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THE INFLUENCE OF CONSUMER BEHAVIOUR ON MARKETING STRATEGIES IN THE INSURANCE MARKET

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Abstract: Insurance is bought before it can be judged, and for most policyholders it is never judged at all, because no claim is ever made. This paper examines what that condition means for marketing strategy. It draws on five empirical studies of insurance purchase behaviour from Sri Lanka, Türkiye, Uganda, India and the United States, on a scoping review of forty-four studies, and on World Bank data describing the Uzbek market. The paper argues that perceived risk, trust, product understanding, price sensitivity and channel choice are not five separate influences but one problem seen from five sides: the buyer cannot check the promise being sold. Published evidence on the role of trust does not agree, and the paper explains why the results differ. Segmentation, positioning, communication and channel design are then assessed as tools for reducing uncertainty rather than tools for persuasion. For Uzbekistan, where gross written premiums were 0.52 per cent of gross domestic product in 2021, the practical conclusion is that understanding, not price, is the main factor limiting demand.

Keywords: consumer behaviour; insurance marketing; perceived risk; trust; insurance literacy; distribution channels; emerging insurance markets

Introduction

Every insurance contract asks the buyer to accept an unusual bargain. Money is paid now, and the amount is certain. In return comes a promise that will be tested only if something bad happens, and that may never be tested at all. Most goods can be examined before purchase and judged after it. A policy can be examined only as a document, and judged only when a claim is made, which most policyholders never do. A certain cost set against an uncertain, delayed and often invisible benefit is the central fact of this market, and it explains why insurance demand behaves so differently from demand for ordinary goods.

Marketing research has responded by borrowing frameworks built for other products. The theory of planned behaviour is the most common. In a scoping review of forty-four studies of insurance purchase intention it was the theory applied most often, eighty-six per cent of the studies were quantitative, and questionnaires were the main instrument [1]. This work has produced a long list of factors that correlate with buying. It has produced much less on which of those factors an insurer can actually change.

The gap matters most where penetration is low. Global insurance penetration is around seven per cent of gross domestic product, against 2.78 per cent in Africa and 0.80 per cent in Uganda [2]. In Uzbekistan gross written premiums reached 0.52 per cent of gross domestic product in 2021, and the World Bank notes that even this figure may be too high because of double-counting under co-insurance arrangements [3]. In markets like these the real question is not how to take customers from a competitor. It is why most households buy nothing beyond what the law requires.

Most existing work treats consumer behaviour as an input to segmentation: find out who buys, describe them, reach them. That approach assumes the obstacle is reach. This paper argues something different. In insurance the obstacle is about knowledge rather than money, and consumer behaviour therefore limits marketing strategy in one specific way. Because the buyer cannot check the product before purchase, and usually cannot check it afterwards either, every marketing tool — segmentation, positioning, communication or channel design — works only to the extent that it reduces the buyer's uncertainty about whether the promise will be kept. Marketing that tries to persuade without first making the promise credible and readable will not move a market of this kind.

Literature review

Table 1 summarises the studies used in this paper.

Table 1.
Empirical evidence on consumer behaviour in insurance markets

Study	Market and sample	Focus	Main finding
Weedige et al. [4]	Sri Lanka; 300 middle-class consumers	Insurance literacy	Literacy raises trust (β = 0.706); perceived risk had no significant effect on attitude (β = 0.021); model explains 64.1% of purchase intention
Gün and Söyük [5]	Türkiye; 525 private health policyholders	Trust and renewal	Trust raises perceived quality (β = 0.77), satisfaction (β = 0.60) and repurchase (β = 0.40); quality alone does not raise repurchase (β = −0.02)
Jahnert et al. [6]	United States; 1,050 experiment participants	Brand, attribute and price	Trust did not mediate purchase intention (95% CI −0.158 to 0.270); brand equity did (95% CI 0.503 to 1.077)
Kiwanuka and Sibindi [2]	Uganda; 391 users of digital platforms	Distribution channel	Insurtech adoption (β = 0.563) outweighs digital literacy (β = 0.226); together they explain 50.3% of insurance inclusion
Cole et al. [7]	India; randomised field experiments	Price versus other barriers	Demand responds to price, but take-up stays low even at a high payout ratio; trust, cash constraints and low salience hold demand back
Zheng et al.	44 reviewed studies; USA	State of the	Age used in all 44 studies, risk perception in only 16%; 69% concern health-related

Study	Market and sample	Focus	Main finding
[1]	30%, China 27%	evidence	cover

Source: compiled by the author from the cited studies.

The most direct expression of the problem is perceived risk, meaning the buyer's sense that the policy may not deliver. Weedige and colleagues [4] measured it among 300 middle-class consumers in Sri Lanka, a group chosen because they could afford cover. Two hundred and one of them, or 66.89 per cent, held no personal insurance at all.

The result was not what the authors expected. Perceived product risk had no significant effect on attitude towards personal insurance, and that hypothesis was rejected. Risk did not disappear from the model; it moved. Trust reduced perceived risk strongly ($\beta = -0.629$, $p < 0.01$), but the risk construct did not then feed forward into attitude. What predicted attitude were trust, insurance literacy and perceived benefits.

This is easy to misread as evidence that risk perception does not matter. A more careful reading is that perceived risk is a symptom rather than a cause. Consumers do not weigh the probability of an insurer defaulting against a premium. They form a view about the company and about their own grasp of the contract, and perceived risk is what is left over from that view.

The wider literature has not tested this well. Among the forty-four studies mapped by Zheng and colleagues [1], risk perception appeared in only 16 per cent and risk propensity in 7 per cent, while age was used in all forty-four. The field measures who the consumer is far more often than what the consumer believes. That suits survey design and fails marketing, because an insurer cannot change a customer's age but can change what a customer knows.

Trust and the limits of the evidence

If perceived risk is what remains of a belief about the company, then trust is the mechanism worth examining. Here the evidence is strong but not unanimous. Weedige and colleagues [4] found insurance literacy to be a powerful predictor of trust, with trust in turn shaping attitude and, through attitude, purchase intention. Gün and Söyük [5] tested the second half of the same chain among 525 private health insurance policyholders in Türkiye, and found trust predicting perceived service quality, customer satisfaction and repurchase intention. Their one negative result is instructive: perceived quality had no significant direct effect on renewal. Quality mattered only because it produced satisfaction.

Jahnert and colleagues [6] reached a different conclusion, and the difference deserves to be examined rather than averaged away. In an experiment with 1,050 United States respondents, where the main study was designed so that answers carried real consequences, trust correlated strongly with a sustainability attribute but did not mediate purchase intention at all. Brand equity mediated decisively, as did perceived product quality.

The two sets of findings can be reconciled, and the reconciliation is the useful part. Weedige and colleagues and Gün and Söyük measured trust inside a real or possible relationship: their respondents held policies, or had formed views about an industry operating in their own country. Jahnert and colleagues presented two invented brands in a single online choice designed to imitate a comparison website. A consumer facing two unknown names has nothing on which to build trust, and brand equity does the work that experience would otherwise do. The authors mark this boundary themselves, noting that their design cannot speak to sales made through an agent.

The position taken here is that trust is not a message but a conclusion built up over time, and it can carry weight only where the consumer has something to build it from. For a first-time buyer in a low-penetration market, brand signals that can be checked will therefore work better than assurances of trustworthiness, because a claim of trustworthiness made by the party who wants to be trusted carries no information.

Field evidence from outside marketing research supports the same reading. Cole and colleagues [7] ran randomised field experiments on rainfall insurance in rural India. Demand did respond to price, but take-up stayed low even when the product offered a payout ratio comparable to a United States insurance contract. What held demand back were three things unrelated to price: lack of trust, shortage of cash at the moment of purchase, and low salience, meaning the risk did not feel present. Price moves demand a little. It does not create a market.

Understanding, price and the distribution channel

The claim that brand substitutes for experience rests on a further condition: that the consumer cannot judge the contract on its own terms. The evidence that this holds is strong. Among the Sri Lankan respondents, 71.8 per cent had received no formal education in insurance, risk management or personal finance [4].

Low understanding has a specific consequence for pricing. When a buyer cannot compare exclusions, waiting periods, claims procedures and the insurer’s financial strength, the only feature left that can be read is the premium. Price sensitivity in insurance is therefore partly the product of an information failure rather than a stable preference — and it is a failure the insurer is in a position to remove.

Experimental evidence supports this, although from one market only. Jahnert and colleagues [6] asked respondents how they would divide a hypothetical 100 United States dollars across six industries in order to have a lasting effect. Insurance received 11.7 dollars on average, against 26.7 for food. Once respondents saw an independent rating placing a particular insurer above the industry average, their willingness to pay more rose to a level that could not be distinguished statistically from the other five industries. The signal changed, not the product.

The same study shows that price sensitivity is real but not absolute. Raising the premium from a market benchmark of 129 dollars to 169 dollars cut purchase intention sharply, yet the sustainable product still scored higher than the conventional one at every price level, and the interaction between price and the attribute was not significant. Consumers traded price against a credible feature rather than simply choosing the cheaper option. Evidence for this outside Western markets is limited, and whether a consumer on a much tighter budget behaves the same way has not been tested.

If understanding is the constraint that price competition hides, then the distribution channel cannot be treated as a neutral pipe, because it decides how much explanation the consumer receives. Kiwanuka and Sibindi [2] tested this in Uganda with 391 respondents drawn from the client bases of Yeko, Turaco and Prudential. Their model separated digital literacy from insurtech adoption and found that adoption carried far more weight, with 91.6 per cent of the sample reaching insurance through a mobile telephone.

What the adoption measure contains matters more than the coefficients. Adoption was measured through perceived ease of use and perceived usefulness, and the usefulness items asked whether the platform made buying easy, whether the policy could be monitored, and whether it increased the provider's transparency. What the model records as channel adoption is, in substance, the channel's capacity to explain. That sits awkwardly with the common view of digital distribution as mainly a way of cutting costs. The authors are explicit that their setting limits how far the result can be generalised.

The Uzbek market

Uzbekistan shows a similar profile, but with weaker evidence behind it. The World Bank [3] recorded 42 licensed insurers, 8 of them offering life cover, with gross written premiums at 0.52 per cent of gross domestic product in 2021 and life business accounting for roughly a tenth of that total. Fewer than 10 per cent of homes carried cover against fire, lightning, explosion, aircraft damage or natural disasters. The Bank linked this not to price but to a narrow product range, a lack of new distribution channels, low financial literacy and weak consumer protection, which together weaken public confidence in private insurance. That diagnosis matches the mechanism described above.

The imported evidence must be treated with care. Sixty-nine per cent of the reviewed studies concern health, medical or long-term care insurance and only 11 per cent life insurance [1], whereas the Uzbek portfolio is dominated by compulsory motor and liability lines. Conclusions about Uzbek consumers drawn from this literature are extrapolation rather than evidence, and should be stated as such. Local survey work is needed before the argument set out here can be tested rather than inferred.

Conclusion

The question raised at the start was why households in low-penetration markets buy so little insurance, and what consumer behaviour therefore requires of marketing strategy. The evidence gathered here indicates that the obstacle is a verification problem. Marketing tools work in insurance only when they reduce the buyer's uncertainty about whether the promise will be kept. Tools that do not perform this function will not move demand, however well they are executed.

Several consequences follow. Segmentation should be organised around understanding and channel access, not demographic position alone; the literature's reliance on age and household composition reflects what is easy to collect, not what predicts behaviour [1]. Positioning for consumers without claims experience should rest on external signals that can be checked rather than on declarations of reliability. Where trust had no basis in experience it carried no mediating

effect while brand equity did [6], whereas among established policyholders trust dominated the chain leading to renewal [5]. One market therefore requires two tactics at once.

Communication should treat understanding as a commercial objective rather than a compliance exercise. An insurer that explains its exclusions plainly is not being generous; it is removing the reason its product looks like a gamble. Channel design should be judged by the same standard, since what the Ugandan evidence records as digital adoption is largely a platform's ability to make the product transparent [2].

One implication sits outside marketing's usual boundary. If trust produces satisfaction and satisfaction produces renewal, then the most important marketing moment in an insurance business is the handling of a claim — which no marketing department controls.

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