Impacts of Customer Psychology Analysis on Insurance Marketing Models and Strategies

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Abstract: In recent years, China's insurance industry is developing rapidly and China has become the world's second largest insurance market. As a modern service-oriented industry, insurance is undergoing a transition from a large-scale to a competitive industry and plays an increasingly significant role in people's social life. From the perspective of traditional insurance marketing, this article analyses the features of insurance products and the models and current status of insurance marketing. It explores the existing problems in traditional and internet insurance marketing and provides suggestions for improving the models and strategies of insurance marketing based on customer psychology.

Keywords: Insurance Marketing; Customer Psychology

Foreword

Since the reform and opening-up, China's insurance industry has managed to establish a preliminary system after a full recovery. It is now in the phase of reforms and innovation and keeps developing in a rapid and stable way. In 2017, China's premium income was 541.4 billion US dollars, and China has become the world's second largest insurance market. Nonetheless, compared to developed countries such as the US and the UK in terms of insurance density, the Chinese case is still in the initial stage of development. As a modern service-oriented industry, it still takes a long time for China's insurance to realise the transition from a large-scale to a competitive industry. Therefore, grasping customer psychology throughout the process of insurance marketing has a profound significance for the further implementation of insurance marketing and the overall development of the insurance industry.

1. Features of insurance products and models and the current status of insurance marketing

Since the insurance industry serves as one of China's major financial sectors, insurance products is to provide financial service. Compared to traditional real goods, insurance products have a non-physical feature. In the process of insurance marketing, the protection offered by insurance products is non-immediate and uncertain. Non-immediate protection means that the value of using an insurance product is reflected after the accident rather than after the customer pays the premium. Uncertainty means that the accidents agreed in the insurance contract are not bound to happen so that it is uncertain that the protection offered by the insurance product will take effect.

Traditional insurance marketing is primarily implemented by insurance agents, with concurrent-business insurance agents from financial sectors playing a secondary role, and supplemented by insurance brokers. With the prevalence of
the Internet and since the promulgation of Notice of the China Insurance Regulatory Commission on Issuing the Interim Measures for the Supervision of the Internet Insurance Business by the China Insurance Regulatory Commission (CIRC) in July 2015, the model of Internet insurance marketing has been developing at great speed. By the first half of 2018, the Internet insurance premium reached 109.79 billion yuan. However, there still exist some problems in the current model of Internet marketing. Specifically, the iteration of insurance products is excessively fast, and the products are vastly homogeneous. Information asymmetry between insurance companies and customers leads to underwriting risks. Cyber security problems result in insufficient protection of relevant customer rights. The utilisation rate of big data is low, and insurance companies are still unable to customise insurance solutions so far.

2. Existing problems in insurance marketing
2.1 Lack of innovation of internet insurance products based on market demand

China's insurance industry is going through a transition from a large-scale to a competitive industry, which requires its development model to be increasingly driven by innovation instead of input and investment. However, in the area of Internet insurance marketing, insurance companies have not yet managed to transform from single-product sellers to service providers of high-quality insurance products who can satisfy various customer needs.

At present, internet insurance products tend to be cheap and simple and have vastly homogeneous standards regarding rates, terms, and liability. Under the condition that the vast majority of the same type of insurance products have similar cover, customers tend to choose those companies whose brands have a longer history and a higher reputation. Moreover, their focus on purchasing products deviates from the practical needs of risk protection and shifts to the price-performance ratio of products, which runs counter to the marketing strategies of insurance companies formulated according to the market needs.

2.2 Customers' cognitive bias regarding insurance concepts and products

Currently, China's insurance market ranks number two in the world. People's growing insurance awareness and needs bring about a broad prospect for the insurance market. However, compared with developed countries, there still exists a gap in the level of personal income, and China's insurance industry is still in the initial stage of development that entails continuous improvement. When customers categorize their psychological accounting, they incline to categorize insurance as types of investment and wealth management as well as luxury, which somewhat plays down its function of risk protection. In terms of the prevalence of insurance concepts, some people still lack a correct understanding of the real meaning of insurance. They pay more attention to the return on investment while ignoring that the essence of insurance is risk protection. As a result, when the uncertainty of protection offered by insurance products is in conflict with “risk-aversion in face of a risky choice leading to potential gains” addressed by the prospect theory, people's resistance to insurance will affect the implementation of insurance marketing campaigns.

As an extremely technical kind of legal documents, insurance terms cover a wide range of fields such as economics, medicine, and law. In order to fulfill the obligation of notification and to avoid legal risks, insurance companies introduce numerous academic and technical phrases in the terms, and some of them are unclear and obscure due to the literal translation of the insurance terms in Western countries. Consequently, the technicality and complexity of insurance terms increase customers' risk perception in the process of choosing and purchasing insurance and indirectly enhance the difficulty in carrying out insurance marketing campaigns.

2.3 Problems of insurance agents

In the stage that Internet insurance marketing is developing at great speed, the traditional marketing model remains dominant that is primarily implemented by insurance agents. In the present insurance industry in China, the entry requirements for insurance agents are generally low, and their professional skills and comprehensive qualities fail to meet the demand for the rapid development of the industry. Besides, the strict management system adopted by insurance
companies by following Insurance Law leads to a low sense of professional identity and belonging as well as high mobility among insurance agents.

Insurance marketing is based on the establishment of the psychological contract between the insurance company and the customer. The process of establishing the psychological contract is throughout the whole course of sales and service, including customer relationship management before and after sales. However, the low entry requirements and high mobility of insurance agents result in a higher possibility of conflicts arising in the establishment of the psychological contract, given the nature of insurance products as a kind of financial service. There are even cases in which the insurance agent takes advantage of the availability bias caused by information asymmetry, conceals information, or only provides partial and superficial information to influence the customer's decision of purchasing insurance for the sake of business performance. This will increase the possibility of the loss of the customer's rights. The existing customers or potential customers will thus have a negative, stereotypical impression of insurance so that the overall social image of the insurance industry will be affected, and the implementation of insurance marketing will be further hindered.

3. Suggestions for improving insurance marketing based on customer psychology

3.1 Using big data to optimise insurance products and marketing models

Maslow's hierarchy of needs classifies human needs into physiological needs, safety needs, love and belonging, esteem, and self-actualization and puts them in sequence from lower to higher levels. Customers' intrinsic motivation for purchasing insurance products depends on their needs at different levels. In the era of big data, insurance companies have more advantages to specify the categories of markets and target customers based on customer needs. This can serve as the basis of optimizing insurance products, such as improving the accuracy and flexibility of product pricing, increasing the efficiency of product development, and launching more products that satisfy customers' personalized needs. Meanwhile, insurance companies can formulate personalized marketing plans for different target customers, make the degree of insurance marketing stimulus more aligned with customer needs, build a stronger psychological contract with customers, and improve the accuracy of marketing. After sales, insurance companies can modify their products and marketing models according to customers' feedback so as to build a more robust marketing service chain from pre-sales to after-sales.

3.2 Promoting people's accurate understanding of insurance and improving consultation

Given the mismatch between the rapid development of China's insurance industry and some people's inadequate understanding of insurance concepts, insurance companies have both the responsibility and the obligation to cooperate with the government. They should work together to increase customers' awareness of risks and insurance, provide reasonable guidance for customers to make a rational and objective estimation of their risks, concretize potential insurance needs into real-life needs, and form a correct view of insurance consumption. In the meantime, insurance companies should take an active part in standard research and assigned tasks in various areas of social life and establish a good industry image.

In the process of marketing, regarding the cover of insurance terms, insurance practitioners should not only be equipped with the relevant professional knowledge of insurance. The scope of consultation should also include knowledge pertaining to the terms of finance, medical health, and financial management. Insurance companies should strive to provide customers with professional, comprehensive service and suggestions and minimize customers' risk perception resulted from the technicality and complexity of insurance terms.

3.3 Improving the qualities of insurance practitioners and building a multi-dimensional marketing system
To adapt to the rapid development of the insurance industry, insurance companies should organise regular training of the theoretical knowledge system covering finance, the Internet, medical health, and financial management, helping insurance practitioners build a richer and stronger knowledge system of both insurance and relevant fields. Based on the training of marketing skills for insurance marketing personnel who are composed primarily of insurance agents, insurance companies should humanise and standardise their management, design performance evaluation and promotion systems that meet different levels of the psychological needs of insurance marketing personnel. The aims are to create space for personal value realisation and development, to increase the sense of belonging and professional identification of marketing personnel so as to fundamentally tackle the problem of these people’s low social recognition and open up an environment for marketing innovation.

In view of the objective circumstance of the insurance industry development, the traditional marketing model adopted by insurance companies should be improved. In the current stage, traditional insurance marketing should be coordinated with Internet marketing. At the same time, it is equally significant to seize the opportunity in the context of big data, attract talents of big data, build platforms of Internet marketing, optimise the core system, and create advantages in the field of internet insurance marketing, thereby contributing to the technology-driven, digital transformation of the insurance industry.

4. Conclusion

Against the backdrop of technological innovation, the insurance industry is in the stage of high-speed development, which also indicates increasing competition. Therefore, exploring and analyzing different customers' needs at all levels and possible psychological phenomena that may occur in the process of insurance marketing are helpful to fundamentally tackle some of the problems existing in the process of traditional and Internet insurance marketing, improve the quality of marketing service offered by the industry, and ultimately reach the goal of increasing the core competency of insurance marketing.

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