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경영학석사 학위논문

# The Effect of Conspicuousness and Risk Aversion on Consumer Online Behavior

– Evidence from the Auto Insurance  
Market –

과시적 소비성향과 위험 회피가 온라인 소비자  
행동에 미치는 영향: 자동차 보험 시장을  
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신 가 영

# The Effect of Conspicuousness and Risk Aversion on Consumer Online Behavior

– Evidence from the Auto Insurance  
Market –

지도 교수 유 병 준

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위 원 장 \_\_\_\_\_ (인)

부위원장 \_\_\_\_\_ (인)

위 원 \_\_\_\_\_ (인)

# Abstract

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The shift from an offline market, centered on insurance agents, to an online market through price comparison platforms like Zebra, Gabi, and Insurify has led to a significant change in consumer behavior. This shift has made consumers more price-sensitive and has resulted in decreasing conversion rates. Therefore, it has become crucial to understand the factors that influence consumers' behavior on online insurance platforms. To address this issue, this research paper investigates how conspicuous consumption and risk aversion impact customers' behavior in the online auto insurance market. The findings reveal that consumers exhibiting conspicuous consumption tendencies, particularly owners of imported cars, are 1.29 times more likely to make a purchase. Although the impact of accident experiences on the relationship between conspicuousness and conversion rates is statistically insignificant, the intensity and recency of accidents have a major impact on consumer decision-making. A higher number of recent car accidents within a year reduces the likelihood of buying by 17.5%. However, for consumers with prominent conspicuous consumption traits, an increase in one car accident experience within a year amplifies their conversion rate by 1.4 times, presumably due to the availability of renowned services. This study contributes to the fields of management information systems, marketing, and finance, and further exploration of these dynamics might inform insurers' strategies and enhance industry profitability.

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# Chapter 1. Introduction

## 1.1. Study Background

In recent years, the proliferation of technology has resulted in substantial changes in consumer behavior, particularly in terms of price sensitivity and the ease with which consumers may compare prices of goods online (Dinerstein et al., 2018). This has profoundly impacted various industries, including insurance, because customers now have access to insurance comparison platforms such as Zebra, Gabi, and Insurify, as well as the introduction of major online platforms like Amazon into the insurance market (Alex, 2021). PitchBook data from 2020 further illustrate this shift in the insurance industry. In 2020 alone, \$18.3 billion was spent on insurtech startups across venture capital, private equity, and M&A activity. Consequently, traditional offline insurance product distribution channels have been disrupted, and price-driven online competition has become more prevalent.

Insurance has always been regarded as one of the most complex and challenging products to comprehend and sell through offline channels (Li et al., 2017). However, with the advent of online platforms, the dynamics of the insurance market have

experienced a significant shift. These platforms provide customers with comprehensive information, such as policy details, customer reviews, and company data, all at their fingertips. In contrast, offline channels primarily rely on insurance agents to furnish information. Consumers now can easily compare insurance policies, premiums, and coverage options across multiple providers, leading to heightened price sensitivity. This heightened price sensitivity poses challenges for insurers in terms of long-term profitability, as price-driven competition can erode profit margins. Furthermore, the focus on price competition may hinder the development of various and innovative insurance solutions that cater to the demands of different customers.

Considering these challenges, the insurance industry must identify specific customer segments that are less responsive to price-driven competition online and leverage their unique characteristics to enhance industry profitability. Insurers can develop tailored strategies and services that go beyond price considerations by targeting certain consumer groups, enhancing customer satisfaction and loyalty. Understanding the factors that influence customer behavior while purchasing insurance is crucial to accomplishing this goal.

This study focuses on conspicuousness among various consumer characteristics. Conspicuous consumption, first introduced by Veblen (1899), refers to the intentional act of purchasing and using high-priced products and services as a means of publicly displaying one's wealth and social status. Individuals who engage in conspicuous consumption have lower price sensitivity as compared to ordinary consumers, owing to their higher levels of wealth and desire for exclusivity (Goldsmith et al., 2010). These consumers are willing to pay premium prices for products that provide them with a sense of exclusivity and enhance their social position. Conspicuous consumers also actively seek recognition and approval from their peers, making them more receptive to sellers' marketing efforts and offers (Oh, 2021). However, conspicuous consumers may be less price-insensitive only in offline contexts, as in-store experiences enable them to derive social status directly from retail encounters. Online insurance channels might not offer the same level of social recognition and status-enhancing benefits, possibly causing these consumers to exhibit greater price sensitivity when shopping online. Additionally, they may respond differently to perceived potential risks than other customer segments. Despite the role of conspicuous consumption in influencing consumer

behavior, limited research has specifically targeted conspicuous consumers in the online insurance industry.

Thus, this study examines the characteristics of a specific group of consumers in the offline market who are less affected by price-driven competition, focusing on whether their behavior remains consistent online, particularly for those engaging in conspicuous consumption. The primary objective of this research is to explore the effects of conspicuousness and risk aversion on consumer behavior in the online car insurance market. In particular, we investigate the relationships between conspicuous consumption, conversion rates, and risk aversion, and how these factors interplay to influence customers' decision-making processes.

## **1.2. The Purpose of Research**

This study makes theoretical contributions by examining customers' behavior on online insurance platforms, providing insights into the impact of conspicuousness and risk aversion on customer behavior. First, it contributes to the management information systems (MIS) literature by providing insights into customers' online insurance platform behaviors. Second, it

offers valuable insights into marketing theory by exploring the impact of conspicuousness on customer behavior, highlighting the importance of considering customers' preferences for prestigious services. Third, it contributes to the finance literature by investigating how risk aversion influences customers' choices on online insurance platforms.

From a practical standpoint, the findings of this study have significant implications for vehicle insurance officials. They can leverage these findings to improve their marketing strategies and expand their product offers. They can, for example, customize their marketing messages to resonate with foreign car owners by emphasizing the prestigious service offered by the platform. When targeting domestic car owners, they might simultaneously focus on price-consciousness. Furthermore, officials might consider diversifying their products based on customers' recent accident experiences and car ownership status, allowing them to provide tailored insurance solutions that fit the specific needs and preferences of their target customer segments.

This paper is organized as follows. Section 2 provides a comprehensive review of existing research, specifically focusing on the topics of conspicuous consumers related to purchasing foreign products and the potential outputs (i.e., search-to-

purchase conversion). Section 3 outlines the research hypotheses that will lead the investigation, building on the literature review. Section 4 then elaborates on the research data set and the variables used in the study, as well as the research methodology. Section 5 presents the relevant results of the study. The final section discusses the findings and their implications, followed by the study's conclusions.

## Chapter 2. Literature Review

### 2.1. Veblen Effect and Conspicuous Consumers

"Veblen effects" arise when consumers choose to pay a higher price for functionally equivalent goods (Veblen, 1899). Veblen (1899) posits that conspicuous consumers purchase high-priced products not only for their functional benefits but also for the social status and exclusivity they provide. This behavior stems from the desire to gain and maintain the esteem of others, since esteem is granted based on visible evidence of wealth. In essence, these consumers use their purchases to display their affluence and set themselves apart from others (Goldsmith et al., 2010).

With the steady rise of social networking platforms, their behavior has been documented across cultures and demographics. Accordingly, conspicuous consumption has long been a topic of interest in marketing and MIS research. Research on conspicuous consumers has examined various aspects of this phenomenon, including its underlying motivations, antecedents, and consequences.

First, conspicuous consumption has been studied in terms of its underlying motivations and antecedents. Researchers have found

that conspicuous consumers are often motivated by a desire for social status, prestige, and self-enhancement (Shukla, 2008). They use their consumption choices to express their identity and signal their social position to others (O' cass & Frost, 2002). In this vein, one study examined the impact of social media on conspicuous consumption and found that social media use is positively related to consumers' intention to engage in conspicuous consumption (Thoumrungroje, 2014; Wai & Osman, 2019). Another study investigated the impact of online raffle marketing on consumers' conspicuous consumption behavior and found that when consumers are faced with advertising that emphasizes scarcity associated with the product, they are more likely to engage in conspicuous consumption (Lee et al., 2022). Furthermore, higher numbers of online reviews are associated with increased mobile users' purchase decisions for luxury consumption (Ma et al., 2021).

Second, just a handful of researchers have examined the consequences of conspicuous consumption, which is more closely related to our study. Conspicuous consumption can result in status and recognition from others (Hudders et al., 2014). In the digital realm, sharing conspicuous consumption on social media increases purchase intention (Efendioğlu, 2019). It can,

however, result in negative outcomes, such as debt and financial inequality (Banuri & Nguyen, 2023).

In this literature, we discovered a significant research gap. Although conspicuous consumption studies have mainly focused on the underlying motivations and antecedents, there has been relatively little research on the consequences of conspicuous consumption. In particular, there has not been much exploration of how conspicuous consumers behave when purchasing nonluxury necessities in online markets, such as auto insurance. Extant studies mainly focus on luxury goods such as clothing (Segal & Podoshen, 2013), fashion accessories (Souiden et al., 2011), and wine (O' Regan et al., 2019). However, unlike luxury goods, auto insurance is a necessity and an experience good that is relatively less affected by brand image or loyalty, necessitating a different approach (Andrey et al., 2020).

## **2.2. Online Insurance**

Insurtechs, or technology-driven insurance innovation, have experienced rapid growth and skyrocketing valuations. The global insurtech market size was estimated at USD 5.45 billion in 2022 and is predicted to increase at a compound annual growth

rate (CAGR) of 52.7% from 2023 to 2030 (Grand View Research, 2023). Recently, novel online platforms that allow users to obtain and compare estimates for multiple insurance policies at the same time have developed, garnering considerable interest. Figure 1 shows an insurance quote comparison screen from Zebra, one of the online insurance platforms (The Zebra, 2023). By providing a straightforward and convenient way for customers to compare policies and prices, online insurance platforms can attract and retain customers, adding to the insurance industry's overall performance. For example, The Zebra, an insurance comparison website based in the United States, doubled its net revenue in 2020 to \$79 million from \$37 million in 2019 and has raised \$150 million in 2021 (Azevedo, 2021).

Although the vast majority of insurance searches are conducted through digital media, conversion rates from search-to-purchase remain low (Hu & Tracogna, 2020). The low conversion rate can be attributed to several factors. First, due to the inherent complexity of insurance, it shows low search-to-purchase conversion rates (Hu & Tracogna, 2020). Customers prefer to obtain insurance, through personal channels, although most of the searches are conducted online. Insurance has

traditionally been sold through offline channels such as agents or brokers. This makes insurance an industry that struggles with digital transformation, despite advances in information technology (IT) and consumers' preference for online consumption. The abundance of insurance options available to customers may lead to analysis paralysis, causing customers to delay their decision-making process or break away (Hu & Tracogna, 2020). Second, the emergence of insurance comparison platforms such as Zebra, Gabi, and Insurify has enabled customers to easily access information through their mobile devices or computers, eliminating the need for direct interactions. These online price comparison platforms have fostered a culture of price sensitivity among customers, resulting in a drop in conversion rates. This trend can have adverse consequences for the insurance sector by reducing profitability and limiting product diversity. Hence, it becomes crucial for the online insurance market to identify consumer segments that exhibit lower price sensitivity, particularly in terms of conversion rates, to sustain market growth and effectiveness. Therefore, it is appropriate to examine how to increase the conversion rate of online insurance policies by investigating the impact of conspicuousness.

This study focuses on the conversion rate of auto insurance policies for numerous reasons. First, it is a legal requirement in Korea for car owners to carry auto insurance, and vehicles without insurance are not permitted to be driven on public roads under the Guarantee of Automobile Accident Compensation Act (Korean Law Information Center, 2023). Violators are subject to a penalty of imprisonment for up to 1 year or a fine of up to 10 million won. This trait is essential to investigate the effect of conspicuousness on the conversion rate of auto insurance policies. This is because it helps us understand the mechanisms behind platform churn by removing the causes of abandonment, such as lack of need or inability to pay. Specifically, we can presume that if a customer did not contract on a specific insurance platform, it signifies that this customer did not discontinue contracting auto insurance for other reasons but instead entirely switched to alternatives.

Second, customers are relatively knowledgeable about auto insurance, allowing for the analysis of the effect of conspicuousness. Customers are less prone to suffer from analysis paralysis because of the recurring nature of policy renewals and low switching costs as compared to other insurance. Furthermore, because the auto insurance structure is relatively

simple, the number of auto insurance products available in the market is substantially lower than that of the other insurance types, such as life insurance or personal accident insurance. For instance, in Korea, only in the first quarter of 2001 had life insurance companies developed 252 products (Korea Insurance Development Institute, 2001), whereas the cumulative number of auto insurance products in the first quarter of 2023 was only 120 (General Insurance Association of Korea, 2023).

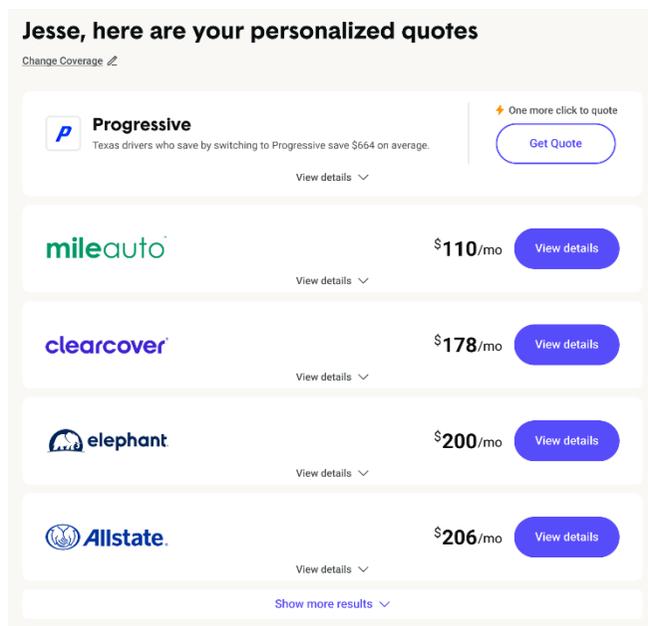


Figure 1. Zebra's Insurance Comparison

# Chapter 3. Hypothesis Development

## 3.1. Conspicuousness and Conversion Rate

Conspicuous consumption is defined as the act of purchasing and using high-priced products and services to demonstrate one's wealth and social status (Veblen, 1899). Previous research has found that because of their higher wealth levels and demand for uniqueness, conspicuous consumers have lower price sensitivity than ordinary consumers (Goldsmith et al., 2010). Although conspicuous consumption is a complex phenomenon driven by a range of social and psychological factors, the desire to show off one's ability to pay for expensive and prestigious products drives the behavior (Mason, 1980). It is a type of consumption that is motivated by social factors rather than economic or practical factors. When this behavior is purely based on the wish to display purchasing power, the practical utility of the product being purchased is not a concern. Rather than the actual usefulness of the product or service, the buyer derives satisfaction from the reaction of others to the display of wealth. Namely, they are probably more receptive to offers from sellers as they seek the need for approval from their peers (Oh, 2021). However, it's uncertain if these consumers would be less

price-sensitive in online insurance markets, as they cannot directly observe the reactions of others on such platforms. Nevertheless, considering the materialistic nature and desire for self-worth of conspicuous consumers, they are likely more receptive to offers from sellers, which applies to online insurance markets as well (Podoshen & Andrzejewski, 2012). Based on these arguments, the following hypothesis is proposed:

**H1: Conspicuous consumers have a higher purchase conversion rate compared to those who are not conspicuous.**

### **3.2. Risk Aversion**

Accidents, on the other hand, might have a considerable impact on customers' behavior in the insurance market. People who have experienced car accidents may become more risk-averse because of the traumatic experience. This could be due to the physical and psychological trauma that can result from a car accident, which may cause people to become more risk-averse and avoid situations that could lead to further harm or trauma. Moreover, car accidents can lead to financial costs for people, such as medical bills, car repairs, or legal fees, which can

cause them to become more cautious and risk-averse in their financial and investment decisions. People may start to prioritize safety and stability over potential gains and, as a result, become more risk-averse in their investments. Additionally, customers can evaluate the quality of service after an accident because insurance is an experiential product. Past car accident experiences may have an overall negative impact on the purchase conversion of insurance products. For instance, Israel (2005) argues that customers who have experienced accidents tend to be more selective in their choices of insurance companies because they have already experienced the service and may be dissatisfied with it.

Additionally, online insurance search cost is low, making it easier for customers to switch their insurance provider or agent when they are displeased with it (Honka, 2012). In other words, customers who have had an accident may churn more after receiving a quote from a provider than those who have not. This tendency can be more potent for international automobile owners because foreign cars are more expensive, and customer losses will be more significant than for domestic car owners. However, international automobile owners with car accident experiences may address the higher conversion rate if they are satisfied with

prestigious services, such as an accident claim service that assists customers in negotiating with insurance companies after an accident.

Furthermore, the recency of the accident experience may have a greater influence on customers' behavior than the long-term impact of accidents. Recent incidents of accidents may be more memorable and salient, encouraging customers to be averse to insurance and to compare insurance service providers thoroughly. Therefore, it is hypothesized as follows:

**H2: Customers who have experienced a car accident exhibit a lower purchase conversion rate compared to those who have not been in an accident.**

**H3: Conspicuous consumers with more accident experience have a higher purchase conversion rate than those without as many accidents.**

# Chapter 4. Methodology

## 4.1. The Research Context

A general agent (GA) is a third-party intermediary that operates as an independent contractor on behalf of one or more insurance companies (Investopedia, 2023). The primary role of a GA is to market and distribute insurance products to select customers directly or insurance brokers, who then sell these policies to clients seeking insurance coverage. GAs may specialize in a specific segment of the insurance industry, such as life or property and casualty insurance, or may offer policies from various insurance companies. Aside from selling policies, many GAs provide a variety of additional services to individual brokers or customers, including taking online applications, tracking cases, offering instant policy quotations, and resolving underwriting-requirement queries.

To investigate the impact of conspicuousness on conversion rates in online auto insurance markets, we collaborated with one of the established online GAs in Korea. As of 2021, GA has attracted more than 25,000 insured people to car insurance. The GA under investigation has established an online platform that lists its insurance policies and enables customers to compare

quotes from various insurance companies effortlessly. Customers can enter their personal information on the website to receive quotes for insurance policies. After reviewing the quotes, customers can decide whether to contract with the GA and pay the premium associated with the policy. Notably, unlike typical online platforms that exclusively offer online-only insurance products, the focal GA distinguishes itself by Inbound-focused and providing offline-only insurance products with a variety of supplementary services including an accident claim service.

## 4.2. Data

We obtained 12,034 customers who requested quote data from the GA with the complete history of their quotes for a year from January 2020 to December 2020. Customers who access the platform but do not request a quote are excluded because they did not enter any personal information. The data set comprises information such as the customer's name, date of birth, car model, gender, car value, and records of any accidents within the past 1 or 3 years, as well as whether insured in this platform. We identified 390 missing data in the car model, which

is directly related to an independent variable, *Car Type* (i.e., whether a car is imported), and excluded them from the analysis. We also conducted a Cook's distance analysis to detect influential outliers, which are those with values greater than 0.5 or less than  $-0.5$  that could significantly impact the logistic regression solution (Cook, 2000). The analysis identified six influential outliers, which were subsequently removed from the data set. This resulted in a final data set consisting of 11,638 observations.

### 4.3. Variables

#### Dependent variable

We define our dependent variable, *Contract*, as a binary value, indicating whether a user purchased auto insurance after submitting their personal information and receiving a quote in the insurance comparison platform. A value of 1 indicates that the customer accepted the quote and purchased the insurance, while a value of 0 indicates that they did not. This variable captures the customer's decision-making and purchase behavior. It is important to note that this variable does not account for customers who do not enter their personal information and churn

from the platform before receiving a quote.

Improving the conversion rate, or the percentage of users who purchase insurance after receiving a quote, is crucial to increasing profitability and revenue. A high conversion rate suggests that the company is able to generate higher sales with the same number of customers. Therefore, our focus is on improving the conversion rate.

### **Independent variable**

In this study, we measure the independent variable conspicuous consumption with whether a consumer has a foreign-made imported car. Consumers who engage in conspicuous consumption often exhibit their wealth through the purchase of imported products, particularly if foreign-made products are perceived as status symbols that enable them to differentiate themselves from others in society. This is because such products are frequently connected with a higher level of quality, image, and prestige (Ger & Belk, 1999; Wang & Chen, 2004). Given its high cost and unavailability in the Korean market, an imported car is typically considered a symbol of wealth among the numerous foreign-made products (The New York Times, 2007). According to an annual automobile planning survey by

Consumer Insight (2020), the average purchase price of imported cars in 2020 was 68.28 million won, which is about twice the domestic car's 33.79 million won in Korea. This trend has remained consistent since 2013, with the price difference between imported and domestic cars remaining approximately double for 8 consecutive years. As reported by the Korea Association of Imported Automobiles (KAIDA), the market share of imported cars was a mere 0.08% in 1988, when the import market was first opening up, and it surpassed 10% for the first time in 2012. In the online insurance industry, thus, examining the relationship between car ownership and conspicuous consumption is critical because it helps in understanding the underlying motivations behind purchase decisions.

### **Moderator**

Three critical moderators were included in the study to investigate the possible moderating influence of consumers' car accident experiences. The first moderator, referred to as *Experienced in Car Accidents*, was operationalized as a binary variable indicating whether a customer had encountered any car accidents within the preceding 3 years. To capture this, a value of 0 was assigned if a customer had not experienced any car

accidents, while a value of 1 was assigned if they had encountered one or more car accidents during the specified time frame. The second moderator focused on the frequency of car accidents, which was quantified by tallying the total number of car accidents within the past 3 years. This measure would provide insights into the overall occurrence of car accidents experienced by each customer. Furthermore, to consider the recency of car accidents, another measure was used, specifically capturing the number of car accidents that occurred within the previous year. This feature allows for a more in-depth understanding of the temporal proximity of car accidents encountered by customers. We hoped to thoroughly investigate the potential moderating influence of customers' car accident experiences on the relationships under investigation by integrating these three distinct moderators into the analysis.

### **Control variables**

We took into account four variables: *Customers' Gender*, *Age*, *Car Value*, and *Effective Date*. Conspicuous consumption research has also explored the relationship between consumers' gender and their tendency to engage in conspicuous consumption behavior. Several studies have suggested that there are gender

differences in conspicuous consumption behaviors (Bloch, 1981; Roux et al., 2017). For example, one study found that males were more likely to engage in conspicuous consumption behavior for utilitarian products like cars, whereas females were more likely to engage in such behavior for hedonic products such as jewelry and fashion items (Bloch, 1981). Similarly, another study found that males were more likely to engage in conspicuous consumption to signal one's status or to differentiate others, whereas females were more likely to engage in such behavior to make good impressions (Roux et al., 2017). As a result, we added *Gender* as a control variable in the context of our insurance contract because consumer behavior may differ based on gender. However, interestingly, some studies have stated that gender differences in conspicuous consumption behavior are decreasing over time because of changing social norms and attitudes toward gender roles, although females' conspicuous consumption is still higher than males' (Bain and Company, 2012). For example, there has been a growth in men's personal consumption of luxury goods, which has increased by 14%, surpassing the growth in women's consumption, which has increased by 8%. Furthermore, previous studies indicate that middle-aged consumers tend to exhibit a strong interest in hedonic

consumption, which is often associated with a youthful self-concept and identity (Goulding & Shankar, 2004). We also controlled for age by calculating the difference between the consumers' year of birth and the current year.

We also included *Car Value* as a control variable, which is based on the current monetary value in Korea, taking into account the vehicle's new vehicle launch price, release year, and engine displacement (Korea Insurance Development Institute, 2023). Although *Car Value* does not directly assess conspicuous consumption, it is essential to examine it as a control variable because it can influence the vehicle's perceived value. For example, if a consumer purchases a high-end imported vehicle but has used it for an extended period, its value may be comparable to that of a newly purchased domestic general vehicle. Therefore, *Car Value* might influence consumers' perceived value and their willingness to buy insurance. Because it has a larger scale than the other variables, the log transformation is used to transform car value.

To account for potential confounding factors, the *effective date* was included as a control variable in the analysis. The *effective date* provides information on the timing of car purchase, which may be seasonal and have an impact on insurance subscription.

We calculated the *effective date* by subtracting the date of enrollment from December 31, 2020, to get the number of days since enrollment at the end of 2020. Table 1 provides a summary of the definitions and descriptions for these variables.

Table 1. Variable Description

Variables	Description	Type
<b>Outcome Variable</b>		
Contract	Whether to purchase insurance on this platform (1: Yes, 0: No)	Binary
<b>Explanatory Variable</b>		
Car Type	Whether a car is imported (1: Yes, 0: No)	Binary
<b>Moderator</b>		
Accident	Whether have any accident within 3 years (1: Yes, 0: No)	Binary
Accident_1yr	The number of accidents within the past 1 year	Discrete
Accident_3yr	The number of accidents within the past 3 years	Discrete

## 4.4. Descriptive Analysis

The data set analysis identified many general characteristics for Categorical Variables, which are presented in Table 2, related to the variables under investigation. First, when examining the car types of the customers, it was found that the majority, accounting for 86% of the customers, owned domestic cars. This proportion was six times that of customers who owned foreign cars. In terms of conversion rates based on simple comparisons, there was no substantial variation in conversion rate based on car type.

Furthermore, the data indicated that most auto insurance customers were male (65%). However, interestingly, the conversion rate for female customers was notably higher at 92% compared to 75% for male customers. This disparity implies that gender may influence the decision-making process for purchasing car insurance. When analyzing the data based on customer segmentation, it was found that corporations represented the smallest gender category. Additionally, it appeared that corporations exhibited a higher level of selectiveness, as 52% of them did not proceed with purchasing a car insurance policy even after receiving a quote. This finding

suggests that corporations may have specific criteria or considerations when evaluating insurance options.

Finally, the study considered the impact of car accidents on the conversion rate. Customers who had been in an accident had a conversion rate of 77%, which was 4 percentage points higher than the conversion rate of 73% for customers who had no accident history. This implies that car accident experiences may slightly influence customers' decision to convert to an auto insurance policy.

Table 3 also presents the key summary statistics that characterize the distribution and properties of these variables. The *Car Value* variable exhibited a wide range, ranging from 100,000 won to 223.1 million won. The distribution of *Car Values* is highly skewed, as indicated by a mean of 1,311.10 and a standard deviation of 1,537.93. The skewed distribution implies that there are a few exceptionally high car values, contributing to the higher mean value. The *age* variable ranged from 21 years to 112 years, with a mean of 52.84 years. This reveals that the data set covers a wide age range, and the average age of 52.84 years indicates a relatively mature sample. *Effective date* is 97.09 days on average, that is, the average car insurance policy date is September 24, 2020. The average number of *Accidents*

*in the Past Year* was 0.13, whereas the average number of *Accidents in the Past 3 years* was 0.38. Both variables exhibit a positively skewed distribution, with the median values skewed toward zero. This shows that the majority of individuals in the data set have not experienced any accidents during the specified time periods, with a smaller proportion having encountered one or more accidents.

Table 2. General characteristics

Categorical Variables	Categories	Contact				Total		$\chi^2$	<i>p</i>
		Yes	%	No	%		%		
Car Value	Y	1,223	74	420	26	1,643	14	0.177	(0.673)
	N	7,382	74	2,613	26	9,995	86		
Gender	Male	5,686	75	1,872	25	7,558	65	116.54	(<0.001)
	Female	2,030	92	181	8	2,211	19		
	Corporation	889	48	976	52	1,865	16		
	n/a	–	0	4	100	4	0		
Accident	Y	2,423	77	725	23	3,148	27	20.462	(<0.001)
	N	6,182	73	2,308	27	8,490	73		

**Table 3. Descriptive Statistics**

<b>Continuous Variables</b>	<b><i>N</i></b>	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>	<b>Median</b>
Log (Car Value)	11,638	6.66	1.07	2.3	10.01	6.71
Car Value	11,638	1,311.10	1,537.93	10	22,310	822.5
Age	10,564	52.84	11.64	21	112	52
Effective Date	11,638	97.09	79.45	0	365	76
Accident_1yr	11,638	0.13	0.4	0	5	0
Accident_3yr	11,638	0.38	0.73	0	8	0

## **4.5. Logistic Regression**

To investigate the impact of conspicuousness, we used logistic regression, which models the probability of an event occurring by using the log odds of the event as a linear combination of one or more independent variables. Table 4 displays the findings of the logistic regression analysis. The multicollinearity analysis revealed no significant correlation between the independent variables because all variables had a variance inflation factor (VIF) of less than 2. In this research paper, the dependent variable analyzed in each model is the decision of individuals to purchase auto insurance on this

platform. Model 1 investigates the relationship between owning a foreign car and the likelihood of purchasing auto insurance. Model 2 explores the moderating effect of car accidents on the decision to purchase auto insurance in addition to Model 1. Additionally, Model 3 takes into account the moderator of the intensity of automobile accident experience over the last 1 years, whereas Model 4 takes into account the moderator of the intensity of automobile accident experience within the last 3 year.

Table 4. Conditional Logit Estimates

Variables	Categories	Baseline	Integration		
		Model 1	Model 2	Model 3	Model 4
(Intercept)		4.276 *** (>0.001)	4.259 *** (>0.001)	4.284 *** (>0.001)	4.277 *** (>0.001)
Car Type		0.254 ** (0.00185)	0.235 * (0.012)	0.209 * (0.014)	0.209 * (0.0204)
Log (Car Value)		-0.234 *** (>0.001)	-0.233 *** (>0.001)	-0.234 *** (>0.001)	-0.234 *** (>0.001)
Gender	Female	-0.318 *** (>.001)	-0.32 *** (>.001)	-0.317 *** (>.001)	-0.32 *** (>.001)
Age		0.006 * (0.013)	0.005 * (0.017)	0.006 ** (0.009)	0.006 * (0.0121)
Date		-0.017 *** (>0.001)	-0.017 *** (>0.001)	-0.017 *** (>0.001)	-0.017 *** (>0.001)
Accident			0.071 (0.268)		
Car type * Accident			0.076 (0.673)		
Accident_1yr				-0.192 ** (0.005)	
Car type * Accident_1yr				0.335 (0.088)	
Accident_3yr					-0.022 (0.5757)
Car type * Accident_3yr					0.132 (0.2553)
Pseudo $R^2$		0.303	0.306	0.308	0.306
$N$		11,638	11,638	11,638	11,638

Note: Dependent variable = Contract (Whether to purchase insurance on this platform); \*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001; Robust standard errors in parentheses.

## Chapter 5. Results

In Model 1, consumers with conspicuous consumption, such as those owning imported cars, were 1.29 times more likely to purchase than those who did not, supporting Hypothesis 1. The data showed that women have a 27% lower conversion rate than men under the same conditions. *Car Value* also has a significant and negative impact on the conversion rate. A 1% increase in car value decreases the conversion rate by 21%. On the other hand, the analysis indicates that for every year of age, the conversion rate increases by 1.01 times. Model 2, which calculates the interaction effect of car type and car accident experience, exhibits the same trend as Model 1. However, accident experience was found to have a negligible positive effect on the connection between conspicuousness and conversion rate, resulting in the rejection of Hypothesis 2. On the other hand, in Model 3, the intensity of recent car accident experiences was found to have a significant and unfavorable effect on the conversion rate. The probability of purchase decreased by 17.5% once they were involved in another car accident within a year. However, interestingly, this relationship is not applied to

consumers with conspicuous consumption, specifically those who own imported cars. Instead, one car accident within a year increases the conversion rate of conspicuous consumers by 1.4 times. These findings support Hypothesis 3.

We used McFadden's R-squared to assess the fit of our logistic regression models to the data, relative to a null model that includes only an intercept term. While McFadden's R-squared is lower than traditional R-squared measures used in linear regression models, it provides important insights on the fit of our models (Allison, 2013). Our first model examines the relationship between owning a foreign car and the likelihood of purchasing auto insurance, and has the lowest McFadden's R-squared of 0.303. However, Model 2, which includes the moderating effect of car accidents, and Model 4, which includes the moderator of the intensity of automobile accident experience within the last 3 years, show higher McFadden's R-squared values than Model 1. This indicates that these models are better able to explain the likelihood of purchasing auto insurance than Model 1. Furthermore, Model 3 records the highest McFadden's R-squared of 0.308, indicating that the intensity and recency of the accident experience provide the best explanation for the

likelihood of purchasing auto insurance.

Lastly, the Hosmer–Lemeshow test was also used to evaluate the model' s goodness of fit. The test yielded  $p$  values smaller than 0.05, indicating that the models poorly fit the data. However, it is worth noting that the Hosmer–Lemeshow test has low power for large sample sizes ( $n > 1,000$ ), and it tends to detect even little variations between observed and expected values within each group as statistically significant (Paul et al., 2013).

# Chapter 6. Discussion and Conclusion

## 6.1. Discussion

In this study, we found that age, gender, and car value had the most significant impact on the conversion rate of online auto insurance, confirming previous research findings. The analysis indicated that the conversion rate increased with each additional year of age. Additionally, women had a lower conversion rate compared to men under the same conditions. This suggests that younger women may have a lower conversion rate due to factors such as financial constraints. Car Value also demonstrated a significant and negative effect on the conversion rate.

Our results indicate that consumers with conspicuous consumption traits, such as owning imported cars, were more likely to purchase auto insurance than those without such traits. However, the research showed that accident experience had a negligible positive impact on the relationship between conspicuousness and conversion rate. This suggests that experiencing an accident alone does not significantly influence the decision to purchase online auto insurance among

conspicuous consumers.

On the other hand, we found that the intensity of recent car accident experiences had an unfavorable effect on the conversion rate. This implies that consumers who have had more recent accidents may be more selective when it comes to buying auto insurance online.

Interestingly, this trend did not apply to conspicuous consumers. Our findings reveal that those with conspicuous consumption traits and more recent accident experiences are more likely to purchase auto insurance online, suggesting a higher conversion rate. A possible explanation for this behavior could be the focused GA's accident claim service, which helps customers negotiate with insurance companies following an accident. Conspicuous consumers may appreciate this service as they often value social status and exclusivity. These results emphasize that the intensity and recency of car accident experiences play a crucial role in the decision-making process of obtaining online auto insurance.

## **6.2. Theoretical and Practical Contributions**

This study presents several theoretical implications.

First, it makes a significant contribution to the MIS field by examining the customer behavior on online insurance platforms. Online interactions differ from offline interactions, as there are fewer nonverbal cues and greater anonymity (Lieberman & Schroeder, 2020). Consequently, customers display varying behaviors in online and offline settings. Despite this, there has been limited focus on understanding consumer behavior within the online insurance realm. The findings of this study offer valuable insights into how conspicuous customers engage with online insurance platforms, enhancing our comprehension of customer behavior in the digital landscape. Second, this research contributes to marketing theory by investigating the role of conspicuousness in influencing customer behavior. This study expands the existing knowledge on psychological and behavioral mechanisms driving consumer choices by examining the impact of conspicuousness on customers' decisions to purchase auto insurance. Third, this study examines the relationship between risk aversion, as measured by the number of accidents, and customers' choices on online insurance platforms from a financial perspective. This research contributes to the finance literature by investigating how consumers' perceived risk, based on their

prior experiences, influences their decision-making processes. Additionally, it provides insights into the factors that shape customers' preferences for different insurance products. The findings of this study can be utilized to develop tailored financial offerings and pricing strategies that align with customers' risk aversion levels to better serve their needs and preferences.

The findings of this study also have practical implications for auto insurance officials. First, by identifying the characteristics of customers who are less price-sensitive on online platforms, this study positively impacts revenue growth in the insurance industry. The findings suggest that marketers should tailor their messages for imported car owners, highlighting the prestigious services offered by their platforms. Conspicuous customers compel the insurance industry to compete online based on differentiation, not just price. As these customers are more inclined to purchase online insurance even at a premium, a targeted approach can effectively resonate with this segment's preferences and aspirations. Second, by understanding the factors that influence customers' decision-making processes, officials can improve their marketing strategies and enhance customer engagement. For example, officials can focus on price-

consciousness when targeting domestic car owners. By emphasizing the affordability and cost-effectiveness of their insurance products, officials can address the demands and preferences of this customer segment. This strategy assures that marketing messages resonate with domestic car owners who value pricing concerns in their purchasing decisions. Third, the findings reveal that officials can diversify their insurance products based on customers' accident experience over the past year and their car ownership. Officials can provide more tailored and relevant insurance solutions by offering customized insurance packages that cater to the specific needs and risk profiles of customers who have had several recent accidents or own different types of cars. By addressing their specific needs, this diversification can increase consumer satisfaction and attract a larger client base. Overall, the practical implications derived from this study can help auto insurance authorities refine their marketing strategies, establish focused product offerings, and improve customer satisfaction, ultimately leading to higher customer involvement and business success.

### 6.3. Limitations and Future Directions

This study has successfully shed light on several aspects of the topic at hand, but it also leaves room for more investigation and unanswered concerns. First, while this study focused on whether or not the car was imported, future research can consider exploring the influence of other car types, such as model or displacement, and their specific features on customers' choices on online insurance platforms. Furthermore, this study focused primarily on auto insurance products. Future studies should broaden its scope to include additional complicated insurance products, such as life insurance or health insurance, to provide a more comprehensive understanding of customer behavior in the insurance industry. Investigating how different car characteristics or insurance types influence customer behavior can provide a more comprehensive understanding of the factors that drive insurance purchasing decisions.

Second, it is essential to note that this study used cross-sectional data, which poses potential endogeneity issues. For this limitation and to gain a deeper understanding of the causal relationships between conspicuous customer behavior and online conversion rates, future research should consider using

longitudinal data. Longitudinal studies can capture changes over time and enable researchers to investigate how conspicuous behavior influences conversion rates and vice versa.

Third, because this study relied solely on observational transaction data from a specific GA, it is necessary to address the possibility of self-selection bias. This study focused on a GA that specializes in offline-only insurance products and distinguishes itself from other online GA platforms that predominantly sell online-only products by offering prestigious supplementary services. Future research should consider using randomized controlled experiments to mitigate bias and establish a more robust causal relationship between conspicuous customer behavior and online conversion rates.

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# Abstract

최근 보험 설계사 중심의 오프라인 시장에서 가격 비교 플랫폼을 통한 온라인 시장으로의 전환은 소비자 행동에 큰 변화를 가져왔다. 소비자들은 가격에 더욱 민감하게 반응하며, 전환율은 감소했다. 이에 따라 온라인 보험 플랫폼에서 소비자의 행동에 영향을 미치는 요인을 이해하는 것이 중요해졌다. 본 연구는 과시 소비와 위험 회피 성향이 온라인 자동차보험 시장에서 고객의 행동에 어떤 영향을 미치는지 조사했다. 연구 결과, 과시적 소비성향을 가진 소비자들은 온라인 보험의 구매 전환율이 1.29배 더 높았다. 또한, 사고 경험 여부는 과시적 소비 성향과 구매 전환율 간의 관계에는 통계적으로 유의한 영향을 주지는 않았지만, 최신 사고의 강도는 소비자의 의사 결정에 큰 영향을 미쳤다. 즉, 최근 1년 이내에 발생한 자동차 사고가 1건 증가할수록 구매 전환율이 17.5% 감소하는 것으로 나타났다. 하지만, 과시적 소비성향을 가진 소비자들의 경우, 1년 이내에 자동차 사고 경험이 1건 증가하면 구매 전환율이 1.4배 증가하는데, 이는 프리미엄 서비스 제공의 영향으로 보인다. 이러한 결과는 Management Information System, 마케팅 및 재무 분야 연구에 적용 가능할 뿐만 아니라, 보험사의 마케팅 전략을 수립하고 업계의 수익성을 향상시키는 데 도움이 될 수 있다.