

“Analyzing Cognitive Dissonance in Insurance Buying Decisions: A Primary Study on Psychological Triggers and Its Influence on Repeat Purchases of life Insurance products”

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Abstract: Cognitive dissonance, a psychological phenomenon referring to the mental discomfort experienced by individuals after making a purchase decision, plays a crucial role in post-purchase behavior, especially in complex and high-involvement purchases such as life insurance. This research paper aims to analyze the presence and impact of cognitive dissonance among policyholders who have purchased life insurance products. The study investigates the psychological triggers responsible for inducing dissonance, such as mismatch between expectations and product delivery, inadequate communication, and perceived financial risk. Using primary data collected through structured questionnaires and personal interviews with life insurance policyholders, the study identifies key factors contributing to post-purchase dissonance. It further examines the consequences of unresolved dissonance on customer satisfaction, trust, and the likelihood of policy renewal or repeat purchases. The findings suggest that effective communication, transparent policy features, and post-sale engagement play a vital role in minimizing dissonance and enhancing customer loyalty.

Keywords: - Cognitive dissonance, Life Insurance, Post-Purchase Behavior, Customer Loyalty, Repeat Purchase Intentions, Psychological Triggers, Consumer Decision-Making, Insurance Policyholders, Primary Research, Financial Services Marketing

INTRODUCTION

This study enables to give us more and detail idea about the term cognitive dissonance it also offers practical insights for insurance providers to redesign their customer engagement strategies and improve post-purchase satisfaction, thereby ensuring long-term retention and repeat business. The research also contributes to the academic understanding of consumer psychology in the financial services sector, particularly within the Indian life insurance market.

1.2 Scope of research

After the research has been done it enable to give us more and detail idea about the term cognitive dissonance after the final decision of a consumer. It's an attempt to throw light on the behavioral Characteristics of the customer having Cognitive Dissonance, Factors responsible for cognitive dissonance with reference to insurance product.

1.3 Research Hypothesis

H1: Existence of Cognitive Dissonance

H₀ (Null Hypothesis): There is no significant cognitive dissonance among customers after purchasing life insurance products.

H₁ (Alternative Hypothesis): A significant proportion of customers experience cognitive dissonance after purchasing life insurance products.

H2: Type of Product and Dissonance Intensity

H₀: Customers do not experience higher cognitive dissonance after purchasing important or expensive products.

H₁: Customers experience higher cognitive dissonance after purchasing important or expensive products (e.g., life insurance).

H3: Factors Influencing Cognitive Dissonance

H₀: External and internal factors (e.g., additional information, others' opinions, mismatch in expectations) do not significantly influence cognitive dissonance.

H₁: External and internal factors significantly influence the development of cognitive dissonance in insurance buyers.

H4: Impact on Repeat Purchase Intention

H₀: Cognitive dissonance has no significant effect on customers' intention to repurchase the same life insurance product.

H₁: Cognitive dissonance significantly affects customers' repeat purchase intentions.

H5: Resolution of Cognitive Dissonance and Future Behavior

H₀: Resolution of cognitive dissonance does not affect future purchase preferences.

H₁: Resolution of cognitive dissonance positively influences future purchase decisions.

2 Research Objectives

To understand the term 'cognitive dissonance' with special reference to insurance products.

To identify the factors which creates cognitive dissonance ?

To identify the reasons of creating cognitive dissonance after purchasing insurance product.

To identify the effects of Cognitive Dissonance if not get resolved.

To identify the relation between Cognitive dissonance and repeat purchase of the customer.

3 Research Methodology

The respondents were selected from Pimpri Chinchwad, Pune Area. The respondent are the existing consumers of 6 Life insurance companies working in India i.e., 1. Life Insurance Corporation of India (LIC) 2. ICICI Prudential life insurance 3. TATA AIG life insurance 4. ING Vaishya life insurance 5. Reliance insurance 6. Max New York life insurance.

4 Analysis and interpretation of data

1. Insurance Companies Preferred by Respondents: Consumers tend to rely on established brands like LIC for life insurance due to brand image, service record, and trust.

2. Presence of Cognitive Dissonance: A significant majority experiences post-purchase conflict, underlining the need for better pre-sale education and post-sale support in insurance.

3. Dissonance in High-Value Products: Dissonance is more common in high-involvement decisions, like life insurance, where perceived risk and expectations are high.

4. Factors Responsible for Creating Cognitive Dissonance: Post-purchase exposure to contradictory information fuels dissonance, A gap between expectations and actual product features or services also triggers dissatisfaction.

5. Symptoms of Cognitive Dissonance: Social validation and market comparison are strong triggers. Many consumers are left uncertain or regretful after the purchase, affecting brand loyalty.

6. Type of Dissonance Experienced: Consumers experience both emotional conflict (doubt, dissatisfaction) and informational conflict (new or contradicting information post-purchase).

7. Resolution of Cognitive Dissonance: More than half the customers remain psychologically unsettled even after the purchase, which may negatively impact retention and brand advocacy.

8. Repeat Purchase Intention: Among the 35 whose dissonance was resolved: 21(60%) were willing to repurchase and 14 (40%) still hesitated

4.1 Tested Research Hypothesis:

Hypothesis 1: *Existence of Cognitive Dissonance*: Interpretation: Since $p > 0.05$, we fail to reject the null hypothesis. This means there's no statistically significant evidence to say a majority of customers experience cognitive dissonance — though the percentage (62%) indicates a trend, it's not strong enough statistically.

Hypothesis 2: *Dissonance in Expensive Purchases*: Interpretation: Since $p < 0.05$, we reject the null hypothesis. This shows a significant association between purchasing important/expensive products and experiencing cognitive dissonance. In other words, customers are more likely to feel dissonance after high-stake purchases like life insurance.

Hypothesis 4: *Cognitive Dissonance and Repeat Purchase Intention*: Interpretation: Since $p > 0.05$, we fail to reject the null hypothesis. There is no statistically significant relationship between resolution of dissonance and the likelihood of repurchasing the same product — although there is a positive trend (60% willing to repurchase), it's not statistically strong.

FINDINGS AND OBSERVATIONS:

Half of the total life insurance market has been tapped by Life Insurance Corporation of India.

1. Most of the customers are having confusion (Cognitive Dissonance) in their mind after the purchase of an expensive and important product or service.

2. Behavioral Characteristics of customer having cognitive dissonance

i) Dissatisfaction about consumers buying decision in the minds of the customer

ii) Customer will try to justify the purchase he/she made

iii) Customer will try to check with others (Family, friends) whether the purchase decision was correct or not?

iv) Customer will compare his product with similar substitutes after his final buying decision

v) Customer feels that he has not checked with all available alternatives in market and the search for information which he has done was not enough.

vi) Customer is thinking to change, replace or return the existing product which he buys.

3. Factors Responsible for Cognitive Dissonance

i) Price differences among similar product

ii) Quality offered by competitors product

iii) Value addition

iv) Innovations and Technology

v) Brand Image (Trust)

vi) Impact of Advertisement

vii) Product Endorsement

viii) Attitude of others

Attitude of Friends

Attitude of colleague

Attitude of Opinion leaders

Attitude of Reference Groups

Attitude of Aspiration groups

ix) Unanticipated Events

x) Service providers (dealers, retailers, agent, broacher)

xi) Fulfillment of motives (Psychological)

xii) Desired outcome and actual outcome of the product or service. (difference between self Image and Actual Image of product or service.

4. Cognitive Dissonance after Purchasing Insurance Product:

i) Whether this is an appropriate financial tool for managing and mitigating the financial risk associated with untimely death and the return on the savings component of the premium paid.

ii) Compare the terms of one Insurance policy with the policies available with other companies in relation to,

o Benefits Available under the policy

- Premium paid under the policy
 - Maturity benefit equal to Sum Assured under the policy
 - Term Insurance Premiums
 - Estimation of Costs against Benefits
 - Additional sum of money called '**bonus**', based on the surplus available in the funds managed by the insurer on behalf of the policyholder.
 - Bonus declared by the company in last 2-3 years
 - Fund management companies for unit linked plans.
 - Investment Opportunities available
 - NAV (Net Asset Value) of the Company
 - iii) Whether the same insurance protection is adequate?
 - iv) Whether the same person can afford to pay the same premium amount for coming future?
 - v) Whether the same company is trustworthy?
 - vi) Whether the same product is available on Discount rate with some other distributor? Whether the channel of distribution through which I have taken a policy is wrong?
5. To understand the relationship of Cognitive dissonance and Repeat Purchase. I would like to propose a model. The propose model is based upon my own study and analysis.

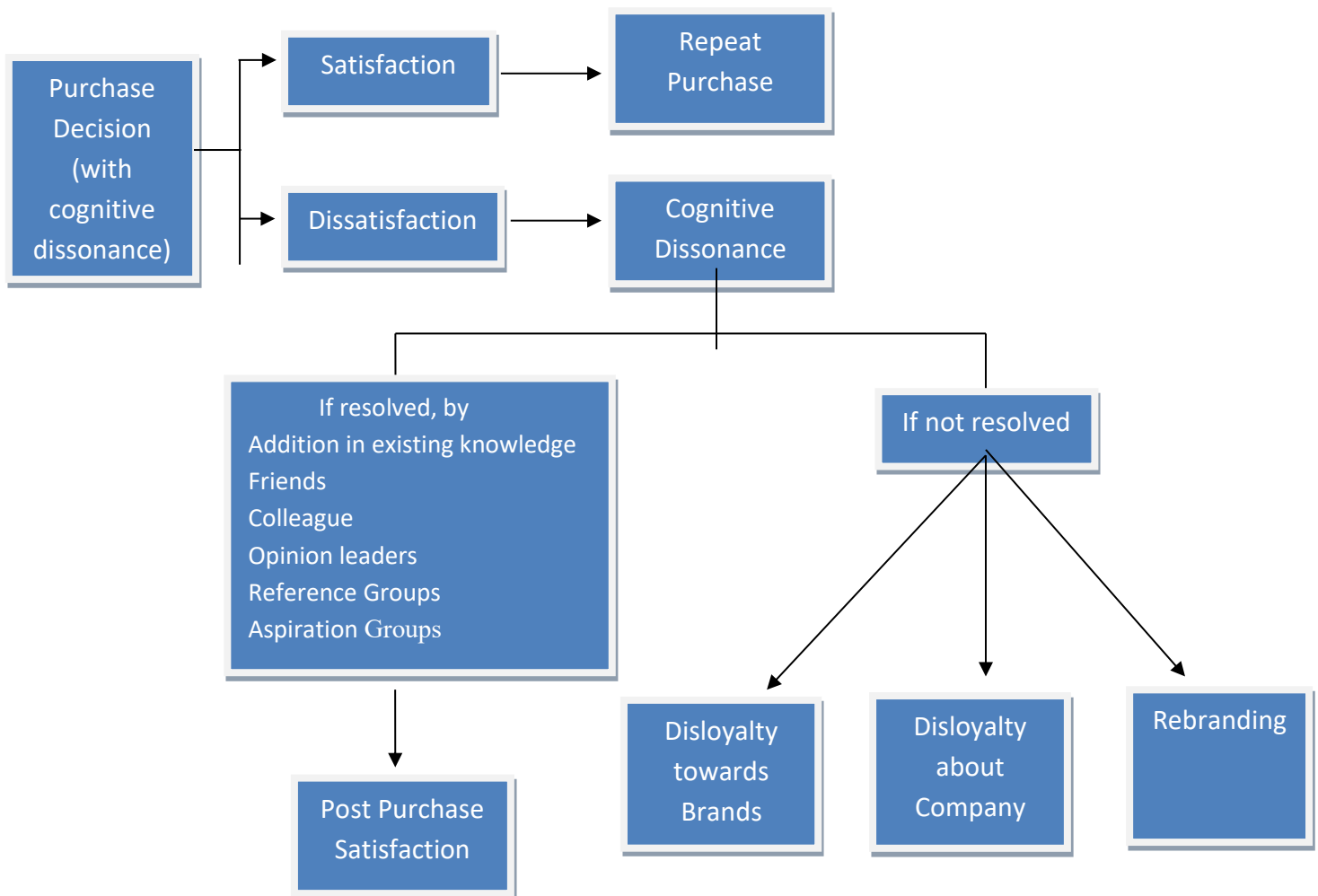




Fig: Cognitive Dissonance and repeat purchase

LIMITATIONS OF THE STUDY

- ❖ This field work study is limited to specific area of Pimpri Chinchwad, Pune only The sample size is limited.
- ❖ Time constrained for the research.
- ❖ The Cognitive dissonance is the confusion of conflict prevailing in the minds of the customer the feelings and the intensity of the situation may differ over the time.
- ❖ Some respondent may overconfident about their purchasing decisions, so they may not ready to accept that, they have done a wrong decision.
- ❖ The questions on Cognitive dissonance are related with the psychology of the person, some respondent may not able to express the same view in a required manner, and so the data may not be completely correct /reliable/insufficient.
- ❖ The observations made by researcher may affected by the perception or previous experience.
- ❖ Personal belief of the researcher may influence on the research.

SUGGESTIONS

1. Confusion (Cognitive Dissonance) is in customers mind so we have to provide solution which gives them satisfaction mentally.
2. To overcome the problem of cognitive dissonance, to avoid it and to resolve it, it has been suggested the psychological study of customer's mind by which we can able to understand the type of cognitive dissonance will create after the final decision has been made.

SCOPE OF FURTHER RESEARCH

The psychological research to understand the factors responsible for creating cognitive dissonance. The psychological research to identify the methods which help customer to minimize their Cognitive Dissonance.

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