Indian Insurance Industry, the regulator is ensuring the introduction of newer channels, entrepreneurial spirit, and penetration of Insurance in the Indian economy. Channel selection is a key to buying health insurance products, and companies come up with multi-channel distribution to penetrate high in the market to withstand the competition, Channel selection becoming key in buying health insurance products, buyers in need of experts and their expertise accordingly channel selection is happening, Price, Product knowledge, Process knowledge, accessibility, and availability making people's channel selection influenced too. In the forward to boost the entrepreneurship spirit among insurance agents. It launched a new channel for selling insurance called insurance marketing firms where agents could set up their firms.

Insurance regulators also introduced new distribution channels to boost the insurance industry's growth. These channels are- insurance marketing firms and common service centres. In the Indian insurance industry, due to high technology availability, accessibility and facilities are making people use digital channels to buy insurance products Like the Company's website, web aggregators, other digital channels, etc.

A successful distribution strategy is the key determinant of success in the newly competitive environment. Banc-assurance, internet, and Mall-

assurance are some of the new channels which are being actively written about and the impact it has on the penetration of the industry. The literature exhibits there has been a rise in e-commerce and that there has been a growth in these channels and adoption by Insurance companies, both insurers and the intermediaries themselves ensure retaining the customer is ensured as well as cross-selling other insurance products to the existing customers. Insurance companies are developing support systems to help and retain their good intermediaries.

Distribution is the key determinant of success for all insurance companies. Better channel management will improve channel performance in the long run. Channel management also involves proper mixing of channels rather than using channels as silos to reach the prospective customer and competing against each other in the process

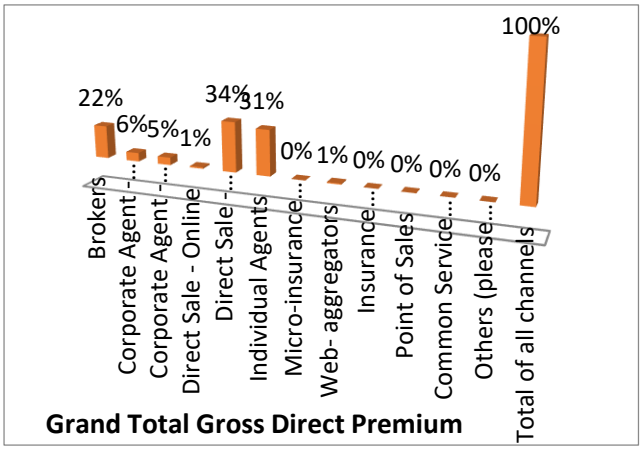

Fig (1): Grand Total Gross Direct Premium FY 2018-19

India Source IRDA website (Source)

The above figure indicates that the channel-wise gross total percentage premium collection accounted more for the direct sales online (34%) followed by individual agents with 31% and brokers with 22%. it is clearly understood the scope of online direct sales in the future.

The study was carried out to know the factors influencing the selection of channels and, the strength of the digital channel system is to be assessed through factor analysis and cluster analysis.

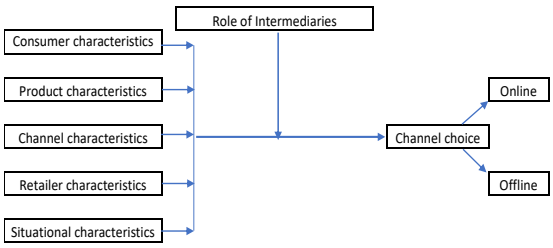

Fig (2): The aforementioned (Fig. 2) criteria were taken into consideration in affecting the choice of a channel in a multi-channel distribution using prior studies and information that had been personally gathered. buying things for health insurance products.

2. THE OBJECTIVE OF THE STUDY:

2.1 To establish the relationship between affecting factors and choice of channel in buying a Health insurance

2.2 To assess the factors affecting the choice of the channel between offline and Online in multi-channel distribution

3. LITERATURE REVIEW

Insurance's new distribution channels mention some of the other newer channels that have recently come up in the Indian Insurance Industry, like Mal-assurance and Bancassurance. In this context, the authors studied a new innovative distribution channel – Mal-assurance, which is the distribution of insurance through malls. With the organized retail sector expanding at a rapid pace, there has been a phenomenal increase in the construction of malls. The rising footfalls in malls have motivated insurance companies, to tap the potential of this emerging trend and distribute insurance through malls.

Dasgupta, P. and Sengupta, K. (2002) in their study on the economic functions of independent insurance intermediaries (brokers and independent agents) investigated the functions performed by intermediaries, the competitiveness of the market, the compensation arrangements for intermediaries, and the process by which policies are placed with insurers. Insurance intermediaries are essentially market makers who match the insurance needs of policyholders with insurers who have the capability of meeting those needs. Intermediary compensation comprises

premium-based commissions, expressed as a percentage of the premium paid, and contingent commissions based on the profitability, persistency, and/or volume of the business placed with the insurer.

Cummins David J and Doherty Neil A, (2005) disclosed that the performance of single and multi-channel distribution firms in the German life insurance industry influenced the distribution systems' development and coexistence. It also contributed to research on the coexistence of distribution systems in the insurance industry, which has thus far been limited to comparing exclusive versus independent agent insurers. Application of how bancassurance has evolved as a way to sell insurance and how it relates to the Irish regulatory framework, design, methodology, and approach (Brophy, 2013)

The insurance sector is about to undergo a significant technological revolution. For insurers that are eager to adopt it, this presents great potential, but it also poses serious threats to the laggards. While many businesses face the same issues brought on by technological transformation, Consumer engagement must shift drastically. According to our global survey, consumers are not as happy with the digital insurance experience as they are with other industries. They would prefer simpler, more open communication with their insurance provider. For insurers to remain competitive, distribution and operations must be digitalized. Compared to traditional models, "digitally born" insurance models can save money by lowering costs (by about 10% of premiums) and claims (by around 8%) concluding that the personal characteristics of the buyer influence a lot in channel selection while buying health insurance.

Hocking et al. (2014) endeavored to fill this gap by investigating the influence of agents/brokers on health insurance decisions made by small firms, which are particularly susceptible to problems of securing health insurance financing. Small firms in more competitive agent/broker markets are more likely to offer health insurance at lower premiums because they use a unique member database from the National Association of Health Underwriters. In addition, premiums are less dispersed in more competitive agent/broker markets.

It is usually a significantly complex decision to buy private health insurance. Multiple factors influence a buyer's decision before she/he decides to buy a health insurance policy (Cookson & Stirk, 2014). In an Indian context, it becomes even more imperative to know the exact influencing factors which can lead to a purchase of private health insurance, especially by consumers from low-earning groups. Ten expert sales professionals were presented with a collection of nine important factors(Insurance awareness, Trust in the insurance provider, Brand, Purpose, Policy features and benefits, Premium amount, Payment options, Customer service, and claim settlement history) for buying health insurance, which influences buying of private health insurance and through Analytic Hierarchy Process were requested to identify and rank the factors which they considered most influential from the point of view of specific consumer groups. (Khan, Muazzam and Bharathi, Vijayakumar and Londhe, B.R., 2015)

The Indian life insurance industry is one of the main engines of the country's economy and is always changing and expanding significantly. With fresh and cutting-edge product offerings, the Indian insurance industry is quickly advancing toward global norms. Customers are looking for risk solutions that are more sophisticated due to increased income levels. So industry comes up with a Multi-channel distribution system with many opportunities. (Verma, 2017) The paper assesses the channel choices in the contractual individual services category, particularly multichannel search patterns and web rooming behaviors, whereby customers search online but purchase offline (at the service provider's premises).

An international survey of customers was used to test a set of hypotheses on the determinants of customers' shopping experiences, including search and purchase channel decisions. Results show that channel choices relative to search as well as purchase are heavily influenced by the customer's preference for personal interaction (which typically favors personal, offline channels); in general, the relevance of channel choice determinants varies in the different shopping phases: indeed, while the search patterns (mono vs. multiple; digital vs. personal) reflect the customer's desire for information and enthusiasm for shopping innovation and pleasure, the purchase channel choices are

mainly driven by the customer's preference for service quality (personal purchase) and by his/he price consciousness (digital purchase). In particular, web rooming occurs when a less price-conscious customer, after exploring various channels for information, subsequently prefers to purchase the service at a physical location (i.e. an insurance agent) to satisfy the desire for personal interaction and service quality. Results of this study shed light on multichannel behaviors in service industries and may help providers better inform retail strategies for contractual individual services (Hu, Tun-I & Tracogna, Andrea, 2020).

Since influencing variables are changing continuously with time and products, for buying health insurance products are also it varies in the knowledge of the elements that influence both offline and online behaviour, this study was done to examine and evaluate such factors.

4 RESEARCH METHODOLOGY

Since the variables have been described and investigated using the advantages from study data analysis, the research design is descriptive and exploratory. The data is gathered via a self-administered questionnaire with all measurements and presumptions, and the study methodology combines qualitative and quantitative methods. The second-hand information is gathered from many periodicals, books, magazines, and websites. The responders have received the data collection tools. The sampling approach used a non-probability with convenience method, and the sample size was calculated to be 389. The target audience was made up of Hyderabad's software workers, which was chosen because it has an appropriate representation of the pool of software engineers thanks to its higher than 20% employee migration rate from other cities including Chennai, Gurgaon, Delhi, and Bangalore. It is carried out a discriminant analysis.

4.1To establish the relationship between affecting factors and choice of channel in buying a Health insurance

Discriminant Analysis

Table 1: Log Determinants

Predicted Group for Analysis 1	Rank	Log Determinant
Online	48	-86.475
Offline	48	-79.834
Pooled within-groups	48	-58.187

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

Log determinants are a measure of the variability of the groups. Larger log determinants correspond to more variable groups. Large differences in log determinants indicate groups that have different covariance matrices. So, through the table of Log Determinants, we can understand that there a moderate difference between the log determinants of online and offline channels.

Table 2: Test Results

Box's M	9.436E3
F Approx.	6.963
df1	1176
df2	3.857E5
Sig.	.000

Tests null hypothesis of equal population covariance matrices.

As per the table of Test results, the significant value is 0.00 which is highly significant at 0.01 level and the null hypothesis is rejected and there is a difference between online and offline groups.

Table 3: Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	3.560[a]	100.0	100.0	.884

a. First 1 canonical discriminant functions were used in the analysis.

As depicted in the table, the canonical correlation is 0.884 and squaring the same would be 0.781 which can be analysed that there is 78% of variance is there between online and offline groups which is very good for the further study.

Table 4: Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.219	547.751	48	.000

Significance is quite good with0.00 which shows variance and Wilk's Lambda value is also 0.21which is a way away and not so close to 1 which it has much discriminant and variance between online and offline groups

4.2 To analyse the factors affecting the choice of the channel between offline and Online in multi-channel distribution

Cluster Analysis

Objects are or people categorized using cluster analysis into groupings that are mutually exclusive and exhaustive collectively, with high homogeneity within clusters and low homogeneity across clusters. In other words, cluster analysis facilitates the discovery of objects that share characteristics ((Hair, 2007)(Zikmund, 2000).

Table 5: Final Cluster Centres

	Cluster					
	1	2	3	4	5	6
Q5.I examine the added value of channel delivery services	3	4	5	4	4	2
Q6.I purchase because buying process is easy	3	4	5	1	4	2
Q7.I purchase because aftersales services are good with this channel	3	4	5	4	5	2
Q8.I purchase because payments process is easy	3	4	5	1	4	1
Q9.I know how much risk involved in buying process with this channel	3	4	5	2	2	2
Q10.I purchase because services are very fast	3	4	5	4	5	1
Q11.I purchase because efficiency of the channel	3	4	5	4	5	1
Q12. I buy because, want to get services ahead of time proactive	3	4	5	1	2	1
Q13.I purchase because lot of discounts offered with this product	3	3	4	1	1	3
Q14.Product features have an impact on my buying	3	4	5	5	2	1
Q15.I purchase because I'm familiar with the product awareness	3	4	5	5	2	1

Q16.The availability of the requested goods has an impact on my purchasing	3	4	5	2	4	1
Q17.I bought it because it is one-and-only unique item	3	3	5	2	4	1
Q18.Product quality is important in my buying decision	3	4	5	5	3	1
Q19.Price of the product impacts my buying decision	3	4	5	4	3	1
Q20.My purchasing decision influenced by the benefits of the product	3	4	5	5	5	1
Q21.I am a variety seeking person	3	4	5	2	4	2
Q22.I personally take decisions in health insurance Plan purchase	3	4	5	5	5	1
Q23.I am a proactive person	3	4	5	5	2	1
Q24.I take decisions without forethought	3	3	5	4	4	2
Q25.I am self-efficient to take a decision	3	4	5	5	5	2
Q26.I am cautious when I take such decisions of buying health insurance	3	4	5	5	5	1
Q27.I explore all the possible options before taking decision	4	4	5	5	5	2
Q28.I take decision after proper analysis	3	4	5	5	5	1
Q29.A family member's long term illness has an impact on product purchases	3	4	5	1	5	2
Q30.Relocation to a new place impacts buying health insurance product	3	3	5	1	4	2
Q31.Due to rise in medical costs buying health insurance	3	4	5	1	5	1
Q32.I like to buy because my salary has increased	3	3	5	1	3	2
Q33.I consider my friend’s recommendations	2	4	5	1	1	2
Q34.I purchase because all my friends bought/Peer pressure	3	3	4	1	1	2
Q35.I purchase because of tax saving	3	3	4	1	1	2
Q36.I had previous experience with the channel	2	4	5	2	1	1
Q37.I am familiar with the Brand familiarity	3	4	5	5	2	1
Q38.With my brand image	3	4	5	5	1	1
Q39.I check claim settlement details Claim Ratio impacts	3	4	5	5	2	1
Q40.I bought it due of the promptness of the service	3	4	5	5	4	1
Q41.I buy because I have trust in the company	3	4	5	5	4	1
Q42.I buy because Complaints solved in in time	3	4	5	5	4	1
Q43.I buy because of affordable premium rates	3	4	5	5	3	1
Q44.Financial capacity of retailer(solvency ratio)	3	4	5	5	1	1

Q45.I have confidence on him(Trustworthy)	3	4	5	5	5	1
Q46.Buy because of his/her Product knowledge	3	4	5	5	5	1
Q47.He completes process smoothly (His Skill in completing Process)	3	4	5	5	5	1
Q48.He always available and reachable	3	4	5	5	5	1
Q49.Have good relation with him Relationship building	3	4	5	5	5	1
Q50.He always there for aftersales service	3	4	5	5	5	1
Q51.He do claim process so easily (Hassle free claim process)	3	4	5	5	5	1
Q52.Heunderstand exactly what is my need and requirements to fulfil	3	4	5	5	4	1

Through the K- Means cluster method, we can understand the predetermined data which is divided into 6 clusters. As shown in table of Final cluster centres, For the variable 1 (I examine the added value of channel delivery services), first cluster is having 3 (Neutral), likewise 2nd cluster Agree, 3rd –Highly Agree, 4th – Agree, 5th – Agree, and finally 6th cluster shows Disagree for the first variable. Likewise, every variable has certain clusters which have calculated.

Table 6: ANOVA

	Cluster		Error			
	Mean Square	df	Mean Square	df	F	Sig.
Q5.I examine the added value of channel delivery services	35.075	5	.615	381	56.990	.000
Q6.I purchase because buying process is easy	47.086	5	.835	381	56.409	.000
Q7.I purchase because after sales services are good with this channel	25.883	5	.696	381	37.199	.000
Q8.I purchase because payment process is easy	47.363	5	.532	381	89.035	.000
Q9.I know how much risk involved in buying process with this channel	44.715	5	.575	381	77.798	.000
Q10.I purchase because services are veryfast	48.859	5	.434	381	112.684	.000
Q11.I purchase because efficiency of the channel	51.393	5	.434	381	118.466	.000
Q12. I buy because, want toget services ahead of time proactive	43.385	5	.580	381	74.801	.000
Q13.I purchase because lot of discounts offered with this product	33.547	5	1.035	381	32.407	.000
Q14.Product features have an impact on my buying	45.191	5	.549	381	82.298	.000
Q15.I purchase because I'm familiar with the product awareness	58.780	5	.412	381	142.743	.000

Q16.The availability of the requested goods has an impact on my purchasing	45.392	5	.479	381	94.850	.000
Q17.I bought it because it is one-and-only unique item	45.869	5	.919	381	49.887	.000
Q18.Product quality is important in my buying decision	53.296	5	.256	381	208.125	.000
Q19.Price of the product impacts my buyingdecision	48.112	5	.403	381	119.499	.000
Q20.My purchasing decision influenced by the benefits of the product	52.963	5	.246	381	215.464	.000
Q21.I am a variety seeking person	38.862	5	.568	381	68.449	.000
Q22.I personally take decisions in health insurance Plan purchase	49.282	5	.290	381	170.096	.000
Q23.I am a proactive person	59.983	5	.307	381	195.542	.000
Q24.I take decisions without forethought	52.062	5	.889	381	58.552	.000
Q25.I am self-efficient to take a decision	46.448	5	.301	381	154.375	.000
Q26.I am cautious when I take such decisions of buying health insurance	50.821	5	.376	381	135.143	.000
Q27.I explore all the possible options before taking decision	36.667	5	.362	381	101.157	.000
Q28.I take decision after proper analysis	47.552	5	.432	381	109.997	.000
Q29.A family member's long term illness has an impact on product purchases	47.301	5	.600	381	78.873	.000
Q30.Relocation to a new place impacts buying health insurance product	43.231	5	.852	381	50.714	.000
Q31.Due to rise in medical costs buying health insurance	48.002	5	.407	381	118.047	.000
Q32.I like to buy because my salary has increased	45.522	5	.874	381	52.073	.000
Q33.I consider my friend’s recommendations	70.725	5	.652	381	108.550	.000
Q34.I purchase because all my friends bought/Peer pressure	54.858	5	1.134	381	48.355	.000
Q35.I purchase because of tax saving	44.066	5	.987	381	44.629	.000
Q36.I had previous experience with the channel	73.180	5	.634	381	115.345	.000
Q37.I am familiar with the Brand familiarity	48.650	5	.381	381	127.554	.000
Q38.With brand image	67.498	5	.287	381	235.269	.000
Q39.I check claim settlement details Claim Ratio impacts	47.238	5	.455	381	103.853	.000
Q40.I bought it due of the promptness of the service	53.203	5	.379	381	140.282	.000
Q41.I buy because I have trust in the company	44.439	5	.334	381	133.122	.000
Q42.I buy because Complaints solved in in time	45.701	5	.506	381	90.249	.000
Q43.I buy because of affordable premium rates	44.074	5	.406	381	108.598	.000
Q44.Financial capacity of retailer(solvency ratio)	58.667	5	.355	381	165.188	.000

Q45.I have confidence on him(Trustworthy)	46.679	5	.421	381	110.833	.000
Q46.Buy because of his/her Product knowledge	57.156	5	.403	381	141.716	.000
Q47.He completes process smoothly (His Skill in completing Process)	57.142	5	.363	381	157.620	.000
Q48.He always available and reachable	49.662	5	.438	381	113.385	.000
Q49.Have good relation with him Relationship building	52.046	5	.389	381	133.721	.000
Q50.He always there for aftersales service	48.847	5	.325	381	150.376	.000
Q51.He do claim process so easily (Hassle free claim process)	50.999	5	.319	381	159.899	.000
Q52.Heunderstand exactly what is my need and requirements to fulfil	46.276	5	.330	381	140.382	.000

The ANOVA table tells us the significant difference of the variables across the six clusters. It is well observed that all the variables are significantly different across 6 clusters since the p is 0.00 for all which is highly significant at 0.01.

Table 7: Number of Cases in each Cluster

Cluster	1	51.000
	2	199.000
	3	112.000
	4	3.000
	5	6.000
	6	16.000
Valid		387.000
Missing		2.000

As we can see in table, the cluster containing the number of cases would give the value to the respective cluster, the cluster 2 has a major number of 199 cases, followed by 3rd cluster having 112 cases, 1st cluster having 51 cases. Cluster 4, 5, and 6 have very less cases which is to be noted.

Table 8: Factors with high F-Value

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Brand image	67.498	5	0.287	381	235.269	0
Benefits of the product	52.963	5	0.246	381	215.464	0
Product quality	53.296	5	0.256	381	208.125	0
Pro activeness	59.983	5	0.307	381	195.542	0

With F- results mentioned above in Table 6, "Brand", "Benefits of the product", "Quality" and "Proactive ness" of the buyer are making much differences in selecting channel among multi-channel distribution system in healthinsurance buying.

5 CONCLUSIONS

As health insurance buying becomes an instrument of risk portfolio, channel selection becoming more critical, as an outcome of the discriminant analysis, it is clear that there is a significant variation between online group and offline group, Variables like **Brand, Benefits of the product, Product quality**, Personal factor of **Pro activeness** of the buyer are influencing in channel selection among multi-channel distribution.

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