Exploring antecedents of consumer behaviour within the South African life insurance industry

LJ Kruger
orcid.org/0000-0003-0980-9239

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Supervisor: Dr AA le Roux
Co-supervisor: Prof RA Lotriet

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Student number: 28204239
 Firstly I would like to thank our Heavenly Father for giving me wisdom, courage, health and an opportunity to study.

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ABSTRACT

An antecedent is something that happens prior to an action or is the origin of an action. The main objective of this study was to explore the antecedents that determine consumer behaviour in the South African life insurance industry. By exploring these antecedents, life insurance companies can get a better understanding as to why consumers behave in the manner they do. The research was conducted from an external social and cultural influence point of view.

The first chapter begins with an introduction which explained the problem statement and purpose of the study. This is followed by a literature review which gives an industry overview, an investigation of consumer behaviour, loyalty and trust in the industry, word of mouth, attitude and post-purchase behaviour.

A qualitative approach was used and 14 people were interviewed by means of a semi-structured interviewed. The data was recorded, field notes were made and the recordings were transcribed. The data was analysed on Atlas.ti by using codes and code groups.

Finally conclusions and findings were made. The primary and secondary objectives were assessed, and all of them were deemed to have been achieved. The factors that drive consumer behaviour in the South African life insurance industry were explored. It was assessed that the financial intermediary does play a role in the behaviour a consumer has towards the life insurance industry. Parents do influence the stance of consumers towards the South African life insurance, as does the opinion of someone in the circle of influence of the consumer. Lastly it was established that what happened to other people in terms of life insurance plays a critical role in the way consumers behave towards the life insurance industry in South Africa. Research suggestions for further studies are provided at the end of chapter 4.

Key words: antecedents, consumer behaviour, dependents, financial intermediary, life insurance industry, retirement.
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CHAPTER 1: NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

We live in a time where products are designed and developed according to clients’ needs. Each and every product in the life insurance industry is built on the needs of clients. By uncovering certain antecedents that lead to these needs and why these needs are satisfied in a certain way, life insurance companies will not only have an edge when it comes to the structure and innovation of new products and services, but also on how to market and sell them to consumers. By creating new products and services that are in line with consumer’s needs, life insurance companies will eventually become more profitable. This research aims to help companies to penetrate new markets with success. Not only can it have a substantial financial impact for a life insurance company, but it might also improve the consumers’ satisfaction and experience with the company. This will lead to a better reputation for the company.

If this study can uncover what the antecedents are that determine why consumers behave like they do, processes and products can be aligned to satisfy the needs of the consumers in a timely and economical manner. The study can significantly contribute to the success of life insurance companies in the following fields:

- Profitability;
- Customer satisfaction;
- Strategy;
- Vision; and
- Marketing, etc.

1.2 PROBLEM STATEMENT

The new catch phrase in the life insurance industry is “Treating Customers Fairly” (Radloff, 2015). In order to treat a customer in a fair but sustainable way, the life insurance company has to know what the customer wants. To establish these needs
one has to investigate consumer behaviour. The life insurance industry as we know it has changed drastically over the last period (KPMG, 2014). More companies have seen the daylight and the competition have become very fierce (Schreuder, 2015). One factor surrounding the life insurance industry has remained unchanged namely customers. For any life insurance company to stay in business, they need customers. However, customers differ greatly from one to another. Unravelling the antecedents behind the consumer behaviour of these customers will be a key success factor to any life insurance industry (Huber & Schlager, 2011:139). Identifying the needs of your clientele must be the top priority for any company. Clients have these needs for different reasons. By investigating this topic potential reasons behind the decision making might be uncovered.

With competition increasing at this rapid rate, products become more and more alike (Schreuder, 2015). If you delve into the products that are offered by a life insurance company you will find that they all have life cover, dread diseases cover, retirement annuities etc. All of them have the same structures and are almost identical to one another. The only difference is the name of the company by whom this product is underwritten. The researcher wants to analyse what the determining factors are prior to the purchasing of a product that swayed the client into taking up the product from a specific life insurance company, or from choosing the one product over the other product that was offered (Karen Huber, 2011:137). Further than just delving into clients who have already taken up a product from an insurer, the researcher would also like to know what the antecedents were when a client decided not to take out a policy or invest his money.

The researcher wants to study antecedents that drive consumer behaviour in the life insurance industry (Ajzen, 2014:527). Some clients take out a Retirement Annuity because his father did not have enough money for retirement and is now living with him. The other client takes out a retirement annuity because he feels that that is what the society deems to be the right thing to do. One client takes out life cover because he saw how his mother struggled after his father passed away. The next client takes out life cover because he has a big shortfall in his estate should he pass away. Each and every client will have their own contributing factors. The researcher studied these antecedents and looked at the importance of each of them. This study
aims to uncover how important the different demographics are with regards to consumer behaviour in the life insurance industry.

The research did not only reveal why clients took out a certain policy, but also gave the researcher insight into the factors they take into consideration when choosing which service provider to make use of. Consumer behaviour refers to the reason behind buying a service or a product (Ajzen, 2014:525). There are certain factors that play a critical role prior to purchasing of a product. Some of these factors include previous experience, information obtained from the internet, the influence from friends and family - to only name a few. All of these are antecedents. According to the Cambridge Dictionary an antecedent is something that happens before an action or that is the origin of an action (Cambridge, 2017).

1.3 RESEARCH OBJECTIVES

The research is aimed at giving life insurance companies in South Africa relevant information regarding their consumers. Life insurance companies in South Africa will benefit if they know what their consumers want and why their consumers behave in a certain manner and make the decisions they do. The primary research question of this study is:

• What are the factors that drive consumer behaviour within the South African life insurance industry?

Thus the primary research objective of the study is to explore the different antecedents that determine consumer behaviour in the South African life insurance industry. To reach the primary objective, the questions posed to each interviewee were divided into four sections. Out of these four sections the secondary objectives of the study can be established:

• Does the financial intermediary play a role in the behaviour a consumer has towards the life insurance industry in South Africa?
• Does the influence of your parents determine your stance on the life insurance industry in South Africa?
• Do people value the opinion of their circle of influence and do they discuss their decision towards life insurance with others?
• Did what happened to other people in regard to life insurance play a role in the way consumers behave towards South African life insurance?

1.4 CONTRIBUTION OF THE STUDY

The different products offered by the different life insurers are almost identical. The structures of the products are the same and they are governed by legislation, namely the Financial Advisory and Intermediary Services Act (FAIS). With competition increasing at a rapid rate, the institution needs to have a selling edge in order to stay competitive. If the researcher can explore what the factors are behind the decision of the consumer to take up a product or to decline a product it can be beneficial to the life insurance industry (Huber & Schlager, 2011:138).

The researcher explored what the reasons might be for consumers to take up a complete portfolio or to decline a product. By exploring what role advocacy played in the life insurance industry, companies can get a better idea of what they should focus on. Consumer behaviour refers to the reason behind buying a service or a product. The study can give companies insight into the different factor that consumers take into consideration when making the decision whether to take up a product or to decline it (Ajzen, 2014:525).

With the antecedents of consumers and their pre-purchase behaviour being determined, it may have a significant impact on the profitability, sustainability, growth and retention of company. Having consumers who are satisfied with their financial products and the financial institution they deal with can help with advocacy among potential new clients.

Before commencing the study, one has to look at what the key definitions and concepts discussed throughout the paper are. It is important to study any existing literature relating to the field of study. The identified literature can build the basis of the study and argument, and also help in identifying what needs to be explored even more. The manner in which the data will be collected and how this data will be
analysed is very important for any study. The researcher also needed to ensure that the study is credible, transferable and dependable.

1.5 LIMITATIONS AND SCOPE OF THE STUDY

When research is done, data is collected from the study unit that is inquired in order to solve the problem or question concerned. The population is the object and can consist of organizations, groups, individuals, etc. The research problem needs to relate to a specific population. The population is a group of potential individuals to whom the study wants to generalize the results. In order for the results to be generalized to cover more people, the population needs to be representative of a broad base of people (Welman et al., 2012:53).

The study population of this research consisted of any member of the general public. A financial product can be taken up by any individual and therefore the study was applicable to any person. To make the study more relevant, the population consisted of people who had been approached by any life insurance company. These people would have been in a position to make a decision whether or not they wanted to take up a financial product. The members of the study population had all been exposed to financial advice and made a willing and knowing decision to accept or reject a proposal to take up a financial product. The geographical area was made up of people from across the country to give a sense of representation of the different regions. However the number of people on who the study was conducted is small, 14 members and care should be given when generalizing findings.

By studying this group of people, the researcher explored the reasons behind their response to financial advice and financial products. The study did not only include people who took out a policy, but also people who cancelled existing policies or decided against a proposal. The study population was not obtained by convenience sampling but rather purposiveness. Purposiveness is when people are selected who fit the criteria and the focus of the study (Management Notes, 2017).
People who have not been confronted by a financial product in their earlier lives were excluded from the study population, seeing that they do not have experience or knowledge in this field. The results drawn from these inexperienced participants could not be used to generalize and would only be representative of the same people, and not that of others (Welman et al., 2012:53-55). People under the age of 18 were excluded from the study population as by law they cannot be a policy-holder.

1.6 RESEARCH METHODOLOGY

1.6.1 Literature study

The major focus of the literature study is on research and studies that have already been conducted in consumer behaviour and antecedents specifically in the life insurance industry in South Africa. A comprehensive and thorough literature review was imperative in defining and understanding consumer behaviour, loyalty, trust and word-of-mouth in the financial industry. A literature review highlighted each of these aspects and their importance in consumer behaviour. Furthermore, a literature review gave insight into the decision-making process and challenges that the consumer faces. The focus of this is on the impact of external social and cultural influences on consumers.

The sources of information included EbscoHost, publications on Google Scholar, documents from the internet, company publications, financial magazines and previous dissertations. After thorough research had been done by the NWU-Potchefstroom Campus librarian and the researcher, very little literature could be found on this topic relating to the South African life insurance industry.

1.6.2 Empirical investigation instruments

A qualitative research method was used for this study. The nature of the data collected was done by gathering information about knowledge, beliefs, attitudes and behaviours through conducting interviews. The aim of the interviews was to explore
what antecedents would have an impact, and how they impact on the behaviour of consumers in the life insurance industry.

Primary data was collected by means of interviews conducted with consumers who had encountered financial advice previously in their lives. A purposiveness sampling technique was used to get enough interviewees. The researcher conducted the interviews in an unbiased fashion with the questions being asked in a consistent manner. The answers to questions posed were open-ended but some of them only had a “yes” or “no” answer.

Before the study commenced, the interview guide and the contents thereof were piloted among senior employees in the life insurance industry in South Africa. Furthermore it was piloted among members of the general public. Both groups of people gave their feedback and then the questionnaire was finalised. The first part of the interview was intended to explain to each respondent what the study was about. Section 1 of the interview guide consisted of questions regarding the interviewees’ demographic background. Section 2 assessed the financial services background that each consumer has. Section 3 examined the current and historic life insurance portfolio of the consumers. Section 4 explored the influences each of them had regarding financial services and products.

### 1.6.3 Research population and sample

The study population of this research consisted of any member of the general public in South Africa who had encountered any form of financial advice or information. A financial product can be taken up by any individual and therefor the study was applicable to any person. To make the study more relevant, the population consisted of people who had been approached by any life insurance organization and received some form of financial advice. These people would have been in a position to make a decision whether or not they wanted to take up a financial product. The members of the study population have been exposed to financial advice and made a willing and knowing decision to accept or reject a proposal to take up a financial product. Convenience sampling was thus used to identify the population.
1.6.4 Data analysis

Data analysis was done on the powerful Atlas.ti programme. Each interview was recorded and notes of the responses were made on the interview guide. After the interview had been done, the researcher listened to the recordings and made more notes on the interview guide. Once this was done, the data was transcribed onto an Excel spreadsheet. Using the correct format and headings in Excel helps to create codes/ themes when the data is imported into Atlas.ti.

Codes and code groups were identified once the transcribed data had been analysed on Atlas.ti. A word cloud was populated with all the transcribed interview data and an Excel spreadsheet was built containing a word count. This helped to identify which words had been used the most frequently.

1.6.5 Empirical study

The empirical part of the study comprised interviews conducted with 14 members of the public. Information gathered through these interviews will expose the views and antecedents of consumers regarding life insurance products.

The population would thus be any member of the general public who had encountered some form of financial advice in their lives. The data was gathered and then analysed on Atlas.ti by making use of themes and super themes to ensure that it would be valid and useful to this study. The analysis of the data should provide direction and recommendations to have a better understanding of the antecedents that influence consumer behaviour towards the life insurance industry.
1.7 LAYOUT OF THE STUDY

Figure 1.1 Chapter layout

- Chapter 1 - Nature and scope of the study
- Chapter 2 - Literature review
- Chapter 3 - Empirical study
- Chapter 4 - Conclusions and recommendations

Chapter 1: Introduction

The first chapter describes the purpose and nature of the study. The problem statement is mentioned here as well as the span of the study. An overview of the methods of investigation is also provided.

Chapter 2: Literature review

The literature review focussed on the different antecedents that determine consumer behaviour in the South African life insurance industry. Data was gathered from scholarly articles, websites, Google Scholar, financial magazines, reports, articles and previous dissertations.

Chapter 3: Empirical study

This chapter comprises the empirical study where the data collected through the interviews is analysed and the findings discussed. The interview guide which was
piloted before the research commenced consisted of four sections. Each of the interviewees was given an introduction to the study and the purpose of the study.

Chapter 4: Conclusions and recommendations conclude the results obtained from the study in chapter three. Recommendations were derived from the results obtained. The objectives of the study are addressed and possible solutions to the problem statement are given.

1.8 CHAPTER SUMMARY

In this chapter the reason and importance of the study were identified and discussed. It provides an introduction and brief overview of the study. This chapter also includes an overview of the research conducted. The core research question was outlined in this chapter and the primary and secondary objectives of the research identified. The possible limitations of the study were discussed in this chapter.

A literature review was conducted on the various factors that could influence consumer behaviour towards the South African life insurance industry in chapter 2. This was done to understand the extent to which antecedents do play a role in the behaviour of consumers.

The findings from the empirical study done in chapter 3 are the key to assess the achievement of the primary and secondary objectives as formulated in this chapter. The final chapter deals with these findings and concludes the research.
CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

In the previous chapter the primary and secondary objectives of the study were identified and discussed. Consumer Behaviour is the study of how people invest their resources. Resources can be time, money and effort (Smallbusiness.chron.com, 2017). The study focusses on why people buy, what they buy and how frequently they buy. The study encompasses all the behaviours that consumers portray when buying a service or product. The study focusses on the impact that external social and cultural influences have on the behaviour of consumers.

When investigating previous studies in this field, the current study looked at the field of literature from a few perspectives. Literature was found on consumer behaviour, antecedents to consumer behaviour, decision-making, word of mouth and finally the impact of loyalty and trust in this whole process. Each of the perspectives influences the other and a holistic picture had to be obtained. The literature that was studied related to the life insurance industry.

2.2 CONCEPTUALISATION

2.2.1 Overview of the South African life insurance industry

The South African life insurance industry is a fiercely contested industry and currently consists of 34 life insurance companies (InsuranceZA, 2017). Most of these companies are relatively small and therefore the market can be considered to be an oligopoly market with only a few major companies. A recent industry analysis that was done shows that the five major companies, ranked by value of new business (VNB), are (see figure 2.2 below):

1. Old Mutual
2. Discovery
3. Sanlam
4. Liberty
5. Momentum (MMI)
The growth in earnings within the industry outperforms the growth of the Johannesburg Stock Exchange (JSE) by a big margin. Insurers are able to consolidate consistent returns year on year despite increased volatility in the market. Insurers show great resilience and this can be contributed to industry, product and geographical diversification. The ability of insurers to link product design to economic factors can be commended (PWC, 2016:10). As South Africa experiences economic difficulties, insurers adapt their products and premiums to stay relevant to the consumer in an attempt to satisfy their needs (PWC, 2016:11).

Some people consider life insurance products as a nice to have and some consider it as a need to have. According to the insurance industry overview conducted by KPMG (2016) the weak economy of South Africa has a big impact on insurers. Cash-strapped businesses and households have a weaker ability to pay insurance premiums and this therefore decreases the demand for this (perceived) non-essential product (KPMG, 2016). This results in insurers having to work harder, at lower profit, to retain existing clients and secure new clients. The upside is that this increases price competition which may result in more affordable premiums for businesses and households.
A basic representation of the needs of humans can be found in Maslow’s hierarchy of needs (Maslow, 1943, KPMG, 2016:33). The source cited is old but is definitely pioneering work. Needs start from the bottom upward and dictate the behaviour of people. Thus physiological needs have to be met firstly before the need for safety and security arises (KPMG, 2016:33). One way of satisfying the need for safety and security is by obtaining insurance. The preference of obtaining insurance over other safety and security will be determined by the reliance placed on the life insurance industry. The impact that insurance can have on your life can even impact other needs further up the pyramid. For example, leaving a legacy by means of life insurance is driven by self-actualization (KPMG, 2016:34).

**Figure 2.3 When does the need for insurance arise**

![Maslow's hierarchy of needs](source: KPMG (2016))

There are different factors that have an impact on the life insurance industry in South Africa. Each of these factors will have an impact on the consumer whether it is direct or indirect. This study will explore the external social and cultural influences that drive consumers' behaviour in terms of the South African life insurance industry.
2.2.2 Consumer behaviour

The core of the current study is focussed on consumer behaviour. It is very important to look at studies in the field of consumer behaviour. A study that was identified is that of Ajzen titled “Consumer behaviour and attitudes” (Ajzen, 2008:530). Consumer behaviour is the act of buying a particular product or service. This might be the first and foremost attribute, but it is not the only behaviour that interests people who are studying this field. Behaviour involves a choice or an outcome, even if the choice is not to act and remain with the current status quo. As was evident in Huber and Schlager (2011), behaviour is driven by information, emotions, attitudes and other relevant factors (Huber & Schlager, 2011).

Single option behaviour entails buying a product or service or not buying it. Action, target, context and time within which the decision is made are the four pillars to this process. These four pillars are used at a high level and the decision taken is very theoretical in nature (Ajzen, 2008:525).

On the other hand consumers make decisions based on the multi-attribute model. This model is rooted in economics and statistics and involves mental calculations. The two aforementioned models have a very rational approach to decision-making and consumer behaviour (Ajzen, 2008:526).

What interested the researcher most is the Expectancy Value Model. This model is much more relevant to the study of antecedents. In this model it is revealed that consumers make their decisions based on the favourableness or unfavourableness of the expectations or beliefs of the product or service. The beliefs that the consumers have can be inaccurate, unfounded, biased or even irrational. The literature used can be seen as pioneer work from the two authors, dating back from 1975 (Ajzen & Fishbein, 2005). It is also said in this study that attitudes determine consumers' decisions. If a consumer is confronted by two options he will tend to go for the option to which he holds a more favourable attitude.

Most models of decision-making imply that consumers are rational in their behaviour. In actual fact, consumers are very biased and the models should actually be described as “bounded rationality” (Ajzen, 2008). Not all people have the same
information at their disposal or have the same experience and expertise when it comes to a product or a service.

This study aims at focussing on consumer behaviour, but from an antecedent point of view. These antecedents could contribute to consumers being biased and irrational when making decisions. These antecedents can have an emotional connotation to life insurance products and services. The study of Ajzen was specifically aimed at consumer behaviour across all spectra. This study will have a focussed approach towards the life insurance industry.

2.2.3 Cultural influence on purchase decisions

Culture is a combination of values, beliefs and customs and exerts a broad and lasting influence on consumer behaviour (Kotler & Armstrong, 2012). Culture can be seen as the basic cause of consumers’ needs and wants and it is something that is largely learned. Every society or group has a culture and therefore cultural differences may vary from province, region and country. It is imperative for life insurance companies to understand the customs and beliefs of the different cultures they deal with and to equip their marketers to approach and handle the consumers accordingly.

South Africa is a multicultural society and can be divided into sub-cultures. Sub-cultures can consist of smaller groups within a large culture or be identified by age, race, language and other demographic classifications (Kardes, et al., 2011). It is likely that consumers who work within the same industry will have the same point of view on the life insurance industry. The social class of a consumer can also influence his purchasing behaviour. Some people buy goods to impress other people. On the other hand people buy goods to compensate for some deficiency (Hoyer & Maccinis, 2008). The life insurance portfolio of a person is not that visible to others while the consumer is still alive and therefore does not play such a major role as other cultural elements do.
### 2.2.4 Social influences

The relationship with others is equally important in the buying process as individual needs and attitudes are. Influential relationships can be with parents, family friends, circles of influence or your financial intermediary. Almost every consumer is influenced by other people who provide them with information. People tend to observe and imitate other people. People look at behaviours of other people, especially family members and friends, when they decide to purchase a product (Kardes et al., 2011:230).

Most South African households hold some form of life insurance product. Children hear from a young age about life insurance and are encouraged by their parents to take up life insurance. This could have a big impact on their final purchase decisions.

Below is figure 2.4, explaining the stimuli response model and the buyer’s “black box”. The black box is how the brain of the consumer deals with information and stimulus provided by a marketer or seller. The stimulus provided is dealt with through influences from cultural and social characteristics of the consumer as discussed. The black box can be divided into two sub-sections:

- Buyers’ characteristics
- Buyers- decision-making processes – this will be discussed in section 2.2.5

**Figure 2.4 Buyer’s black box**

![Figure 2.4 Buyer’s black box](image)

Source: (Kotler, 2003)
2.2.5 Decision making process in the life insurance industry

The financial industry needs to know their customers and have to build their organizations around them. It is particularly important for the insurance industry seeing that some intermediaries and institutions focus on operations rather than being consumer-oriented (Mahajan, 2013:62). These days it is far more important to understand consumers and how they choose between the different products and services offered to them. It is also important to understand how they evaluate the insurance service once they encounter it. Companies operating in the industry should understand the thought processes of their clients during the different stages of a consumer making the decision to purchase a product or service.

When taking out a new policy, a client’s decision-making processes go through the following five stages (Mahajan, 2013):

- **Need recognition** – the consumer is faced with both internal and external stimuli. Internal stimuli refer to the desire you have to protect yourself against risk, saving for your future/family or the desire to do financial planning. External stimuli on the other hand are influences from outside people. This can be from your peers, family, friends, spouse or any other individual. They can recommend a specific product or service to you or mention a brand name that seems attractive to you. Both of the above-mentioned stimuli will make you aware of a need or problem that you want to address.

- **Information search** - after the need has been recognised, the individual usually seeks for a solution to their problem and therefore the change of a purchase will ensue. During this phase the individual will collect as many information as possible to his/her disposal in order to satisfy this identified need. Information can be obtained through internal and external searches. An internal search is when the individual gathers information from family or friends. An external search is when the individual makes use of websites, banks, insurance companies or related resources to gather information pertaining to the need recognised.

- **Evaluation of alternatives** – after gathering a satisfying amount of information the consumer will develop a set of criteria to evaluate and compare the
alternatives. One way to do this, according to the literature studied, is to order the attributes in order of importance or to evaluate the how well each of them performed. The need of the client has to be satisfied and the product should be a fit.

- Purchase decision – the individual will act on the information evaluated and decide whether to purchase or not to purchase. During this stage, the decision that the consumer makes may be accompanied by a set of expectations regarding the purchased service and the working of the service.

- Post-purchase stage – the consumer will have certain expectations of the service or the company from which they purchased the service. How well the company and the service live up to these expectations will determine whether the consumer is satisfied or dissatisfied with the purchase. Cognitive dissonance can be experienced during this stage – when the individual doubts whether he/she purchased the right product. Cognitive dissonance can be reduced when the intermediary continuously reassures the consumer that they have made the correct decision.

Figure 2.5 Decision-making processes of consumers

**Consumer Decision-Making Process**

1. Need Recognition
2. Information Search
3. Evaluation of Alternatives
4. Purchase
5. Postpurchase Behavior

Cultural, Social, Individual and Psychological Factors affect all steps
Although at each step there are cultural, social, individual and psychological factors that influence the consumer, this study will focus on the external influences from a cultural and social point of view.

### 2.2.6 Antecedents and consumer behaviour

According to Huber et al. (2011) little is known about the underlying antecedents of consumers’ behaviour in purchasing life insurance products, especially in terms of long-term savings products (Huber & Schlager, 2011). Long-term savings products can be defined as an interest-bearing account held at a bank or financial institution. These interest-bearing accounts can have a short, medium or long-term lifespan (Investopedia, 2016).

In the study done by Huber and Schlager (2011) called “To buy or not to buy insurance? The antecedents in the decision-making process and the influence of consumer attitudes and perceptions.” the two main contributing factors are risk avoidance and uncertainty avoidance. The purpose of studying these antecedents is to better understand how consumers make decisions. Even though this study was conducted among citizens of Switzerland, the emotions, information-processing and attitudes will be relevant in any society. The feelings towards and analysis of the products and the life insurance company influence the perceptions that consumers have of these products.

This study made use of comparing the behaviour of consumers towards two types of life insurance products. Product A was a term policy which had a fixed death benefit and also a fund value. If the client survived the term of the policy, he/she would be entitled to the fund value that the product had accumulated to. Product B was almost exactly the same except that it had a built-in guarantee. This guarantee stipulated a maturity value but came at an additional cost. It was found that the consumers who had a tendency to avoid risk would choose the product with the built-in guarantee. What was very important and relevant for this study, was the fact that people who tested high in risk avoidance perceived the risk of the investment to be lower when they had a feeling of trust towards the life insurance company. A feeling of trust
towards the advisor or intermediary that is servicing the consumer with this product, also made the consumer perceive the risk of the investment to be lower. Trust and the perceived expertise of the company or advisor that the consumers were dealing with, would influence their behaviour and decision-making.

Trust as the main trait identified by this study should be built on all levels. It can be said that enhancing consumer trust in the advisor through building a lasting relationship will benefit the life insurance company. The life insurance company in their turn should focus on risk management and also on-going open communication channels. Regulatory bodies should know what impact their rules and regulations regarding products have on the decision-making of consumers. If consumers perceive these rules to impact negatively on the life insurance products and industry, they would rather not take up a product. Government should also be tasked to enhance the financial literacy among people of a country (Huber & Schlager, 2011).

2.2.7 Antecedents and consumer behaviour within the life insurance industry

This study was focussed on service quality, value, satisfaction and the willingness to recommend a service or product to potential consumers. Life insurance is a pure service industry with very little to no tangible products. Service quality was found to have an indirect relationship with value and behavioural outcome. Satisfaction has a correlation with the repurchase at a certain company, but not a big link with the recommendation of that company or its services (Yu & Tseng, 2016). This finding has a big implication for the notion that a satisfied consumer will market your product by means of word of mouth (Forbes.com, 2014).

Satisfaction is the cognitive or affectionate reaction towards the service or product encountered. The perceived value of the service was found to lead to the satisfaction of the consumer. Satisfaction may lead to the repurchase of a service, but does not guarantee the willingness of the consumer to recommend the service to potential consumers. The perceived value post-purchase has a stronger correlation with the recommending of services to prospective clients (Yu & Tseng, 2016)

In most instances satisfaction leads to loyalty, which in return leads to profitability. Jones and Farquhar found that satisfaction does not always lead to loyalty and the
retention of consumers as they also buy from other companies (Jones & Farquhar, 2007). This study has identified two pillars that are highly valued for loyalty:

- Behavioural loyalty - this is when a consumer is loyal to a company and this loyalty will lead to the repurchase of a service at the same company.
- Attitudinal loyalty - this implies that a loyal consumer will recommend the company or service to potential consumers.

When these two traits are put together, it was found that 44% of the consumers will market the product actively (Reinartz & Kumar, 2012).

Service quality, service value and satisfaction haven’t been studies simultaneously. The gap in literature is in identifying the sequence and variables that have an impact on such behavioural outcomes and intentions (Lu et al., 2015). The two pillars of loyalty haven’t been tested in courts. Most of the studies done on these two highly valued loyalties were in the USA and cannot be generalized internationally without more ado as the USA is a first-world country with different antecedents and cultural backgrounds.

2.2.8 Rationale behind decision-making: Insurance service purchase decision-making rationale

The object of this study is consumers’ behaviour in the life insurance industry in relation to the purchasing decision-making of potential and also existing consumers of life insurance products and services. The research is aimed at examining the rationale for purchasing insurance service in developing markets and also in Lithuania. South Africa is seen as a developing country and therefore its life insurance industry is a developing market (Timetric, 2016). The study was initiated because of the non-consumption or low consumption of insurance in Lithuania compared to that of developed markets and countries.

Two different outputs are looked at in this study:

a) The evaluation of the affordability and the need of insurance as a whole and

b) Evaluation of an insurance product or service itself.
These outputs have different stages and will flow from one stage to the next. The first stage is the inclination towards insurance and the next stage is the decision to purchase the insurance service or product. It is found that the attitude of consumers towards insurance is followed by the evaluation of a specific insurance product or service.

This study of Lithuanian life insurance formed three hypotheses which were tested. The first hypothesis was that the inclination of consumers towards the purchasing of insurance is formed in equal proportion between intellect and income. This hypothesis was tested among experts in the Lithuanian financial insurance industry and proved to be correct. The second hypothesis was that if a consumer already has an inclination towards insurance, the decision-making is equally balanced between the price and the quality of the service or product. The outcome was that the price of the service or product had a higher importance. Hypothesis three said that purchase decision-making is made based on personal considerations, evaluations and consultations. It was found that there are more complex factors than just the three aforementioned ones.

The factors that drive the decision-making in this study are the combination of thoughts, beliefs, environment and attitudes. This study of Lithuania focusses on price, quality, information and intellect as antecedents to decision-making. The researcher wants to study the emotions and views that a consumer has towards the life insurance industry.

This study:

- Aims at dealing with the experience the consumer had with the life insurance industry;
- also the effect of how their family, parents and grandparents experienced the industry;
- and how this might contribute to their behaviour towards the industry.

The above three reflects in the second and fourth secondary objective of this study.
2.2.9 Consumer trust in the life insurance industry

The life insurance industry is the custodian of long and short-term savings and the protector against risks for clients and companies alike. To play this role requires of the industry to gain the trust of those who purchase their products – those who invest their retirement funds must believe that care will be taken to ensure consistent growth on their money. Likewise, those who transfer their risk to an insurer believe that their expectations will be met by the insurer when they have a claim in the future (Le Cordeur, 2015).

In the past few years the financial media have been flooded with news regarding high costs of retirement annuities and rulings by the pension fund adjudicator on the topic of costs and intermediaries neglecting their fiduciary duty. Because of this the Life Offices Association (LOA) launched an investigation into the levels of trust among consumers. According to the data collected, only 30% of adults trust life insurance companies to provide good policies when they purchase long-term insurance (Le Cordeur, 2015). When asking the same question of policy-holders, 50% of them indicated that they trusted the life insurance company to provide good policies when they purchased these products. This is more encouraging but is not yet satisfactory.

It was also insightful to see that the population used trusted the life insurance company more than they do the financial advisor. Lower down the list of who they trust were their friends and family. The literature reviewed posed the questions to adults above the age of 16 years old whether or not they have any policies. This gives a skewed picture of what the level of trust in the insurance industry is seeing that some of the respondents do not have personal experience of the industry (Le Cordeur, 2015).

The population for this study only included people who have encountered financial advice in their lives. The study also explores the general level of satisfaction that the respondents have with their policies and how they rate the knowledge of their intermediary. As was discussed in the above literature, this study also looks at what value the respondents place on the opinion of their circle of influence when it comes to their decisions regarding life insurance products.
2.2.10 Trust and loyalty - A study of buying behaviour of consumers towards life insurance policies.

This study was done among citizens of India. India is seen as a developing market and various giants from the life insurance industry are targeting the Indian sector (Sahu, et al., 2009). India has the 2\textsuperscript{nd} largest population in the world. Despite this fact, life insurance companies are struggling to really penetrate the market.

This study looks at what factors might be playing a role in the decision-making of the consumers. What are the factors for possibly not trusting an insurance company or not taking up any insurance? It is said that in India emotions and rationality play the biggest role when consumers decide to purchase. Some of the factors that this study tested were loyalty, service quality, ease of procedure, relationships, etc. What was interesting and relevant to this study is that the importance of the service factors wasn’t nearly as high as the contributing factor of the emotional tests. The highest contributing factor was loyalty. It also showed that there wasn’t a difference in decision-making between male and female participants (Sahu, et al., 2009).

Seeing that loyalty was a big contributor, it opens up the area to explore what the effect would be if a consumers’ trust were to be broken. How would this impact negatively on not only the consumer himself, but on his family and friends? If the consumer whose loyalty and trust was broken shares this message with his peers, their perception towards life insurance might change. This may then act as an antecedent to their behaviour (Sahu, et al., 2009).

2.2.11 Consumer choice for companies within the life insurance industry

Insurance is a major player in any economy and financial system and environment. Markets are becoming very competitive and new innovations and products see the daylight regularly (Mathur & Tripathi, 2014). Consumer satisfaction will lead to retaining and attracting new clients. In some instances companies do not know the needs of consumers and then end up losing them.

This study looks at what factors influence decision-making and what factors are the most important. This study contradicts the finding of Sahu et al. (2009)
Computerization, connectivity, speed etc. were found to be much more important than emotional connotations and impressions of their peers.

This study also included the demographic variable seeing that this variable plays an important role in understanding consumer perceptions and their behaviour. When weighing up the findings of this study and that of Sahu et al., the researcher felt that the emotional connotation associated with consumer choice and behaviour is the weightiest (Ajzen, 2008).

**2.2.12 Antecedents and the effects of positive word-of-mouth**

Word of mouth is believed to be one of the most effective ways of transferring the information of a product from one individual to another at no cost. Word of mouth is a strong and effective manner of advocacy and should be included in every company's marketing strategy (Soltani & Khavari, 2015). Word of mouth can, however, be both positive and negative.

As was established in Durvasula et al., (2004) attitudinal loyalty is associated with word of mouth, but the research showed that word of mouth isn’t as effective as originally thought. Whitler (2014) contradicts the aforementioned by stating that face to face word-of-mouth significantly influences consumers’ behaviour towards products (Forbes.com, 2014). Morris (2011) also differed from this point of view and said that word of mouth isn’t as effective as one is led to believe. The individual to whom the information is transferred will in most cases verify the validity of the information (Morris, 2011).

It can therefore be said that the most important factor pertaining to effective word of mouth information is the source reliability (Wu, 2013). This study will explore this statement. When the consumers’ circle of influence or family advocate them on a service or a product, it may contribute to their perceiving the source as being reliable. This word of mouth can be positive or negative and therefore contribute to an antecedent of the consumers’ behaviour.

Consumers are more likely to provide word-of-mouth information to their peers on products that are relevant to self-concept. This form of word-of-mouth would typically
be biased, in the sense that customers tend to exaggerate the benefits of self-concept products compared to utilitarian products. This leads to the finding that self-relevant products have a greater impact on individualist cultures than it has on collectivist cultures. Word of mouth with regards to self-relevant products serves as a means of self-representation. Self-relevant products provide the consumer with the opportunity to communicate something important about them to others by providing word-of-mouth information. In a sense it gives them the opportunity to promote themselves (Shevlin, 2015).

Each client has a different need and a different portfolio. The products that they hold from a financial institution have changed over the years to that of a self-concept product (Shevlin, 2015). The discussions that policyholders have with other individuals can play a big role in their behaviour towards the financial industry. This study tests whether people have discussions with someone before making a decision to purchase or decline a product from a life insurance company. Furthermore the study also deals with what the relationship is like between the consumer and this person.

2.2.13 Pre-purchase behaviour

Life insurance is a big market and lots of consumers are lost among multiple products and choice, hence the need that exists to identify the parameters that guide a consumer and the factors that have an influence on the consumers’ buying behaviour. This study examines the thought processes of the consumer when evaluating different products, searching for alternatives, looking for information and their behaviour post-purchase (Goswami & Sidikar, 2015).

The need of a consumer will influence and drive the decisions that a consumer makes. This need will create a motivation to purchase a service that will satisfy the need (Kotler & Armstrong, 2014). Individuals can be influenced by a reference group they find themselves in, but the tendency and level of influence will differ from each individual (Del I Hawkins, 2007). Solomon (2009) said that consumer behaviour is a process which includes a variety of factors that influences the consumer pre-, during and post-purchase (Solomon, 2009).
This study found that when a prospective consumer is intrigued by a product, he/she will search for additional information pertaining to the product or service. It can therefore be said that the marketing department should focus on the information that the consumer has to its disposal and the importance thereof in the purchase decision-making (Goswami & Sidikar, 2015).

Aravind Gaikwad said that purchasing of life insurance is seen by the consumer as a protection plan and that the protection of family was number one the list (Arvind Shamrao Gaikwad, 2013). Khurana (2008) found in his study that consumers are losing faith in the life insurance industry (Khurana, 2008). This study found a different result, because consumers feel that life insurance companies live up to their promises and to the expectations of the consumers (Goswami & Sidikar, 2015). Discussions with parents or family ranked higher than that of self-judgement. This shows that consumers prefer to consult with their reference group before making a decision. The one thing that this study tested is the level of the relationship that the consumer has with the family member or person that he discusses the product or service with.

2.2.14 Building consumer trust and lifetime value

The life insurance industry is dominated by fast-changing customer expectations. To keep up with these expectations one has to be alert to the needs of customers and agile to react to them. Economic volatility and the growing disaffection in life insurance products have contributed to the industry being pushed down on the priority list of younger people. The fact that younger people have a longer life expectancy makes them a good growth opportunity for companies. Life insurance companies should manage the volatile environment into an advantage for them (Epoq, 2015).

According to the study done by Epoq a wider portfolio with more value-added services would appeal to younger consumers. Increasing disengagement with customers has led to dwindling trust among younger people. Communication plays an integral role in the perceived levels of trust among consumers. Young people also indicated that they perceive the products of life insurance companies as being too
complex. Companies should provide potential customers with information that is accessible in lay-man’s terms (Epoq, 2015).

The study shows that 6/10 people between the ages of 35-44 have no life cover in place. This poses a big opportunity as most of the people in this range have either young children or property bonds. In some cases they have both. Some of the main things to consider in improving trust among younger people can be the following:

- Companies should focus on providing lifestyle solutions to customers. Lifestyle solutions are likely to appeal to this target market.
- By fostering great customer communication via online platforms trust can be improved.
- Product offerings in this market should be streamlined.

Companies should keep on reinventing themselves in this space. By being a lifestyle partner clients are likely to walk a road with companies. This study, however, did not test the role that a financial intermediary plays in the level of trust. The reason behind the perceived level of trust might be attributed to an experience they had with a financial intermediary.

### 2.2.15 Customer behaviour and loyalty in Insurance

This study showed that insurance companies should aim to interact more with it consumers and also deliver more value to them. This will result in a more customer-centric approach rather than internal focus on intermediaries, products and financials. The recent lower returns on different investment platforms along with new regulations in the United Kingdom, Australia and soon to be implemented in South Africa might be the biggest contributor to this shift in focus (Naujoks, et al., 2016).

Winning over customer loyalty should be the main focus among insurance companies. Building loyalty and advocacy among clients and potential consumers can yield sustainable benefits for companies. Loyal promoters of a company tend to stay longer, buy more products, usually cost less to manage and also recommend more people to the institution. Loyalty to a company has been found to lessen as the frequency of communication decreased.
Loyalty, however, is not enough. Companies should encourage their customers to promote the company as to attract new clients. Companies should fight to get closer to consumers. Loyalty can be improved through omni-channel marketing. This will give consumers the chance to interact with the company through the channel they prefer and find the most appealing. This will pervade customer segments regardless of age, income or customer needs (Naujoks, et al., 2016).

Companies should not forget to also focus on the retention and acquisition of clients. Companies with a higher retention rate tend to have clients with more peace of mind. It is good to have loyal customers but a company that can show that they are client-centric will automatically win over the trust and respect needed from clients.

2.2.16 Attitude towards life insurance

In marketing terms an attitude is defined as an evaluation of a service or a product formed over time. An attitude affects the buying and shopping habits of a customer and at the same time satisfies a personal motive (Solomon, 2008). According to Perner (2010) consumer attitude is a composite of consumers’ feelings, beliefs and behaviour towards an object. A consumer can thus hold negative or positive thoughts towards a service or product. It can be argued that the attitude is formed as a result of either positive or negative personal experience. Maybe the opinion of a peer or someone in the circle of influence persuaded the consumer’s opinion and attitude towards the product (Stroe & Iliescu, 2013).

Changing the attitude of a consumer towards the product can be a big challenge. Perner identified three attitude change strategies (Perner, 2010):

- Changing affect – the classical conditioning technique is used with this strategy. The seller will typically pair or associate their product or service with a liked stimulus. The positive association may change affect without altering the beliefs of the consumer.
- Changing behaviour – this can be done by changing the price of the service or product or by altering the position of it. In insurance consumers are more inclined to comprehensive products with a low premium.
• Changing beliefs – this is the most difficult approach seeing that beliefs are formed by previous positive or negative experiences. By using success stories of the industry, consumers’ beliefs can be altered.

The attitude which consumers have toward the life insurance industry is important to explore. As was seen earlier, word-of-mouth is a very powerful tool in the industry and if someone had a negative experience with the industry it can lead to that consumer having negative attitudes altogether. This can result in the consumer spreading a negative message about the life insurance industry to other individuals. It is important to have advocates that enhance the image of the industry.

2.3 CONCLUSION

Although many different related studies were found, they all differed from what the current study is aiming to explore. The factors that were identified as influencers to consumer behaviour in the literature reviewed focussed more on service quality, information, risk appetite and other factual factors. This study wants to explore the emotional factors that have an impact on the behaviour of consumers in the life insurance industry. The focus of the study will be on the external factors from a social and cultural point of view. Thus the study will look at what impact the stance of your family and friends on life insurance has on you.

The literature that was reviewed involved both recent studies and studies that were done a few years ago where these studies were pioneering work. The different studies shed light on relevant factors and antecedents to consumer behaviour. In-depth interviews needed to be done among consumers to get a view of what antecedents drive their behaviour.

2.4 CHAPTER SUMMARY

This chapter started off with an overview of the life insurance industry in South Africa. This was done to set the scene for the literature review to follow and to illustrate who the big life insurance companies are in South Africa. The overview also shed light on when the need for life insurance products arises among consumers.
The literature review then moved to consumer behaviour, the main concept that needs to be understood before the empirical study could be conducted. One of the pioneers identified in the field of consumer behaviour is Ajzen. Single option behaviour, multi-attribute model and the expectancy value model was discussed, all work from Ajzen (Ajzen & Fishbein, 2005, Ajzen, 2008, Ajzen, 2014).

The external influence of a cultural point of view and a social point of view was discussed. These two external influencers can be found in the buyer’s black box and forms part of the buyer’s characteristics. This section tied in with decision-making processes in the life insurance industry. The steps identified in this process include need recognition, information search, evaluation of alternatives, purchase decision and the post purchase stage (Mahajan, 2013).

The next literature that was reviewed focussed more on antecedents in the life insurance industry. It was found that post-purchase service has a much bigger impact on consumers than service levels during the sale have (Yu & Tseng, 2016). It was identified that loyalty among consumers has two pillars namely behavioural loyalty and attitudinal loyalty (Reinartz & Kumar, 2012).

The next few studies related to loyalty and trust within the life insurance industry. It was found that loyalty plays a big role in consumer behaviour towards the life insurance industry (Sahu, et al., 2009). Consumers also place their trust in life insurance companies once they have taken up a product and transferred their risk to the insurer (Le Cordeur, 2015).

A few studies on word of mouth were identified and reviewed. Both the positive and negative effects of word-of-mouth were studied. The overall conclusion from the studies is that word of mouth is a very powerful tool and consumers act as advocates for the life insurance company they dealt with. Consumers talk to each other and influence the decisions and perceptions of their peers, if their peers perceive the source as reliable (Wu, 2013).

The literature review concluded with a study on the attitude that consumers have towards the life insurance industry. A consumer can either have a positive or negative attitude towards the life insurance industry (Stroe & Iliescu, 2013). Perner
(2010) identified three attitude change strategies namely changing affect, changing behaviour and changing beliefs. It is important that consumers have a positive attitude towards the industry seeing that their views can influence the people around them.
CHAPTER 3: EMPIRICAL STUDY

3.1 INTRODUCTION

The primary objective of this research was to explore the antecedents that determine consumer behaviour in the South African life insurance industry, using dimensions and traits such as loyalty, trust, word of mouth, decision-making processes and overall attitude towards the industry at large. Upon completion of this research, concluding remarks and recommendations on how to treat these consumers were articulated.

A qualitative research method was used for this research and people of the general public were interviewed. All of the 14 interviewees had been confronted by financial advice at some point in their life. Primary data was collected from these respondents by making use of semi-structured interviews. The target population was obtained by convenience sampling. These people were interviewed in order to produce information and data that would guide the decisions of the outcome (Welman, et al., 2012:57).

The qualitative interview guide consisted of four sections. The first part of the interview was an introduction into the study and an explanation of the background. Section 1 was intended to gather information on the demographic background of each respondent. Throughout section 2, 3 and 4 all the questions were open-ended. The interviewees had the opportunity to express their views on the life insurance industry in South Africa. Section 2 tested the financial services background of the respondents and contained 13 open-ended questions. Section 3 dealt with the current portfolio of financial services products that the interviewee had. The last section, section 4, explored the possible influencers and influences regarding financial services and products that the respondents had.

The primary data that was gathered were analysed on Atlas.ti. Assistance with the programme was given by a designated research assistant at the North-West University (NWU) library on the Potchefstroom Campus. The data from the interviews was transcribed and entered into an Excel spread sheet. Codes and code groups were created once the data had been imported from the Excel document.
Chapter 3 was focussed on the process and method used to collect data, identify the study population and the interpretation of the data.

### 3.2 RESEARCH METHODOLOGY

Each of the participants was given an introduction and background information on the study. The structure of the interview was explained to them as well as the expectations of the interviewer. An interview guide was developed which consisted of four sections. Before the interviews could be conducted, the interview guide was piloted among people working in the financial services industry and also members of the general public. The quality of the questions was accepted by these people and their inputs acted on. The average time of the interview was estimated to be 15 minutes.

#### 3.2.1 Measuring instruments

The interview guide comprised four sections. The interviews were semi-structured with questions posed in the same manner to each of the candidates. This was to ensure that the interviewer remained unbiased and objective throughout the interview process. Section A gathered demographic background, Section B explored the extent of the financial services background the respondents have, Section C delved into the current portfolio they hold in the financial services industry and Section D finished the interview off with different influences the respondents had regarding life insurance products.

- **Section A** – This section captured biographical data of the interviewees such as age, gender, work sector, income and highest academic qualification.
- **Section B** – this section centred on the financial service background - whether the respondents had encountered financial advice and what their experience was like with this sector. It takes a closer look at how they were introduced to life insurance products and whether their parents encouraged or discouraged them from taking up any life insurance products.
- **Section C** – This section delved into the current financial services portfolio that the respondents held. Some of the questions included whether they had ever declined or cancelled a life insurance product and why. This section
focused on whether the respondents held any products and if they did not have a complete life insurance portfolio – complete being a risk policy that includes death cover, disability cover and severe illness cover, a retirement annuity/product and any form of a savings product – the reason why they only took up the products they currently have.

- Section D – this section focussed on the influencers and the influences that the respondents had with regards to the life insurance industry. It was looked at whether they had a discussion with people before making the decision to purchase or decline a life insurance product.

### 3.2.2 Research population

The target population for the research consisted of people who had received some form of financial advice in their lives and made a willing and knowing decision to purchase or decline the life insurance product. This was done to ensure that the study related to the correct target group. Convenience sampling was used to identify the correct target population. Fourteen people who fitted this criterion were interviewed.

### 3.2.3 Interviews

The interview was conducted with 14 individuals. The interviewer saw a trend in the answers and saturation level was reached when this trend repeated itself frequently. From the 14 candidates that were approached, all of them fell within the criterion of having encountered financial advice previously in their life. This meant that all 14 of the individuals who had been approached were interviewed. The data analysis was done on the 14 interviews.

By using a semi-structured interview process, it gives the nature of data collecting a versatile approach. The responses were collected by note-taking and recording the interviews. The topics discussed were of a sensitive nature and the respondents came from divergent backgrounds.

The process through which the interviews were conducted consisted of four steps:
1. Preparing for the interview: the research problem was analysed and questions were aligned to reach the best possible outcome. The information gathered had to be understood and individuals had to be identified who could provide this information. The questions had to be drafted and the drafted questionnaire was pre-tested as a pilot study.

2. Pre-interview: it is essential to gather information that isn’t false or misleading in any way. Interviewing is a skill and the interview and questions need to be rehearsed and practised. The tape-recording device needs to be checked before the interview to ensure that it is in working order.

3. The interview: it is very important to introduce and explain the purpose of the study and to orient the respondents as to what the questions are intended to do. The language and terminology used by the interviewer needs to be understandable to the respondents. It is important to address sensitive topics with care. The respondents should not be interrupted throughout the interview and the interviewer should manage the time. It is important to gain answers to all the questions asked within a reasonable timeframe.

4. Post interview: data must be interpreted objectively and given a true reflection of what had been discussed in the interview. It is imperative to give the interviewees the option to stay anonymous. None of the 14 interviewees asked that their interviews and answers be treated as anonymous.

The questions in this interview are newly populated questions. No existing questionnaires relating to this study could be found. When conducting the interview and asking the questions it is important not to lead the interviewees to an answer, but rather to ask probing questions.

3.2.4 Data analysis

The study followed a qualitative research method. Qualitative data can in most instances tell you things that quantitative data can’t. It can highlight whether something that you are doing is conflicting with what the respondents are thinking, what they are seeing as important and what their culture is about. Certain patterns in their behaviour, social and physical environment can come to the foreground, aspects that aren’t always revealed by quantitative studies (Welman, et al., 2012:211). To analyse the qualitative data, field notes and transcripts had to be
prepared. The field notes were made by recordings, observations and notes made by hand. The notes were compiled during the interview with the respondents. The field notes were processed in order for them to be analysed. To do this, the field notes were converted into write-ups that could be edited, analysed, read and commented on. The purpose of the write-up is to replace and fill in some of the missing information. When converting tape-recordings to write-ups, it is important to consider all the pauses and word emphases (Vanderbilt University, 2015).

It is essential to identify themes in qualitative research. Themes had to be identified before, during and after the data collection. It was also possible to identify themes when reviewing the field notes. These field notes can be processed and analysed by using a combination of different approaches that include:

- Counting words and repetition of words - counting words in the field notes that occur frequently.
- Indigenous categories and keywords in context - identify keywords and the meaning that each group attributes to these words. Allow the respondents to explain the meaning of these phrases.
- Comparisons and contrast - answers given by different respondents need to be compared and the reason why some of the text differs should be identified.
- Searching for missing information - when it is discovered that respondents deliberately left out specific information, the researcher needs to go back to the field and try to discover why certain information was not revealed.
- Unmarked text - text is usually read a few times. When examining the text, new themes can be identified.
- Secondary data analysis - primary research (field notes) should be compared with secondary data on the same topic. This will help to review the information that had been gathered by the questionnaires (Welman, et al., 2012:211-213)

After all the data was collected, this data needed to be reduced to manageable and understandable text. The problem with qualitative research is that it consists of words - and words can have multiple meanings. To overcome this problem, words needed to be converted to numbers or symbols but still retain the words and use it together with the symbols and numbers.
To analyse the data codes should be created. This method is known as coding. The software to be used for the coding is known as Atlas.ti (Friese, 2016). Coding is used when text is connected to symbols or tags and these tags are used to organise words into categories or themes. The coding this study utilised is the following:

- Interpretative codes - these relate to the motives, reasons and explanations behind the information given. It should be possible to do this seeing that the researcher is familiar with the context of this study.
- Pattern codes- different sections of the text are connected to give the researcher a holistic picture of the information gathered.

Marginal remarks are captured on the right side of the text. These remarks enable the researcher to identify important issues that were not captured by a specific code and suggest a revision of the different codes used.

3.3 RESEARCH FINDINGS: DEMOGRAPHIC INFORMATION

Demographic information was gathered to identify certain patterns and trends among the respondents. Demographic information was netted in Section 1 of the interview guide where the respondents had to report on their age, gender, income per month, work sector and highest qualification. Below is a detailed analysis of the demographic information.

3.3.1 Age group

The respondents had to indicate what age they were at the time of the interview. The ages of the individuals ranged from age 25 to age 58. Four of the respondents were between ages 50 and 60. Two of the respondents were between the ages of 40 and 49. 3 of the respondents were between ages of 30 and 39. The remaining five respondents were between the ages of 20 and 29. The average age of the individuals was 38.4 years. People from different age groups have already received financial advice and financial services are not only limited and accessed by a single age group.
Table 3.1 Age group

Source: Own compilation (2017)
3.3.2 Gender

Out of the 14 respondents, 7 were male and seven female. Thus there was a good balance of 50% of each gender. The relevance of the gender will be discussed later on in the study.

Table 3.2 Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Own compilation (2017)
3.3.3 Income

Level of income was categorised into five levels. The first level was R10 000 to R24 999 per month, the second level R25 000 to R39 999 per month, the third level R40 000 to R59 999 per month and the final level R60 000+ per month. Four of the respondents indicated that they earned R10 000 to R24 999 per month, four of them indicated that they earned R25 000 to R39 999 per month, two of them indicated that they earned R40 000 to R59 999 per month whilst the remaining four people earned R60 000+ per month. The income is important to this study in order to see whether this influenced the buying pattern of the consumers.

Table 3.3 Income per month

<table>
<thead>
<tr>
<th>Income per month</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>R10 000 +</td>
<td>4</td>
</tr>
<tr>
<td>R25 000 +</td>
<td>4</td>
</tr>
<tr>
<td>R40 000 +</td>
<td>2</td>
</tr>
<tr>
<td>R60 000 +</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Own compilation (2017)
3.3.4 Work sector

The respondents came from a very diverse working background. Between the 14 of eight different work sectors were identified. This is an indication that financial services are relevant to any work sector. The different work sectors ranged from education, financial industry, medical industry, motor vehicle industry, hospitality, accounting and legal sector to a retired person. The graph below illustrates the work sectors identified.

Table 3.4 Work sector

<table>
<thead>
<tr>
<th>Work Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>3</td>
</tr>
<tr>
<td>Financial Industry</td>
<td>2</td>
</tr>
<tr>
<td>Medical Industry</td>
<td>1</td>
</tr>
<tr>
<td>Motor vehicle industry</td>
<td>1</td>
</tr>
<tr>
<td>Hospitality</td>
<td>1</td>
</tr>
<tr>
<td>Legal Sector</td>
<td>2</td>
</tr>
<tr>
<td>Retired</td>
<td>1</td>
</tr>
<tr>
<td>Business Owner</td>
<td>1</td>
</tr>
<tr>
<td>Accountancy</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Own compilation (2017)
3.3.5 Highest qualification

The highest qualifications recorded ranged from matric to a master’s degree. Most of the respondents, namely six, had an honours degree from a university. Only one had just matric and two of the respondents had a master’s degree. One respondent recorded an N6 diploma as highest qualification and one respondent had a post-graduate diploma. The remaining three respondents had degrees from a tertiary institution.

Table 3.5 Highest qualification

<table>
<thead>
<tr>
<th>Highest qualification</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduate</td>
<td>6</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>3</td>
</tr>
<tr>
<td>National diploma</td>
<td>2</td>
</tr>
<tr>
<td>Post Graduate Diploma</td>
<td>1</td>
</tr>
<tr>
<td>Matric</td>
<td>1</td>
</tr>
<tr>
<td>Honours Degree</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Own compilation (2017)
3.3.6 Profile of interviewees

This table below is a summary of the biographical information of each of the interviewees. The information that was used for the discussions in the biographical information section is represented in this table. Information was obtained from the respondents whilst interviewing them.

Table 3.6 Profile of interviewees

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Gender</th>
<th>Age</th>
<th>Income (R,)</th>
<th>Work Sector</th>
<th>Qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee 1</td>
<td>Female</td>
<td>58</td>
<td>40000+</td>
<td>Education</td>
<td>Post-Graduate Diploma</td>
</tr>
<tr>
<td>Interviewee 2</td>
<td>Male</td>
<td>27</td>
<td>40000+</td>
<td>Business owner</td>
<td>Honours degree</td>
</tr>
<tr>
<td>Interviewee 3</td>
<td>Male</td>
<td>49</td>
<td>40000+</td>
<td>Hospitality</td>
<td>Honours degree</td>
</tr>
<tr>
<td>Interviewee 4</td>
<td>Female</td>
<td>51</td>
<td>10000+</td>
<td>Financial industry</td>
<td>N6</td>
</tr>
<tr>
<td>Interviewee 5</td>
<td>Male</td>
<td>26</td>
<td>10000+</td>
<td>Education</td>
<td>Graduate</td>
</tr>
<tr>
<td>Interviewee 6</td>
<td>Male</td>
<td>57</td>
<td>60000+</td>
<td>Retired</td>
<td>Master’s</td>
</tr>
<tr>
<td>Interviewee 7</td>
<td>Female</td>
<td>41</td>
<td>60000+</td>
<td>Motor vehicle</td>
<td>Honours degree</td>
</tr>
<tr>
<td>Interviewee 8</td>
<td>Female</td>
<td>25</td>
<td>10000+</td>
<td>Accounting</td>
<td>Honours degree</td>
</tr>
<tr>
<td>Interviewee 9</td>
<td>Male</td>
<td>27</td>
<td>25000+</td>
<td>Legal sector</td>
<td>B.Com , LLB</td>
</tr>
<tr>
<td>Interviewee 10</td>
<td>Male</td>
<td>31</td>
<td>60000+</td>
<td>Medical</td>
<td>B.SC</td>
</tr>
<tr>
<td>Interviewee 11</td>
<td>Male</td>
<td>34</td>
<td>25000+</td>
<td>Education</td>
<td>Masters</td>
</tr>
<tr>
<td>Interviewee 12</td>
<td>Female</td>
<td>30</td>
<td>25000+</td>
<td>Accounting</td>
<td>Honours degree</td>
</tr>
<tr>
<td>Interviewee 13</td>
<td>Female</td>
<td>55</td>
<td>10000+</td>
<td>Financial industry</td>
<td>Matric</td>
</tr>
<tr>
<td>Interviewee 14</td>
<td>Female</td>
<td>27</td>
<td>25000+</td>
<td>Medical</td>
<td>Honours degree</td>
</tr>
</tbody>
</table>

Source: Own Compilation (2017)
3.4 FINANCIAL SERVICES BACKGROUND

The second section of the interview consisted of exploring the financial services background of each respondent. 100% of the people interviewed indicated that they had encountered financial information previously in their lives. This was one of the criteria set for the study and therefore all the data gathered from the 14 respondents was used.

3.4.1 First perception of life insurance products and experience with life insurance products

Overall the respondents had a very positive first perception on life insurance industry products. The word that came up the most in the interviews was “good” and “necessity”. Respondent’s perceived life insurance as a product and service that is very important. The general emotion associated with the industry is that it is good. Two of the interviewees, interviewee 8 and 9, indicated that they perceived the life insurance industry as an industry that has many products. The one respondent, interviewee 8, answered the question with “There are many products in the market, how will I choose the best, yet most affordable product?” (Interviewee8, 2017). Two of the respondents said they had a more negative perception of the products and the industry at first. As time went on this changed to a positive perception and feeling towards the industry. This can be an indication that once they had learned more about the industry and dealt with the products, their feelings towards the products and industry changed.

Generally the experience the respondents had with life insurance products can be described as good. The theme that was used the most for these questions and their replies was “good”. It is important to note that when they had already received a payout or someone close to them have benefitted from any life insurance product, they experienced life insurance products as very good. Four of the respondents indicated that they could not describe their experience as either good or bad, thus they were neutral on this topic. The response of one of the interviewees, interviewee 3, was that “My experience is neither good nor bad, it is a necessity, it is dead money” (Interviewee 3, 2017). Of the four that had a neutral response regarding their experience with life insurance products, three of them, interviewees 3, 5 and 11
indicated that the financial intermediary they dealt with did not play a role with regards to their experience.

14.3% of the interviewees said that they would rate the knowledge of their financial intermediary as average. The other 85.7% said they rated the knowledge as excellent or very good. The theme that was used the most in this section was excellent knowledge and very good knowledge. The results indicate that the bulk of financial intermediaries would rate highly on knowledge among consumers. This can be the reason for the positive feedback regarding life insurance.

3.4.2 Initial contact with life insurance and influence of parents

The questions also formed part of section 2 and the researcher tried to uncover when the initial contact with life insurance products had been. This was done to explore the primary research objective as well as one of the secondary objectives namely

- Does the influence of your parents determine your stance on the life insurance industry in South Africa?

Only interviewee 4 indicated that her parents did not have any life insurance products and therefore they could not encourage or discourage her to take up any life insurance products. She responded by saying “Shame they were illiterate and did not know about the products” (Interviewee 4, 2017). The other respondents or rather 92.8% of the interviewees indicated that their parents did or still had life insurance products. Interviewees 1, 5, 6, 7, 8, 9, 10, 13 and 14 all said that their parents encouraged them to take up life insurance products. The most prominent theme from this section was that they encouraged them to make provision for their dependants and to ensure that they could retire one day. None of the interviewees indicated that their parents discouraged them from taking up life insurance products. They rather indicated that their parents were neutral on this subject. Interviewee 3 said “they never advised me on this matter” (Interviewee 3, 2017).

What is worth noting is that even though 92.8% of the respondents’ parents had or still have life insurance products and the bulk of their parents, 64.2% of them,
encouraged them to take up life insurance products, only 35.8% of respondents had heard of life insurance in their childhood years. This is an indication that parents did not generally discuss this matter with their children. This can be attributed to the fact that they might feel the children are too young to fully grasp the concept of life insurance. Four of the interviewees had heard of life insurance for the first time when they started working and four had heard of life insurance whilst attending university.

Table 3.7 When interviewees heard of life insurance versus if their parents encouraged or discouraged them

<table>
<thead>
<tr>
<th></th>
<th>Encouraged</th>
<th>Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a child</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>At work</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>At university</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Applying for bond</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Own compilation (2017)

Interviewee 9 responded that he felt the reasons for his parents to encourage him to take up life insurance were because “They probably had to deal with someone who did not have life insurance and saw the negative impact of it” (Interviewee 7, 2017). Interviewee 9 was encouraged by his parents to invest in life insurance products but still they weren’t the first people to introduce him to the world of life insurance. His first contact with life insurance products was when he started working as an articled clerk at an attorney practice.

From the data analysed it was clear that the interviewees whose parents had told them about life insurance products whilst they were still children in their homes, rated
their financial intermediaries’ knowledge either as very good, very high level or excellent. Interviewee 14 had built up knowledge of the advice that financial advisors gave from a young age. She answered with “I could remember the financial advisor visiting my parents regularly as a child and I listened how they talked” (Interviewee 14, 2017). This enabled her to seek out the best possible advice and she could say with confidence that she rated her financial intermediary’s knowledge as “very good” (Interviewee 14, 2017).

3.4.3 The effect of people close to you benefiting/ not benefiting from life insurance products

To start off this question and the impact it had on the respondents if someone they know benefitted from life insurance or when someone did not benefit from life insurance, the study had to look at how many respondents were aware of such cases. Twelve of the 14 interviewees, or rather 85.7%, said that they knew someone close to them or their dependants who had benefitted from life insurance products. Interviewee 1 indicated that she herself benefitted from life insurance products when her husband passed away. On the other hand she also saw the downside of someone not having life insurance products. “When my father passed away he did not have any life cover and now it is impacting my mother negatively” (Interviewee 1, 2017).
Table 3.8 Do you know someone that benefitted from life insurance products?

<table>
<thead>
<tr>
<th>Did you know someone that benefitted from life insurance products?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
</tr>
</tbody>
</table>

Source: Own compilation (2017)

Three of the 12 respondents who indicated that they knew of someone who had benefitted from life insurance say that this did not change their stance on life insurance. The realisation of the positive effect that life insurance brought to these people’s lives did not change these consumers’ behaviour. Interviewee 6 indicated “no it did not affect me because I already knew the advantages of life insurance products” (Interviewee 6, 2017).

The other 9 interviewees indicated that this was something that affected them. The code that was very prominent with this part of section 2 was “positive influence” and “importance”. Interviewee 8 stated the following: “I definitely realized how your whole life can change in an instant. After my friend got ill, I gained new appreciation for that “debit order” that pays my income protection benefit every month” (Interviewee 8, 2017). These respondents will certainly make good advocates for the industry as they answered the question very assertively. They were very adamant that by knowing someone who had benefitted from life insurance they had a more positive outlook on life insurance products and the importance of it.
3.5 CURRENT FINANCIAL INSURANCE PORTFOLIO

In section 2 of the interview the study established that all the interviewees had at some point in their lives experienced financial advice. The researcher further established how the respondents first made contact with the life insurance industry and what role their parents had played in this initial contact and in the overall feel towards the industry and its products and services. The third section of the interview was fixated on the financial portfolio that the respondents held. The reason behind the third section was to see whether the factors and influences in section 2 might have had a contribution to the consumers’ behaviour in regards to the life insurance industry.

3.5.1 What the current portfolio looks like

All the respondents indicated in section 1 that they had received financial advice and 92.4%, or rather 13 of the respondents indicated that they held life insurance products. A life insurance product can be any risk cover product which includes life cover, disability cover and dread disease cover or a savings/investment product or retirement products. Nine of the 13 interviewees who had life insurance products regarded their financial portfolio as being complete. The prominent theme identified with those that did not have a complete portfolio was financial position. Interviewee 9 responded with “I will amend my portfolio when I am financially capable to do it.” (Interviewee 7, 2017). Interviewee 2 indicated that he did not have any specific reason for having an incomplete portfolio. The 1 respondent that does not have any life insurance products said “I will take up products when I have dependents and when I am older” (Interviewee 5, 2017). This interviewee indicated that his parents did have life insurance products and that they also encouraged him to take up products.
The most prominent life insurance company from which the respondents had products was Sanlam and then Liberty Life. Nine of the 13 interviewees who had life insurance products, only had products from one life insurance company in their portfolios. This can be an indication that consumers trust the intermediary rather than trusting the company itself seeing that they held all their products with one intermediary and move it around with that intermediary. The average age when the interviewees took out a life insurance product for the first time was age 25.7. The reason associated for taking out policies with different companies varied with all four the interviewees. Interviewee 3 has products at different companies in order to satisfy his need. “My broker recommended the products as each company has unique offerings which will satisfy my need” (Interviewee 3, 2017).

Four interviewees who already had complete portfolios indicated that they would take up more products. All of the interviewees, namely four of them, who did not have a complete portfolio also indicated that they would take up more life insurance products. When exploring the need that had been identified when they took out the products, three central themes stood out:
• Retirement provision
• Income protection
• Provision for dependants

The general reason why the respondents kept the products active was because the need that had initially been identified was still a need to them. Interviewee 6 had another answer, viz. “the products promised a good return and therefore I still keep them active” (Interviewee 6, 2017). Once the intermediary gave good advice and identified a lasting and valid need, the consumers would add value to their products and know the importance thereof. This can lead to higher retention rates on products at life insurance companies.

3.5.2 Cancellation and declining of products

50% of the interviewees, or rather 7 of the 14 indicated that they have cancelled a financial product at some point in their life. The theme identified in this part of the section was very diverse. Interviewee 3 and interviewee 7 indicated that they had sold a property and therefore did not deem the cover necessary anymore seeing that the bond on the property had been cancelled. Two of the interviewees, interviewee 4 and 6, cancelled the life insurance product with a reason relating to the financial intermediary. Interviewee 4 said the reason for cancelling the product was “I was not explained what the product was and the value of the product” (Interviewee 4, 2017). Other themes identified were that the respondent had lost his job or that the respondent had to access his money due to him buying a product.

Twelve of the 14 interviewees indicated that they had declined a life insurance product offered to them. Three prominent themes were identified in this part of the section:

• Telemarketers
• No need was identified
• Already had the product

As seen earlier, the consumers tend to keep products when a need was identified by the intermediary.
3.5.3 Expectations of financial products

As established earlier, 13 of the respondents did have life insurance products. Of these 13 interviewees, 12 felt that their life insurance products did meet their expectations. The one respondent answered “I don’t know yet. I have not had to claim yet” (Interviewee 11, 2017).

From the third section of the interview it was evident that the consumers haven’t had a bad experience with a life insurance company or any financial intermediary. The most prominent themes from this section were:

- Retirement provision
- Need identified
- Complete portfolio
- Financial obligations

3.6 INFLUENCERS REGARDING FINANCIAL PRODUCTS AND SERVICES

Section 4 of the interview concentrated on the influencers the interviewees had when it comes to their financial services portfolio. Focus was placed on whether they had a discussion with someone prior to them making a decision and what their relationship with this person was like. These open-ended questions can give a lot of insight into how perceptions and opinions are formed toward the life insurance industry and if this has an impact on the consumers’ behaviour.

3.6.1 Discussions before decision-making

When asked the question whether the interviewees had had a discussion with someone before they made a decision to purchase or decline a life insurance product, all 14 respondents indicated that they had discussed this matter with someone. The theme that was the most prominent with whom they discussed it was either their financial advisor or their spouse. The theme “financial advisor” was used nine times in comparison to the theme “spouse” being used five times. Some of the other notable responses included that they had discussed the matter with their
parents or their friends. Interviewee 8 indicated that she discussed these types of decisions with other professionals who also had the same products as she did. “I discuss it with fellow young professionals who also use PPS for their life insurance” (Interviewee 8, 2017).

From all of the interviewees, only interviewee 3 indicated that the opinion of someone in his circle of influence did not matter to him. The other 13 interviewees felt strongly that the opinion from someone in their circle of influence regarding life insurance products mattered to them.

Table 3.10 Does the opinion of someone in your circle of influence matter to you?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Responses</td>
<td>13</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Own compilation (2017)

3.6.2 Relationship and perception of persons life insurance portfolio

The next few questions delved into the type of relationship the interviewees had with the people they had this discussion with. When asking this question the most frequent reply was very good, good or excellent. The code that occurred most in this part of the section was excellent relationship, good relationship and very good relationship. The interviewees were asked what they perceived the life insurance
portfolio of this person would look like. Eleven of the interviewees' answers were assigned to a positive theme. Only one of them perceived the person to have a bad portfolio. “Not good, shame he has a low income” (Interviewee 4, 2017). The other two interviewees said that they were not sure and had not thought how this person’s life insurance portfolio would look.

3.6.3 Antecedents that determined the interviewees behaviour

This question relates to the primary objective of the study. All of the interviewees were asked this question and 57% of them believed that there were antecedents that influenced their behaviour towards the life insurance industry and its products and services. The theme that was used frequently was “parents passing away”. In some cases it was the interviewees’ own parents and in some cases it was when a friend of the interviewee lost a parent and the interviewee could see what difference life made or could have made. Interviewee 1 answered the question with “my dad did not make enough provision for my mother and now I see the consequences of this with her using her capital to survive” (Interviewee 1, 2017). Interviewee 11 responded to the question by saying “my friend’s father passed away and I saw how life insurance helped their family to stay financially stable. My dad also took out policies too late in his life and now he struggles to retire” (Interviewee 11, 2017)

3.7 CONCLUSION

A conclusion of the study will be done in the next chapter. Not only were codes created when analysing data collected through a qualitative method but the researcher also did word counting. From all the data transcribed the word that was used the most was retirement. This is evident as it was present when parents encouraged the interviewees to take up life insurance products, when their needs had been established and when they were asked why they still kept the products active. This is illustrated in a word cloud in table 3.11 below.
3.8 CHAPTER SUMMARY

This chapter focused on three matters:

- The chapter presented the research method adopted by the study.
- The chapter focussed on the collection and analysis of the data collected through the interviews.
- Findings were reported and briefly discussed.

The reasoning behind the chosen approach of collecting data, namely qualitative approach, was justified by the nature of the study examination. Chapter 1 outlined the purpose of the study and the importance to explore antecedents in the South African life insurance industry. Chapter 2 reviewed relevant literature to support the primary and secondary objectives. Out of this literature a questionnaire was created.
The chapter started off with the research methodology of the study. The method of data collection, instruments and population of study were discussed in more depth. In this chapter empirical research was done to investigate the primary and secondary objectives. The data collected was analysed by means of codes/themes. Data was interpreted in an objective manner by the researcher. The data and most prominent codes/themes were discussed in this chapter. In this chapter some of the interviewees were directly quoted.

Firstly the biographical information of all the interviewees was discussed. A table was compiled with all the biographical information of the interviewees to give the reader a better understanding of who the different interviewees are. The second section dealt with the financial services history that each interviewee had. The next part delved into their current and historical financial products. The last section of the empirical study reported on the influencers that these interviewees have had throughout their lives regarding financial advice.
CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The primary objective of the study has been to explore the antecedents that determine consumer behaviour within the South African life insurance industry. Chapter 4 is the final chapter of the study and addresses results from the empirical study and findings from the literature study. Recommendations will be made to companies within the South African life insurance to help them in predicting consumer behaviour and to satisfy the needs of these consumers. Finally recommendations will be made for future studies in the life insurance industry.

4.2 VALIDITY

The questionnaire was piloted among senior and junior financial planner and also members of the general public. The feedback they gave the researcher was used to finalize the interview guide. The researcher established beforehand that the duration of the interviews would be approximately 10 – 15 minutes. The data was collected by means of semi-structured interviews that were recorded, notes taken and data transcribed afterwards. Once this had been completed the data was imported to Atlas.ti where it could be coded and analysed. All the data collected for the study is available upon request. Language and technical editing were performed by a qualified editor, Prof Annette Combrink.

4.2.1 Saturation

The concept used for sample size in qualitative studies is “saturation”. Saturation and information power is closely related to one another (Malterud, et al., 2015). There exist a few factors that have an influence on the power of information gathered.

This study was broad and therefore more interviews were conducted than what would have been the case with a study that has a narrow focus. The amount of people that has knowledge on the subject is dense as opposed to a sparse population. In the case of this study, there is existing established theory. The established theory is not that extensive, but it is adequate to form a foundation for conclusions. This helped to
decrease the number of interviews required. The dialogue between the researcher and interviewee was strong and the power of information was of a high quality. Therefore fewer interviews were required. The researcher, being a provincial manager in the life insurance industry, has extensive knowledge of the industry in which the study is focussed (Malterud, et al., 2015).

Saturation occurs when the researcher no longer receives new information from the interviewees that adds to the current theory. A pattern in the information gathered was becoming evident as the interviews of the study progressed. Rich and thick data was acquired from all the interviewees. From interviewee 10 onwards no additional information to add to the theory developed was obtained. The study only required 14 interviewees due to the fact that saturation occurred.

4.3 DISCUSSION OF THE MAIN FINDINGS OF THE STUDY

The empirical study and analysis done in chapter 3 were used as the source for conclusions in chapter 4. Conclusions were discussed in line with data obtained from biographical information, financial services background information, current financial portfolio and influencers that interviewees have with regards to the life insurance industry. Recommendations were made on how to treat consumers within the South African life insurance industry and what antecedents to look out for and how to act on them. The primary objective and secondary objectives of the study were evaluated and recommendations were made on antecedents that determine consumer behaviour. Furthermore, future research suggestions were given.

4.3.1 Biographical information

Section 1 of the interview guide comprised questions pertaining to biographical information. This section comprised elements such as gender, age, income, work sector and highest qualification. From this information the following conclusions were drawn:

- Gender responses were based only on two categories, namely male and female. From the respondents 50% of them were male and 50% were female. This made for a good and fair balance in gender.
• Out of the 14 interviewees most of them came from the age group 20 – 29. 35.7% of the respondents came from this group. This was followed by 28.6% from the 50-59 age group. 21.4% of the interviewees from 30-39 and 14.3% from 40-49 years of age.

• 28.6% of the interviewees came respectively from the R10 000+, R25 000+ and R60 000+ bracket. 14.2% of the respondents came from R40 000+ per month bracket.

• The work sector was very diverse. The most interviewees came from education at 21.4%, followed by Accountancy, Financial Industry and Medical sector with 14.3% each. Hospitality, Motor Vehicle Industry, Legal Sector, Business Owners and Retired people all came in at 7.1%.

• All the interviewees had at least Matric. 42.9% of the respondents indicated an honours degree as their highest qualification, followed by 21.4% bachelor degrees, 14.3% master’s degrees and 7.1% N6, Matric and post-graduate diploma respectively.

92.8% of the interviewees had a life insurance portfolio, of which nine of them were complete portfolios. The conclusion from the empirical study can be drawn that the biographical information of the consumer does not play such a big role. A correlation between having an incomplete portfolio and age group could be drawn. 4 of the 5 respondents that does not have a complete portfolio or a life insurance product are from the 20-29 age group.

4.3.2 Financial services background

The second section focussed on the experience, perceptions and initial contact that the interviewees had had with life insurance product. This section comprised 13 open-ended questions. 100% of the interviewees indicated that they had received financial advice at some stage. This second section was done to explore whether factors and antecedents from the early years of the consumer contributed in their behaviour towards the South African life insurance industry.
4.3.2.1 Perception of the industry and experience with the industry

The overall perception and experience regarding life insurance of the interviewees were very positive. It is clear from the empirical study that when someone had received a payment from a life insurance company or knew of someone who had benefitted in any way, they tended to be more positive towards the industry.

The role that the financial intermediary plays in the experience with life insurance is critical. The interviewees rated their financial intermediaries’ knowledge as being of a very high standard and they believed that the intermediary played a role in their experience with life insurance products. Interviewees 6 and 14 indicated that they had had a negative initial perception of the industry, but they also indicated that their experience with the industry was good. When the researcher looked at how they rated their financial advisors knowledge they both replied with “very good”. This is an indication that the financial advisor did play a role in their experience with the life insurance industry and changed their perceptions to that of a positive view.

4.3.2.2 Influence of parents and initial contact with the industry

92.8% of the interviewees indicated that their parents did have life insurance products. 64.2% of the interviewees said their parents had encouraged them to take up life insurance products to make provision for retirement and to leave money behind for their dependents. 64.2% of the respondents indicated that they had heard of life insurance for the first time from somewhere other than their parents. 92.8% of the respondents had policies, whether their parents encouraged or discouraged them to take up the products. The 35.8% of interviewees who had been introduced to life insurance by their parents now held complete life insurance portfolios.

It can be said that parents do have a positive influence on the general attitude towards life insurance products. When interviewees were introduced to the industry and its products and services at a young age it seems as if it enabled them to seek out the best possible advice. All of the respondents who had heard of life insurance products as a child rated their financial intermediaries’ knowledge as either very good or excellent.
4.3.2.3 The effect of someone close to you benefitting from life insurance

The response to this question was very valuable to the study. The empirical study indicated that when someone saw, heard of, or knew of someone who had benefitted from a life insurance product it affected them in a positive manner towards the industry. Likewise, if someone they know/knew could have benefitted from a life insurance product but did not have the cover in place, this also affected the interviewees’ stance on life insurance products in a positive manner. Either way the interviewees realised the importance and necessity of having life insurance products.

4.3.3 Financial portfolio

Section 3 of the interview guide consisted of 13 open-ended questions. Themes were identified from the data recorded in order to establish the general portfolio composition of the interviewees. This section also delved into the history and behaviour towards life insurance products per se.

4.3.3.1 Current life insurance portfolio

Out of the 14 interviewees, 13 held a life insurance portfolio. This means that at some stage in their lives a need was discovered in terms of financial planning and satisfaction with a life insurance product. All 14 of the interviewees had at some point received financial advice and then reacted to this advice in either taking up the product or declining the recommended product. 92.8% of the respondents took out a product. They made a knowing and willing decision as to which product they took up and from which company they took the product. The company that was represented the most in the study is Sanlam, followed by Liberty Life.

Nine interviewees indicated that they had a complete life insurance portfolio. The four who had already taken out a portfolio but whose portfolio was incomplete indicated that they would take up more products once they were financially in a better position. The one interviewee without any life insurance products indicated that he did not know of anyone who had ever benefitted from life insurance. He had therefore not seen the benefit of having life insurance and the importance of life insurance had not been highlighted to him. The interviewees with incomplete
portfolios or who did not have any life insurance products tended to be younger of age and between 20-29 years old.

Interviewees who could confidently answer the need that was identified when they took out the product, still kept this product active. This was the central theme in this part of section 3. Once a financial intermediary had done a thorough financial needs analysis and identified a need regarding the consumer’s life insurance portfolio, the consumer valued this product and kept it active after taking it up.

4.3.3.2 Cancellation and declining of products

50% of the interviewees indicated that they had cancelled a product at some point. The reasons for cancellation were very diverse with only two of them pertaining to the financial intermediary. The most prominent code group is that cancellations were due to some or other financial reason.

Twelve interviewees said that they had declined a product offered to them at some point. The main reason related to a need not being identified. As was seen earlier it is imperative that a need has to be identified before a consumer will respond positively towards the product. Another code used in this section is that the need that the consumer has, has already been satisfied through an existing product in his/her portfolio.

Of the 13 interviewees, 12 felt that their financial products met their expectations. This is an indication, as was seen from section 3 of the empirical study, that there exists a positive attitude towards the South African life insurance industry.

4.3.4 Influencers regarding financial services and products

The fourth section of the interview consisted of six open-ended questions. The questions focussed on the influencers and influences consumers had regarding their life insurance portfolios. This section also posed the question whether the interviewees knew of any antecedents that had influenced their behaviour towards the life insurance industry. This section concluded the interview and focussed specifically on outside influences of individuals that might determine consumer behaviour towards the life insurance industry in South Africa.
4.3.4.1 Discussions before making a financial decision

100% of the interviewees indicated that they did have a discussion with someone before deciding to purchase or decline a life insurance product. Nine of the respondents indicated that they had had a discussion with their financial intermediary. According to the Financial Advisory and Intermediary Services Act (FAIS) this can constitute advice (FSB, 2017). The second prominent theme was that they had had a discussion with their spouses. From the two prominent themes it can be concluded that they had these discussions with someone they trusted and whose opinion and advice were of value to them.

The key theme when asked about their relationship with this person was excellent relationship, good relationship and very good relationship. This is an indication that they only discussed their financial portfolio with someone they had already built up a relationship with. Only one of the interviewees perceived the person with whom he/she had discussed their life insurance portfolio with to be “not good” (Interviewee 4, 2017). This indicates that they did not only discuss it with someone they had a good relationship with, but someone whom they perceived to have a good life insurance portfolio. These people would help them to make an informed decision.

4.3.4.2 Circle of influence and antecedents that determined behaviour

All of the interviewees except for interviewee 3 indicated that the opinion of someone in their circle of influence regarding life insurance mattered to them. Interviewee 3, however, indicated that he did have a discussion with his spouse and financial intermediary before making a decision to purchase or decline a financial product. The response from the interviewees is a clear indication that external social and cultural influences have an effect on their behaviour towards life insurance products.

When asking the interviewees directly if they knew of antecedents that had influenced their behaviour towards the South African life insurance industry, the prominent theme that came up was either their parents passing away or the parents of their friends. The financial impact that the passing of someone, especially the breadwinner, has on a person is big. This influenced the interviewees in a positive manner towards life insurance. As was seen in Section 2 where they knew someone
who had benefitted or could have benefitted from life insurance, this made the
interviewees realise the importance of having the appropriate life insurance products
in place.

4.4 RESEARCH ASSESSMENT

The success of the study is determined by the achievement of the primary and
secondary objectives as identified in Chapter 1 (section 1.3). The primary and
secondary objectives with an assessment of each are discussed below.

4.4.1 Primary objective

The primary objective of the study was to explore antecedents that determine
consumer behaviour in the South African life insurance industry. As was indicated in
Chapter 1 and Chapter 2, the study focussed on the external social and cultural
influences that impact on consumers. Upon completion of the study the primary
objective can essentially be seen to have been reached.

The primary objective was achieved cumulatively through the secondary objectives
as explained below.

4.4.2 Secondary objectives

To be able to address the primary objective, the following secondary objectives had
to be analysed and assessed:

- Does the financial intermediary play a role in the behaviour a consumer has in
terms of the life insurance industry in South Africa?

  Assessment: The financial intermediary plays a critical role. The interviewees
  indicated that the financial intermediary had played a role in their experience
  with the industry. When a financial intermediary identified a need and
  addressed this need with an aligned product, the consumer tended to keep
  the product active.

- Does the influence of your parents determine your stance on the life
  insurance industry in South Africa?
Assessment: Overall parents did encourage consumers to take up life insurance products. However, parents do not generally tell their children about life insurance products at a young age.

- Do people value the opinion of their circle of influence and do they discuss their decisions in terms of life insurance with others?

Assessment: this external factor rates high among consumers. Almost all of the interviewees indicated that the opinion of someone in their circle of influence did matter to them. The interviewees indicated that they did discuss financial product-related matters with someone before deciding to decline or accept the product.

- Did what happened to other people in regards to life insurance play a role in the way consumers behave towards South African life insurance?

Assessment: This has a big effect on how consumers behave towards the South African life insurance industry. Such an event reaffirms the importance of life insurance products. One of the antecedents identified was the lack of provision that consumers had made for their dependents they would now encourage consumers to make provision via life insurance products. Another antecedent was the lack of retirement provision people around them had made and they could see how these consumers struggled.

4.5 RESEARCH SUGGESTIONS

The main objective of the research was to explore the antecedents that determine consumer behaviour in the South African life insurance industry. The study focussed on the influences that external social and cultural factors can have on consumers. Factors such as political, economic, technological, legal, ability to work and environmental issues were ignored. In addition, other limitations as identified in chapter 1 (section 1.5) should also be considered.

Due to the lack of studies done in this field it is recommended that further research be done in the near future for comparison reasons. In the present case it is advised
that caution should be taken when interpreting the findings of the study due to the small population that was used.

4.6 CONCLUSION

The purchase decision-making process that a consumer goes through is very extensive and has a lot of stages. At each stage different influences can sway the consumer to behave in a certain manner. This study looked at the external social and cultural influences that impact on consumers in the South African life insurance industry. The following conclusions based on the findings from the research were made:

- Consumers are largely and most importantly influenced by what happens to the people around them. This indicates an external influence. The reality of a person benefitting from life insurance reaffirms the importance of life insurance products to consumers. Likewise, when someone did not make enough provision for his/her dependents, consumers also realised the importance of having the appropriate life insurance products.

- Consumers discuss their decisions regarding life insurance products with people they trust and people whom they perceive to have a good life insurance portfolio. Word of mouth is an important source of information to consumers, as is the reliability of the source. The opinion of the people in their circle of influence does have an impact on their behaviour in terms of life insurance product. This is also an indication of external influences on the decisions consumers make.

- The financial intermediary plays a critical role in the experience consumers have with the life insurance industry. The more knowledgeable the intermediary, the more positive view the consumer has of the industry. This results in satisfied consumers who keep their products active.

- The view and perception of the South African life insurance industry are positive.
- Even though parents encourage consumers to take up life insurance products, this doesn't play as big a role as had initially been expected by the researcher.

- Once a concrete need has been identified among consumers they tend to take up a product to satisfy this need. The identified need is what encourages them to keep their products active.

- The two most important reasons identified in the study for taking up life insurance are retirement provision and provision for their dependents.

- The antecedent identified is that interviewees realised that people around them are mostly not in a position to retire with a standard of life commensurate to what they used to. The interviewees indicated that their parents especially encouraged them to make good retirement provision.

- The antecedent related to dependents links with the fact that the interviewees saw how dependents struggled once the breadwinner passed away without making enough provision in the form of life insurance products.

- The opinion and perception of people whom they trust and consult influence their behaviour towards the life insurance industry.

As was identified in Chapter 1 (section 1.2) an antecedent is something that happens before an action or something that is the origin of an action. If life insurance companies can act on these antecedents and how they influence consumers’ behaviour towards the South African life insurance industry, the consumer, the company and industry will all benefit. A satisfied consumer who has adequate life insurance products in place will be a good advocate of the company he deals with. This in turn will give the South African life insurance industry a good name, an industry in which consumers can put its trust.

Although parents do encourage their children to take up life insurance products, the initial contact that consumers have with the industry is through a financial intermediary. The intermediary plays an integral role in how the consumer experiences the industry. Companies have to upskill their intermediaries and make sure their knowledge is of a high level (Le Roux, 2017).
What happens to the people around consumers who play a big role in how they act towards life insurance products? This is identified as the most prominent antecedent – the fear of not leaving behind enough financial help for dependents and the fear of not making enough retirement provision.

4.7 SUMMARY

Chapter 4 presented the findings and conclusions of the empirical research conducted in Chapter 3. The findings and conclusions were analysed based on the information gathered from the four sections of the interview guide, namely biographical information, financial services background, financial portfolio and influencers regarding the South African life insurance industry. An assessment for the research was done using the primary and secondary objectives. The four secondary objectives were assessed to check whether the primary objective of the study had been achieved. All four of the secondary objectives were achieved. Finally, suggestions for further research were provided.
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ANNEXURE A: INTERVIEW GUIDE

Name:

Date:

1. Demographics of candidate
   • Gender
   • Age
   • Income per month: 10 000+  25 000+  40 000+  60 000+
   • Work sector
   • Highest qualification

2. Financial services background
   • Have you encountered financial advice in your life?
   __________________________________________________________
   • What was your first perception on life insurance products?
   __________________________________________________________
   • What is your experience with life insurance products like?
   __________________________________________________________
   • Did the financial intermediary play a role in your experience?
   __________________________________________________________
   • How do you rate your financial advisors’ knowledge?
   __________________________________________________________
• When was the first time that you heard of life insurance products?

• How did you hear about life insurance products?

• Did/do your parents have life insurance products?

• Do your parents encourage or discourage you to take up life insurance products?

• Why do they discourage/encourage you to take up these products?

• Has anyone close to you/ their dependents ever benefitted from any life insurance products?

• If not- do you know of anyone close to you/ or their dependents that would have benefitted from life insurance?

• Did the above 2 questions affect your stance on life insurance products?

3. Current financial services portfolio

• Do you have any products from a financial insurance provider?
• If yes – specify these products and from which Insurance Company they are?

• If more than one company in portfolio- why?

• When did you first take up a life insurance product?

• If not a complete portfolio, why did you only take up these products? A complete portfolio is Life cover, Disability cover, dread disease cover, savings product and retirement products.

• Do you intend on taking up more products?

• What need was identified when taking up this product/s?

• Why do you still keep this product/s active?

• Have you ever cancelled a life insurance product?

• If yes- why did you cancel it?

• Have you ever declined a life insurance product?
• If yes – why did you decline it?

• Do your financial products meet your expectations?

4. **Your influencers regarding financial services and products**

• Do you have a discussion with someone/group of people before making a decision to purchase/decline a life insurance product?

• If yes- with who do you discuss it?

• What is your relationship like with this person?

• How do you perceive this person’s life insurance portfolio?

• Does the opinion of someone in your circle of influence regarding life insurance products matter to you

• Are there any antecedents that influenced your behaviour towards South African Life Insurance products – any experience that you had, heard of or know of?
ANNEXURE B: LANGUAGE EDITING DECLARATION

Declaration

This is to declare that Prof. Annette L Combrink, accredited language editor and translator of the South African Translators’ Institute, have language-edited the mini-dissertation

by

LJ Kruger (28204239)

with the title

Exploring antecedents of consumer behaviour within the South African life insurance industry

Prof Annette L Combrink
Accredited translator and language editor
South African Translators’ Institute
Membership No. 1000356
Date: 15 November 2017
ANNEXURE C: FIELDNOTES EXAMPLE

Notes on interview 3

Name: [Redacted]
Date: 27/07/2017

1. Demographics of candidate
   - Gender: Male
   - Age: 49
   - Income per month: 10,000+ 25,000+ 40,000+ 80,000+
   - Work sector: Hospitality

2. Financial services background
   - Have you encountered financial advice in your life? Yes
   - What is your first perception on life insurance products? Neutral - did not really have a perception
   - What is your experience with life insurance products like? Not good or had no necessity that you never buy
   - Did the financial intermediary play a role in your experience? No
   - How do you rate your financial advisor's knowledge? Very bad
   - When was the first time that you heard of life insurance products? School - still a child in parents home
   - How did you hear about life insurance products? Family, acquaintances, friends, household, father probably had
   - Did your parents have life insurance products? Yes
   - Do your parents encourage or discourage you to take up life insurance products? Never advised us.
   - Why do they discourage/encourage you to take up these products? Not applicable (not encouraged or discouraged by them)
• Has anyone close to you or their dependents ever benefited from any life insurance products?
  Answer: Not that I know of. (Probably)

• If not, do you know of anyone close to you or their dependents that would have benefited from life insurance?
  Answer: Yes - I think my husband or law - when his parent passed

• Did the above 2 questions affect your stance on life insurance products?
  Answer: No.

3. Current financial services portfolio

• Do you have any products from a financial insurance provider?
  Answer: Yes.

• If yes - specify these products and from which insurance company they are?
  Answer: RA - momentum/Cheng, Life cover - Momentum

• If more than one company in portfolio - why?
  Answer: Satisfaction - need.

• When did you first take up a life insurance product?
  Answer: Bought my first house - 1994. - 2.6

• If not a complete portfolio, why did you only take up these products? A complete portfolio is Life cover, Disability cover, dread disease cover, savings product and investment products.
  Answer: N/A.

• Do you intend on taking up more products?
  Answer: N/A.

• What need was identified when taking up this product's?
  Answer: Retirement provision - not necessary - should depend on age.

• Why do you still keep this product's active?
  Answer: Regrettable - liked at the time. Retirement, debt, dependency.

• Have you ever cancelled a life insurance product?
  Answer: Not yet.
• If yes - why did you cancel it?
  
  No need for property that was sold.

• Have you ever declined a life insurance product?
  
  Not sure - Yes.

• If yes - why did you decline it?
  
  No need.

• Do your financial products meet your expectations?
  
  Yes, no reason to mention complain.

4. Your influencers regarding financial services and products

• Do you have a discussion with someone/group of people before making a decision to purchase/decline a life insurance product?
  
  Yes with my broker and wife.

• If yes - with who do you discuss it?
  
  Broker + wife.

• What is your relationship like with this person?
  
  Very Good - especially wife.

• How do you perceive this person’s life insurance portfolio?
  
  B+ / Good \[4/5\] or Good (because I pay it)

• Does the opinion of someone in your circle of influence regarding life insurance products matter to you?
  
  No.

• Are there any antecedents that influenced your behavior towards South African Life Insurance products – any experience that you had, heard of or know of?
  
  No real antecedents. Nobody really influenced me, formed own opinion.