

IMPACT OF MARKETING, SOCIO-ECONOMIC AND CULTURAL VARIABLES ON CONSUMER CHOICE OF HEALTH INSURANCE

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ABSTRACT

In an econometric framework, the present study is an examination of the relationship between the consumers' choice for health insurance and its determinants. The Structural Model assessment has been employed to study the impact of Marketing Variables, Socio-Economic Variables and Cultural values on Consumer Choice in Health Insurance segment. The results have found to be statistically significant which shows that there is impact of Socio-Economic Variables, Marketing Variables, and Cultural values on Consumer Choice.

Keywords: *Marketing Variables, Socio-Economic Variables, Cultural Variables, Consumer Choice, Health Insurance*

INTRODUCTION

In the recent past in US, we have witnessed examples of stimulating consumer choice whereby the Patient Protection and Affordable Care Act of 2010 has mandatorily introduced health insurance exchanges at state level in the U.S. In India despite the introduction of Ayushman Bharat- – Pradhan Mantri Jan Arogya Yojana in 2018 and other State Govt.

schemes, 30% of the total population which accounts for 40 crore individuals is still devoid of health insurance coverage (NITI Aayog, 2021). This uncovered section of society has been given the name of missing middle which spreads across rural and urban areas constituting all sorts of people organised in formal and informal sectors. Therefore, the need is realised to design an insurance cover to match the unmet demand of this missing middle. The problems aggravates when in the process of making optimal choices, the consumers' also do not mind switching insurance providers to get maximum utility of the money spent.

In such an environment it is pertinent for insurance providers to know about the factors and variables that influence consumers' purchase of health insurance and how these factors affect the consumers' choice of health insurance provider. The contribution of this study is an examination of the relationship between the consumers' choice for health insurance and its determinants, in an econometric framework.

The rest of the paper is organized as follows. Section 2 provides, a literature review of the empirical research related to marketing, socio-economic and cultural variables that are

pertinent determinants of health insurance and present our hypothesis. Section 3 presents research methodology including hypotheses and empirical model. Section 4 presents the findings and interpretations. Finally, Section 5 concludes the paper by drawing upon some important policy implications from our findings.

REVIEW OF LITERATURE

We have clustered main variables determining consumer choice of health insurance into three major categories namely marketing, socio-economic and cultural variables. The sub variables have been identified and listed under the main variables discussed below.

Marketing Variables

The existing literature on health insurance which focusses on consumer choice of switching to another health insurance have shown consumers are sensitive to variation in marketing variables (such as premiums, out of pocket costs and additional benefit packages, service quality, customer satisfaction etc.) though the impact on consumer choice vary across different countries. (Laske-Aldershof, T. et al, 2004, Dijik, M.V. et al 2008 Pendzialek, J. B., et al 2016, Pendzialek, J. B. et al 2017, Salim, T.A., 2017).

Pendzialek J. B et al. 2016 investigated the impact of marketing variables namely premium, additional benefits and customer service on consumers preferences in German health insurance sector. Consumers' preference of health insurance plan is also associated with factors like physician patient relationship, cost of plans and address to individual's special needs. The decision to choose involves factors like physical proximity to care, less paper work, less

waiting times, attractiveness of care providers' premises, availability of educational programs, responsiveness of present care arrangements technical competence and quality (Mechanic, D. 1989)

A huge literature puts forward the heightened consumer sensitivity to product features like out-of-pocket costs and premium being the direct cost which weigh heavily in the minds of consumers, as compared to other features like co-payments which are just an additional cost. (Moustafa et al., 1971, Cutler and Reber, 1998; Royalty and Solomon, 1999; Strombom, et al, (2002); Nichols et al., 2004; Marquis, M.S et al., 2006; Abraham et al., 2006; Buchmueller, 2006; J. Schwartz et al., 2013; Politi et al., 2014).

Consumers have also found to be sensitive to the healthcare provider network (Shepard, 2015; Tumlinson et al., 1997; Nichols et al., 2004; Ericson and Starc, 2014), additional benefits (Tumlinson et al., 1997; Romley et al., 2012; Politi et al., 2014), and perceived service quality (Berg, V. et al., 2008; Rice et al., 2014; Leon, S. & Nakayama, M, 2020). Another set of studies have demonstrated consumer sensitivity to perceived service costs also (Lee and Cunningham (2001), Spathis et al. (2004), Tam (2004), Berry et al., (2002), Bielen and Demoulin (2007), McGuire et al. (2010), Sarkar et al. (2011), and Chiu et al. (2014), Kotler and Keller (2012), Abu-Salim, T. et al (2017).

The private insurers offer features which not only add feathers to their cap but also fill up the coverage gaps left open by the public insurance. In Australia with 47% of the population having private hospital cover with

private health insurance covering many out-of-hospital services such as dentistry not covered by Medicare (public insurance) (Biggs, A (2013). For the purpose of this study, we have classified marketing variable into five categories namely; product features (MV1), additional benefits (MV2), service quality (MV3), provider network (MV4) and perceived service costs (MV5) as they have been found relevant in making Health Insurance provider choice.

Socio-Economic Variables

The health insurance industry has displayed the relevance of socio-economic factors to set important pre-conditions for the expression of consumer choices. Socio-economic variable identified from literature are; Income Level (SE1), Education (SE2), Urbanisation (SE3), Financial Risk Preferences (SE4) and Social security Systems (SE5) as they have been found relevant in making Health Insurance provider choice.

Income level has shown to cast a strong and significant effect on the decision to health insurance. (Beenstock et al. (1988), Outreville (1990), Browne et al. (2000), Costa and Garcia(2003), Esho et al. (2004), Elango and Jones (2011), Park and Lemaire (2012), Feyen et al. (2013), Trinh et al. (2016) and Lee and Lee (2020).

Education is also important factor in the choice making. We have included insurance literacy skills in education variable. These studies reported that people are not able to clearly understand health insurance jargon and terms like coinsurance, deductible, out of pocket expenses, prior authorization, formulary, HMOs etc (Quincy, 2012a; Loewenstein et al.,2013, Politi et al. 2014,

Barcellos et al. 2014). People with better health insurance comprehension are more likely to choose lower-cost plans (Barnes, Hanoach, and Rice (2015). Therefore, they do not know how to combine the information available to make a good health insurance choice.

Urbanization and insurance coverage have found to be positively correlated (Barrese et al, 2016). Urbanization creates income accelerating economic opportunities for the individuals which in turn produce income effect on the both health insurance demand and choice.(Liu, G et al, 2003). Levels of urbanisation has also shown to impact the health insurance coverage and also utilisation of health care (Lin, et al 2011).

Financial Risk and health insurance connection has also been investigated by a number of studies. For a normative analysis of choice in health insurance, consumers' individual risk preferences need to be elicited and decision quality to be based on them. (Kairies-Schwarz, N. 2017). It is also found that higher the wealth at risk entails more likelihood of holding health insurance. (Mahoney, N, 2016)

Social security systems could also be an important factor in exercising consumer choice. Loosing any form of public health insurance can have impact on the personal health care costs and thus impact financial well-being at individual level (Argys L.M et al, 2020). The gaps and inflexibilities in social health systems create new dynamics by inducing the consumers to make choice in favour of private players (Tynkkynen, L.K et al, 2018). Consumer perception about not up to the mark quality and capability of public systems

(Costa-Font, J. and Jofret bonet, M., 2008) and consumer dissatisfaction (Colombo, F. and Tapay, N. 2004) regarding same have found to be important drivers of consumer choice for private health insurance.

Cultural Variables

Culture is also identified to play a vital role in explaining differences in consumer choices across countries for both life and non life insurance products, (Hofstede 1983, House et al. 2004, Hofstede et al. (2010), Minkov (2011) and Trinh, C. T. et al (2020). Hofstede's cultural variables have shown to have significance for the entire insurance industry (Park, Borde, and Choi (2002). Further, Park and Lemaire (2012) exhibited that countries with low power distance, high individualism and uncertainty avoidance, have shown to display higher growth rate of non-life insurance consumption as compared to other countries. In an earlier study Trinh et al (2016) investigated the cultural variables namely uncertainty avoidance, individualism, masculinity and power distance (Hofstede et al., 2010) and long-term orientation, indulgence and hypometropia (Minkov, (2011). It has been found that hypometropia and indulgence are relevant for the non-life insurance expenditure in both developed and developing nations.

Therefore, we have used cultural variables as a potential predictor of consumers' choice in particularly health insurance sector in India. Based on the findings of Park and Lemaire (2012) and Trinh et al (2016) we have selected items namely Power distance (CV1), individualism (CV2), uncertainty avoidance (CV3), hypometropia (CV4) and indulgence (CV5) for our construct of Cultural variables.

Consumer Choice

The consumer choice can be established as a dependent variable which is indicated in Customer loyalty (Butt and De Run 2010; Kumar and Srivastava 2013), Customer trust (Iglesias, O., Markovic, S., Bagherzadeh, M. et al. 2020), Customer patronage (Rahman, M. S. et al 2017), Switching behaviour (Laske-Aldershof, T., 2004), Customer satisfaction (Abu-Salim, T et al, 2017) and Customer experience (Richardson, A., 2010)

RESEARCH METHODOLOGY

Objectives of the Study: To study the Impact of Marketing, Socio-Economic and Cultural Variables on Consumer Choice of Health Insurance.

Hypothesis of the Study: Based on the preceding discussion, we propose the following testable hypotheses:

Ho (Null Hypothesis): There is no Impact of Marketing Variables, Socio-Economic Variables and Cultural values on Consumer Choice.

H1 (Alternate Hypothesis): There is Impact of Marketing Variables, Socio-Economic Variables and Cultural values on Consumer Choice

Research Methodology:

The research is descriptive in nature. The study has been conducted during last months of 2021 and a structured questionnaire has been used for data collection. In all 164 usable responses have been received and further analysed.

Statistical Tools:

The Structural Model assessment has been employed to study the of Marketing Variables, Socio-Economic Variables and Cultural values on Consumer Choice.

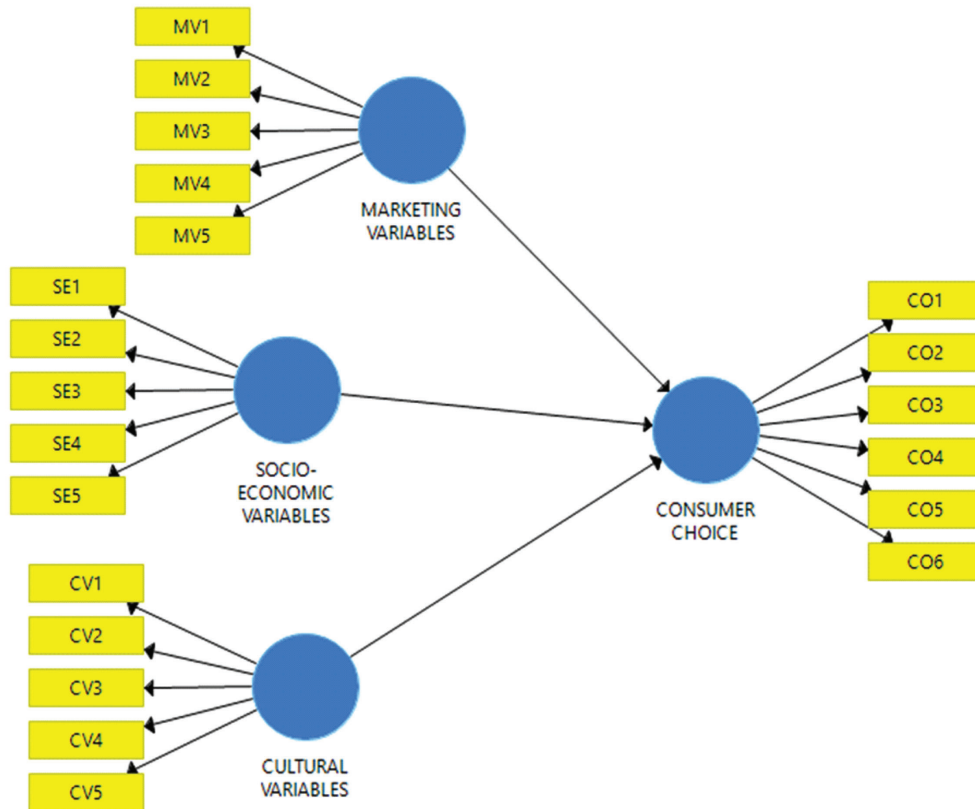


Figure 1: Impact of Marketing Variables, Socio-Economic Variables and Cultural values on Consumer Choice.

Source: Authors Own Compilation

INTERPRETATION

The Graphical representation shows Marketing Variables, Socio-Economic Variables and Cultural values as exogenous variables and consumer choice as endogenous variable.

Table 1: Measurement Model Assessment.

Particulars	Cronbach Alpha	R-Square	Composite Reliability	Average Variance Expected
Marketing Variables	0.860	0.56	0.896	0.590
Socio-economic Variables	0.836	0.525	0.844	0.608
Cultural Variables	0.833	0.63	0.896	0.611

Source: Authors Own compilation The outer model was first assessed by values of composite reliability of Marketing Variables (0.896), Socio-economic variables (0.844) and Cultural Variables (0.611)

to assess internal consistency which is greater than the prescribed value of 0.70 (Hair,2013). The average variance Expected (AVE) of Marketing Variables (0.896), Socio-economic variables (0.608) and Cultural Variables (0.611) is found to be greater than 0.50 (Hair, 2006) which helps to assess convergent validity. Haier, 2013 shows Cronbach Alpha of all indicators are equally reliable. The Cronbach's Alpha of Marketing Variables (0.860), Socio-economic variables (0.836) and Cultural Variables (0.833) are found to be greater than 0.70 which shows the model is the perfect fit. The values of r-square is greater than 0.50 which shows that the model has applicability for development of real estate sector in India.

Path Coefficients

Particulars	Original Sample	Standard Error	T Statistics
Marketing Variables> Consumer Choice	0.341	.101	3.390
Socio-economic Variables> Consumer Choice	0.345	.071	4.481
Cultural Variables> Consumer Choice	0.291	.099	2.967

Source: Authors own Compilation

The Inner model was assessed to test the relationship between the exogenous and endogenous variables. The path coefficients were obtained by using non-parametric, bootstrapping routine technique given by Vinji & Huiwen (2010). In this, the three exogenous variables are Marketing Variables (3.390), Socio-economic Variables (4.481) and Cultural Variables (2.967) have the t- values greater than 1.96 which reflects that alternative hypothesis (There is Impact of Marketing Variables, Socio-Economic Variables and Cultural values on Consumer Choice) is accepted.

The Impact of Socio-economic variables (0.345) is found to be greater than Marketing Variables (0.341) and Cultural Variables (0.291) on consumer choice which depicts that Socio-economic variable is playing important

role in determining consumer choice of health insurance.

The Impact of Marketing variables (0.341) is found to be greater than Cultural Variables (0.291) on consumer choice which depicts that Marketing is the next important factor after socio-economic variables in determining consumer choice of health insurance.

The Cultural Variables (0.291) is found to have the least impact on Consumer Choice.

CONCLUSION

Like any other commodity, the selection of health insurance plan is found to be a cognitive process in which consumer choices are impacted by marketing, socio-economic and cultural variables. The interplay of these factors interferes in big way in consumer choice making process

in response to their individual needs. The paper shows that there is impact of Marketing Variables, Socio-Economic Variables and Cultural values on Consumer Choice.

Suggestions

- The health insurers can use these variables as a checklist for factors to consider in designing health insurance product.
- The health insurer should focus on Socio-economic variables (Income Level, Education, Urbanization, Financial risk and Social security Systems) to meet the demand of a wider consumer base.

- In a culturally diversified country like India Cultural Variables have found to have less impact, therefore health insurers must focus all their energy on socio-economic and marketing variables.

Despite a number of significant findings, the present research was unable to capture other important factors like Behavioural and Life style variables that could influence consumer choice in health insurance sector. In future more detailed analysis is required to identify and understand other factors that stimulate or compress consumers choice of health insurance.

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