

# Consumer attitude for payd insurance commerce essay



**ASSIGN  
BUSTER**

`` Consumers are frequently able to take among assorted monetary value constructions. For illustration, diners can frequently take between all-you-can-eat and a La menu eating house pricing. Similarly, telephone service buyers can take between level rates that allow limitless usage, or rates based on the figure of calls or proceedings used. Consumers sometimes prefer a level rate 's predictability and low unit cost, and other times prefer the affordability that comes from paying harmonizing to how much they use " ( Litman, 2005, p. 35 ) .

Harmonizing to Motor Insurance Bureau ( MIB ) , `` Britain 's roads are among the most engorged and slowest in the universe. We own more than 30 1000000s autos between us and the opportunities are that we will be involved in up to ten motoring accidents during our lives " . It is mandatory to hold at least 3rd party insurance coverage before one efforts to drive. Harmonizing to bb. co. uk ( 2005 ) , cost of motor insurance has doubled in the last 10 old ages despite the fact that, it is already highest among other European states. The cost of one-year motor insurance for teenage drivers is every bit high as it can be about half of the value of a trade name new little size auto.

Motor insurance premium usually depends on driver 's experience, location and type of vehicle in usage. Every twelvemonth, insurance companies review drivers ' record and increase or diminish premium depend on figure of accidents or claims made against the insured. Drivers pay the monetary value for every error or acquire reward as low premium for safe drive. Prior to debut of Pay-As-You-Drive ( PAYD ) insurance policy, there were three different types of insurance policies available. Drivers could take between <https://assignbuster.com/consumer-attitude-for-payd-insurance-commerce-essay/>

3rd party merely, 3rd party fire and larceny and to the full comprehensive insurance harmonizing to their personal demands.

`` With conventional pricing, motorists pay a fixed premium for limitless milage coverage. Current vehicle insurance pricing significantly overcharges automobilists who drive their vehicles less than mean each twelvemonth, and undercharges those who drive more than norm within each monetary value category ( Edlin, 1999 ; Litman, 2001 ) . With current unlimited-mileage pricing, premiums for higher-risk automobilists appear unreasonably high, sing that drive is virtually a necessity for most people. " ( Litman, 2004, p. 10 )

`` Pay-As-You-Drive insurance is comparatively new construct for pricing car insurance premium. Under this construct, an insurance company would let clients to buy insurance on a per-mile footing, instead than fixed annually or semi one-year premium, utilizing verified milage information. The per-mile rate for an insured family would be based on recognized hazard factors, such as drive record, age, gender, location, and vehicle features. Therefore, a driver with the history of accident would pay more per stat mi than a driver with a perfect record, all else being equal. The cardinal difference from current insurance policies is that the cost of coverage would efficaciously associate to how much a vehicle is driven, and turn what is presently a fixed cost for drivers into a variable cost " ( Funderburg et al, 2003, p. 34 ) .

## **1. 1 - Research Hypothesis**

`` Motivation is the drive forces within the persons that impels them to action " ( Schiffman & A ; Kanuk, 2007, p. 83 ) . Schiffman and Kanuk

( 2007 ) besides reference that consumers are non ever cognizant of the ground for their actions. Motivational research efforts to detect implicit in feelings, attitude and emotions refering merchandise services, or trade name usage. It is sensible to presume that consumer ever try to choose alternate that, in their position, function to outdo satisfy their demand. Therefore aims of this research are to uncover implicit in consumer penchants for Pay-As-You-Drive insurance over fixed monthly limitless milage insurance. This research will take to understand consumer wants and needs for PAYD insurance and to set up consumer perceptual experience of its features.

## **1. 2 - Proposed Research Aims**

The aims of this research are to unveil consumer attitude for PAYD insurance comparison to fixed monthly limitless milage insurance. Therefore, the aims are:

1-To discover and gauge the extent, which the client will purchase Pay-As-You-Drive ( PAYD ) insurance

2-To set up how client measure the Pay as You Drive insurance compared to fixed monthly insurance

3-To discovery out the consumer perceptual experience of PAYD insurance

## **Literature Review**

PAYD was foremost proposed in Maryland in the early 1970s ( Wenzel, 1995, p. 6 ) . `` Advocates for PAYD insurance semen from many backgrounds, from citizen groups buttonholing for more just car insurance pricing to conservationists trusting to better air quality through more efficient transit

<https://assignbuster.com/consumer-attitude-for-payd-insurance-commerce-essay/>

pricing. From a resource economic sciences position, PAYD insurance has the possible to significantly better the efficiency of the transit system by directing the right monetary value signal to the consumer. " ( Guensler et al, 2003, p. 32 )

## **2. 1 - PAYD and Consumer Benefits**

`` PAYD insurance offers many consumer benefits. In add-on to salvaging money and giving consumers greater control over their insurance costs, it makes frequently confusing insurance costs easier for consumers to understand. Per-mile pricing makes insurance more low-cost to lower-income drivers since they could take merely to see a given figure of stat mis " ( Funderburg, 2003, p. 36 ) .

`` The policy is pay-as-you-drive ( PAYD ) insurance, which is motivated on the evidences of cut downing milage, peculiarly by bad drivers, and cut downing the figure of uninsured drivers by take downing premiums for low-mileage vehicles. Under PAYD, car insurance companies would exchange from one-year lump-sum premiums to premiums levied on one-year stat mis driven, scaled by a driver 's evaluation factor ( which would change with age, clang record, and part ) . By change overing some of the fixed costs of vehicle ownership into costs that vary with milage, the policy reduces the distance that vehicles are driven and thereby reduces fuel demand. And unlike under higher fuel revenue enhancements, driving costs ( fixed plus variable ) for the mean automobilist do non increase ; therefore political resistance to this policy should be more hushed " ( Parry, 2005, p. 4 ) .

## 2. 2 - PAYD and Environmental Benefits

`` The benefits of PAYD insurance extend beyond consumers ' billfolds. By making an inducement to drive less, PAYD would cut down traffic congestion, air pollution, nursery gas emanations and U. S. dependence on foreign oil. Furthermore, reduced drive would be expected to cut down vehicle clangs, bettering the overall safety of our transit system " ( Funderburg, 2003, p. 36 ) .

`` In add-on to cut downing the norm car insurance premium, PAYD may assist cut down fuel ingestion, CO2 emanations, and vehicle stat mis travelled ( CO2 are straight correlated with fuel usage ) . General consumer response to a per stat mi or per gallon surcharge would be similar. In the short tally, both a per stat mi and per gallon surcharge would supply an inducement for drivers to take fewer trips or utilize different manners of transit. In the long tally, both surcharges would promote drivers to alter the location of their place or workplace ; a per gallon surcharge would give consumer an extra inducement to buy more fuel efficient vehicles. The long tally response for either surcharge would be much stronger than the short tally response. Although, many surveies have analyzed the impact of a fuel revenue enhancement on car purchase and usage, really few have examined the impacts of a PAYD system " ( Wenzel, 1995, p. 34 ) .

## 2.3 - PAYD insurance and its Failings

**Some critics of PAYD have argued that one-year stat mis driven, or its proxy gallons of gasolene consumed, are non good forecasters of the likeliness a driver will be involved in an accident. Several surveies suggest otherwise ; in peculiar, one recent California survey indicates that location, stat mis driven and driving record are the best forecasters of accident frequence and badness. Other critics are concerned that a PAYD system would cut down car safety, by take downing insurance costs for adolescents, and thereby promoting them to drive more ( adolescent are recognized as one of the riskiest categories of drivers ) . This would merely present a job if most of adolescent are non presently driving. However, it is likely that many, if non most, teen are presently driving, perchance either uninsured or on their parents ' policy. A decently designed PAYD system, which would increase the per-gallon cost of driving, may in fact act to deter adolescent drive.**

PAYD may hold a negative economic impact on several categories of drivers, including uninsured, low-income drivers and high-mileage drivers, such as commercial and rural drivers. Rural drivers, who typically have to drive farther to entree in sparsely populated countries, would probably pay more for coverage than urban drivers under a PAYD system. Some rural driver may even pay more for insurance than they do under the PAYD policy " .

( Wenzel, 1995, p. 36 )

## Research Methodology

Methodology is a pattern or a system, which carries out a research procedure. It gives a construct of carry oning research on a peculiar country.

<https://assignbuster.com/consumer-attitude-for-payd-insurance-commerce-essay/>

This subdivision gives an overall position of research methods and why specifically those methods were, chosen every bit good as the advantages and disadvantages related to those methods and the restrictions.

The purpose of this undertaking is to happen out the factors which motivate assorted types of drivers to purchase Pay-As-You-Drive insurance and more specifically, to happen out whether cost and environmental effects has an influence on this determination.

### **3. 1 - Research Plan**

Malhotra & A ; Birks ( 2006 ) sort research designs into exploratory and conclusive types. Conclusive research farther breakdown into descriptive and causal research designs. Both explorative and descriptive attack can be used in this research undertaking as aim of this research is to find who, what, when, where and why client bargain peculiar merchandise.

Therefore, I will utilize explorative research method for personal in-depth interviews with industry experts such as insurance agents. The purpose of explorative research will be to understand consumer purchasing motivations and possible factors for their attitude. This will be followed by descriptive research design where the impact of these motivations will be identified straight from consumer.

`` Descriptive research is characterised by the anterior preparation of specific research inquiries and hypothesis. Therefore, the information needed is clearly defined. As a consequence, descriptive research is pre-planned and structured " . ( Malhotra and Birks, 2006, p. 65 ) Due to limited anterior information on consumer motive for PAYD insurance it is non ideal to <https://assignbuster.com/consumer-attitude-for-payd-insurance-commerce-essay/>



get down with descriptive research method nevertheless one time desired information is gathered, it will be suited to use descriptive research method.

Casual research method is used to acquire an grounds of causality and, to find the nature and strength of variables ' consequence. Casual research is similar to descriptive research and, requires a planed and structured design. At this phase of the research undertaking, cost and driving form has been identified as factors for PAYD insurance trades nevertheless there is demand to research others variables.

There is danger of roll uping great measure of informations but has small thought what to make with it, if I begin with descriptive or insouciant research methods. Without researching farther into this subject, there is possibility of planing hapless questionnaire and non acquiring right or desired information for this undertaking. Webb ( 2002 ) suggests that it is of import to get down with explorative research when research worker has small information about the job. It can be followed by descriptive or insouciant research. For illustration, hypothesis developed via explorative research can be statistically tested utilizing descriptive or insouciant research.

Data aggregation for research will be qualitative every bit good as quantitative. Qualitative research will establish on the secondary informations aggregation. The qualitative research focuses less on the quantifiable steps and analysis, and more on the cardinal factors such as doing determinations. Ideally, qualitative information is used to supply background information of industries and markets in footings of tendencies,

kineticss and construction. Another ground for roll uping qualitative informations is, it helps in construing informations collected by assorted beginnings.

The most extensively used technique in quantitative research is appraising. Surveies can be conducted by personal interviews, station, telephone, facsimile and electronic mail. Furthermore, personal interview can be self administered or individual administrated. For this sort of research, person-administered study method is appropriate because respondent does non necessitate replying confidential inquiries such as personal hygiene. The benefits of utilizing individual administrated method are that it is cost effectual and dependable.

### **3. 2 - Questionnaire Design**

`` A questionnaire is a method of obtaining specific information about a defined job so that after analysis and reading, consequence in a better grasp of the job " Chisnall ( 2000, p. 134 ) .

The of import portion of research procedure is planing a questionnaire which addresses the demands of the research being conducted. `` Questions should be specific ; they should be related to peculiar facet of study and inquire for information in good defined footings " ( Chisnall 2000, p. 137 ) .

Questionnaire can be both self administered and structured interviews. Self administered questionnaire are fundamentally, completed by the respondents. It can be delivered and returned electronically in the signifier of electronic mails, posted online so that the respondents answer the

questionnaire and direct it back. Responses of the structured interviews are <https://assignbuster.com/consumer-attitude-for-payd-insurance-commerce-essay/>

by and large recorded by an interviewer on the footing, of each respondent replies. Personal interviews are a manner to roll up in deepness and comprehensive information. The advantage of personal interviews is that you get instant reply. Postal studies will non be used because response rate is slow. Telephone studies are non suited because it restrict to clip bound and creditability of respondent.

Questionnaire will be designed to bring out consumer attitude toward Pay-As-You-Drive insurance comparison to fixed monthly limitless milage insurance. A five point likert graduated table will be used to find, how consumer measure PAYD insurance and to look into the consumer degree of understanding for PAYD.

### **3. 3 - Datas Collection**

Secondary informations is a information which is collected by the research worker to understand the job. It besides helps to plan scheme and prove the hypothesis. Conversely, primary informations is originated by the research worker for the solution of specific job ( Sekaran, 1998, p. 189 ) . A list of secondary informations is available below ( including list of mentions ) nevertheless it is non exhausted.

### **3. 4 - Restrictions**

Malhotra & A ; Birks ( 2006, p64 ) suggests to utilize explorative unfastened ended questionnaire for placing relevant or outstanding behavior forms, beliefs, sentiments, attitudes and motives. Malhotra & A ; Birks ( 2006, p225 ) besides points out that study method for placing motivational factors can be hard to obtain needed information. This is because respondents may

non be cognizant of their motivations for purchasing specific merchandise, trade name or services.

Despite its restrictions, the study attack is the normally used method for primary research aggregation in marketing research. I personally feel comfy with study method for this research nevertheless if any job occurred, I will be switching to alternate method.