



# How important is the strategic order of product attribute presentation in the non-life insurance market?



Sérgio Dominique-Ferreira<sup>a,b,\*</sup>

<sup>a</sup> Polytechnic Institute of Cavado and Ave (School of Management), Portugal

<sup>b</sup> School of Economics and Management of the University of Porto, Portugal

## ARTICLE INFO

### Keywords:

Effects of the order of attribute presentation  
Customer services management  
Sales management  
Bundling strategy  
Insurance sector

## ABSTRACT

Sales management plays an important role in firms' profit. Its main goal is to determine the best time to present insurance customers with prices, insurers, bundling strategies, and the intermediary's recommendation.

In this study, a triangular approach was used. For attribute selection, three focus groups were performed with insurance customers and intermediaries. Conjoint analysis was carried out by presenting the attributes in three different orders.

Primacy and recency effects were detected; a transfer or anchor effect was also found related to the importance of the attributes preceding and succeeding a given attribute.

According to the findings, salespeople can improve their approach to customers by decreasing the importance given to price and increasing the positive impact of bundling strategies and the intermediary's recommendation in sales.

Although the order of attribute presentation has previously been analyzed, this is the first study to examine this issue in non-life insurance products, providing useful information to insurance salespeople and marketing managers for a better understanding of insurance customers' buying decision process.

## 1. Introduction

Various elements affect the success or failure of salespeople's approach to consumers. In the insurance sector, these elements include, for instance, insurers, the intermediary's recommendation, price, and discounts. However, the importance that consumers assign to each attribute varies under different conditions. For instance, the moment at which each characteristic of the product is presented during the sale<sup>1</sup> may be of particular importance to consumers (see Buda and Zhang (2000), Gatzert et al. (2010) and Hogarth and Einhorn (1992)). For example, consumers often evaluate a brand's current price against its past prices or the prices of previously encountered brands (Monroe, 1990, as cited in Suk et al. (2012)). Atkinson and Shiffrin's (1968) groundbreaking study was one of the first to explain primacy and recency effects. In this context, salespeople can play an important role in firms, and *often use adaptive influence tactics to engage consumers in a way that drives sales performance* (Homburg, Muller and Klarmann, 2011, as cited in Xie and Kahle (2014)).

The literature (e.g., Chrzan, 1994; DeMoranville and Bienstock, 2003; Li, 2009) has shown that customers may be affected not only by the moment at and order in which price is presented—i.e., primacy and recency effects—but also by a transfer effect, or a logic chain order effect. Therefore, it may not be enough to say that price should be presented at the beginning, middle, or close to the end of the sale. Price may also be affected by the attributes that precede and succeed it; i.e., there may be an anchor effect. Thus, salespeople may reduce consumers' responsiveness to price changes by first presenting other attributes that consumers value highly.<sup>2</sup>

Considering the timeliness of this much-discussed issue (e.g., Huber et al., 2015), the authors of this work intend to identify the point at which insurance salespeople should present the following in order to decrease the perceived importance of the premium in sales and increase cross-selling through price bundling: (a) the premium (and the associated covers); (b) the insurer; (c) bundling strategies; and (d) the intermediary's recommendation.

The authors decided to study non-life insurance products because

\* Department of Marketing and Tourism, School of Management, Polytechnic Institute of Cavado and Ave. Address: Campus of IPCA, Vila Frescainha, 4750-801 Barcelos  
E-mail addresses: [sdominique@ipca.pt](mailto:sdominique@ipca.pt), [sergio.dominique@gmail.com](mailto:sergio.dominique@gmail.com).

<sup>1</sup> The Financial Services Authority carries out surveys in similar areas, e.g., in *financial behaviour and attitudes in five key areas: making ends meet, keeping track of money, planning ahead, choosing products, and staying informed across the UK population* (de Meza et al., 2008, p. 1).

<sup>2</sup> As indicated by the Financial Service Authority, *psychological rather than informational differences may explain much of the variation in financial capability reported in the FSA (2006) Baseline Survey. This applies both to differences between individuals and across competence dimensions* (de Meza et al., 2008, p. 2).

**Table 1**  
Evolution of life and non-life insurance products (IPFSA, 2015).

	2011	2012	$\Delta$ 12/ 11 (%)	2013	$\Delta$ 13/ 12 (%)	2014	$\Delta$ 14/ 13 (%)
Life products	7,536	6,922	-8.1	9,248	33.6	10,439	12.9
Non-life products	4,110	3,983	-3.1	3,855	-3.2	3,852	-0.1
Total	<b>11,646</b>	<b>10,905</b>	<b>-6.4</b>	<b>13,104</b>	<b>20.2</b>	<b>14,292</b>	<b>9.1</b>

this particular insurance market has experienced some difficulties in recent years (IPFSA, 2015) (Table 1). In addition, it seems that only one study has been published on this topic in the insurance industry to date, and this concerns life insurance products (i.e., Huber et al., 2015).

## 2. Theoretical background

### 2.1. Effect of the order of attribute presentation

Primacy and recency effects have been well understood for many decades (e.g., Asch, 1946; Anderson, 1965; Chrzan, 1994). In the specific case of conjoint analysis with full profiles (FPs) (orthogonal fractional factorial designs), many effects related to order presentation have been identified (see Acito (1977), DeSarbo and Green (1984), Johnson (1987), Chrzan (1994), Orme et al. (1997) and DeMoranville and Bienstock (2003)).

Order effects exist if the estimated attribute importance differs depending on the position it occupies in each profile, keeping the research design, attributes, and levels unchanged. This fact negatively affects the predictive ability of conjoint analysis (see DeSarbo and Green (1984), Johnson (1987) and Orme et al. (1997)). Johnson's (1987) study using FPs (1987) found that the order effect was responsible for 16% of the error variance for conjoint predictions. Other studies have also found that the order of the attributes' presentation has negative effects on results (Acito, 1977; DeMoranville and Bienstock, 2003).

In addition, previous studies have found that attribute levels and the factors that determine how much weight is assigned to each level influence evaluation and choice (Fishbein and Ajzen, 1975; Nowlis and Simonson, 1997; Dhar et al., 1999; Hsee and Zhang, 2004). According to Sela and Berger (2012), many firms present their products with few attributes (e.g., the Avis website, www.avis.com). It seems that presenting more attributes to consumers tends to benefit evaluation when the options are perceived as being less useful (the opposite also holds true).

Other studies have focused on the specific place or selling moment in which price is presented (see DeSarbo and Green (1984), Johnson (1987) and Orme et al. (1997)). However, in terms of simulation predictions, such as those based on conjoint analysis experiments, this situation can produce biased results<sup>3</sup> (Acito, 1977; Johnson, 1987; DeMoranville and Bienstock, 2003). Primacy and recency effects have also been analyzed in the context of a long-term memory test of Super Bowl commercials (see Li (2009), wherein the results show a strong primacy effect).

This paper aims to study the possible primacy and/or recency effects in the insurance sector. The first hypothesis is as follows:

**Hypothesis 1.** The importance assigned to insurance companies (brand) is affected by the order of attributes' presentation.

<sup>3</sup> According to de Meza, Irlenbusch and Reyniers (2008, p. 2), *behavioral economics has identified a collection of deep seated cognitive biases that influence decisions in both financial and non-financial contexts.*

### 2.2. Price perception

Pricing plays a central role in sales (see, e.g., Tung et al. (1997) and Avlonitis and Indounas (2006)). A wide range of literature has analyzed the factors that influence price perception (see, e.g., Damay et al. (2011) and Weisstein et al. (2014)). Bagchi and Davis (2012) presented three dimensions, or literature streams, that explain the process of price perception:

- Computation—i.e., how consumers think about prices. The literature on computation has focused on the following factors:
  - Individual difference variables, such as cognitive skills and analytical ability (see Cacioppo and Petty (1982)).
  - Situational factors, such as information overload, time constraints, and decision context factors (Suri and Monroe, 2003).
- Numerosity and number encoding—i.e., how the size of numbers affects perceptions. In this dimension, the authors studied how loyalty programs can increase effectiveness; e.g., points earned per dollar spent (see Bagchi and Li (2011)). In relation to loyalty programs, it is also possible to separate between hedonic and utilitarian attributes; i.e., more emotional attributes<sup>4</sup> versus more rational/useful attributes, respectively. According to Sela and Berger (2012), *an increase in perceived usefulness also may help hedonic options more than utilitarian ones because it enables consumers to balance two competing goals: obtaining utilitarian benefits and hedonic pleasure.*
- Anchoring—i.e., the fact that individuals tend to anchor on the first part of information for initial judgments. For example, does first presenting price and then presenting quantity lead to the same results as first presenting quantity and then presenting price? Bagchi and Davis (2012) analyzed the difference between “\$29 for 70 items” and “70 items for \$29” using car insurance as the anchor product (see also Yadav (1994)).

Other literature has focused on trade-in acquisitions (see Purohit (1995), Okada (2001) and Zhu et al. (2008)). Two of these studies (Okada, 2001; Zhu et al., 2008) achieved interesting results about trade-in purchases in the automobile sector: customers are willing to pay more for a new car if the seller pays more for the used car. However, there are some controversial results concerning the specific research topic of trade-ins. For example, Srivastava and Chakravarti (2011) obtained opposite results. Relevant research has also been conducted concerning the specific effect of how options are presented (see Dhar and Simonson (1992) and Diehl and Zauberman (2005)). The general result is that when prices are presented to customers in descending order, customers tend to choose the more expensive options; when prices are presented in ascending order, customers tend to choose the less expensive options (see Suk et al. (2012)).

This issue is particularly important if we consider that “current regulatory efforts” are being made “in most countries of the European Union to require that insurance companies provide a detailed price presentation, including administration costs and other elements to their consumers (see Huber et al. (2015)). Other investigations have also shown the importance of insurance regulation (e.g., Cummins and Tennyson, 1992; Weiss et al., 2010; Derrig and Tennyson, 2011; Brophy, 2012). Although several national regulators have consumer protection legislation, the Portuguese insurance market is somewhat different. Only recently, the former Portuguese Institute of Insurance changed its designation to Portuguese Insurance and Pensions Funds Supervision Authority. This change to “supervisory authority” is seen by insurers and intermediaries as movement towards empowering the

<sup>4</sup> For more details, please, see Slovic, Finucane, Peters and Mc Gregor, 2002, cited in de Meza et al. (2008, p. 53)).

Download English Version:

<https://daneshyari.com/en/article/5111232>

Download Persian Version:

<https://daneshyari.com/article/5111232>

[Daneshyari.com](https://daneshyari.com)