FACTORS INFLUENCING CONSUMER CHOICE IN THE MEDICAL INSURANCE INDUSTRY

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DECLARATION

This research has not been previously accepted and is not being currently submitted in candidature for any degree.

Signed .....

Date 25/07/2003

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I thank all the members of my family who were patient and supportive of me during my studies. I further wish to acknowledge the support and motivation that I received from my fellow group members. A special acknowledgement must be made to my supervisor, Prof. Elsa Thompson for her motivation and guidance through the research process.

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ABSTRACT

Background

The medical schemes industry has been characterised by extreme uncertainty in recent times. Industry turbulence can be attributed to a number of factors that have impacted on the manner in which business is conducted. Amongst these the most significant is the change in legislation that has occurred in the laws governing the administration of medical schemes. The industry is characterised by an increasing number of schemes competing for a finite number of profitable customers. In light of these changes, it was thought prudent to investigate the consumer behaviour characteristics surrounding this industry.

Objectives

The objective of the study was to determine the factors that influence consumers to choose particular medical schemes over others. To this end it was hypothesised that four factors, namely price, benefits offered, ancillary benefits and broker influence played significant role in the decision making process of consumers.

Methods

Data was collected using a research questionnaire. This questionnaire was issued to respondents who had recently purchased, or attempted to purchase medical cover. Contact was made with the respondents via a snowball sampling method, using insurance brokers as points of contact. The questionnaire was composed of a mixture of open ended, dichotomous and disconfirmation scale type questions.

Results

Of the four factors that were hypothesised to significantly influence consumers in their choice of medical schemes, it was found that two were proved correct. These being, the benefits offered and the price of the offering respectively. The third hypothesis, the effect of an ancillary benefits programme was found to influence the consumer in their choice, however respondents did not regard the programmes as vital. They did however indicate that they tried to purchase cover that included an ancillary benefits programme. The final hypothesis was disproved as it was found that consumers did not always follow the recommendations of the broker in choosing a

medical scheme. They were however found to consult extensively with various brokers regarding the types of cover that are available. the final choice between medical schemes were however made by the consumer in dependently of the brokers influence.

Conclusion

It is recommended that further research be conducted to ensure that consumer needs harmonize with the medical schemes product offerings. The importance of the various factors that compromise the purchasing process should be measured against each other to determine the importance that consumers place on a specific factor. This prevents medical schemes from placing emphasis on unwanted product features and thereby wasting valuable resources. Further investigation into the topic should encompass all aspects that are deemed relevant, as well as a cross tabulation between the variable factors influencing consumer choice and consumers demographic information. This would further aid the organisations to firstly create more efficient market segments, and secondly to more effectively match product offerings with the given segments.

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CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

The medical schemes industry has been characterised by extreme uncertainty in recent times. Industry turbulence can be attributed to a number of factors that have impacted on the manner in which business is conducted. Amongst these the most significant is the change in legislation that has occurred in the laws governing the administration of medical schemes. These changes have transformed medical schemes into what the government envisages as the primary manner to provide health care to the large number of permanently employed individuals.

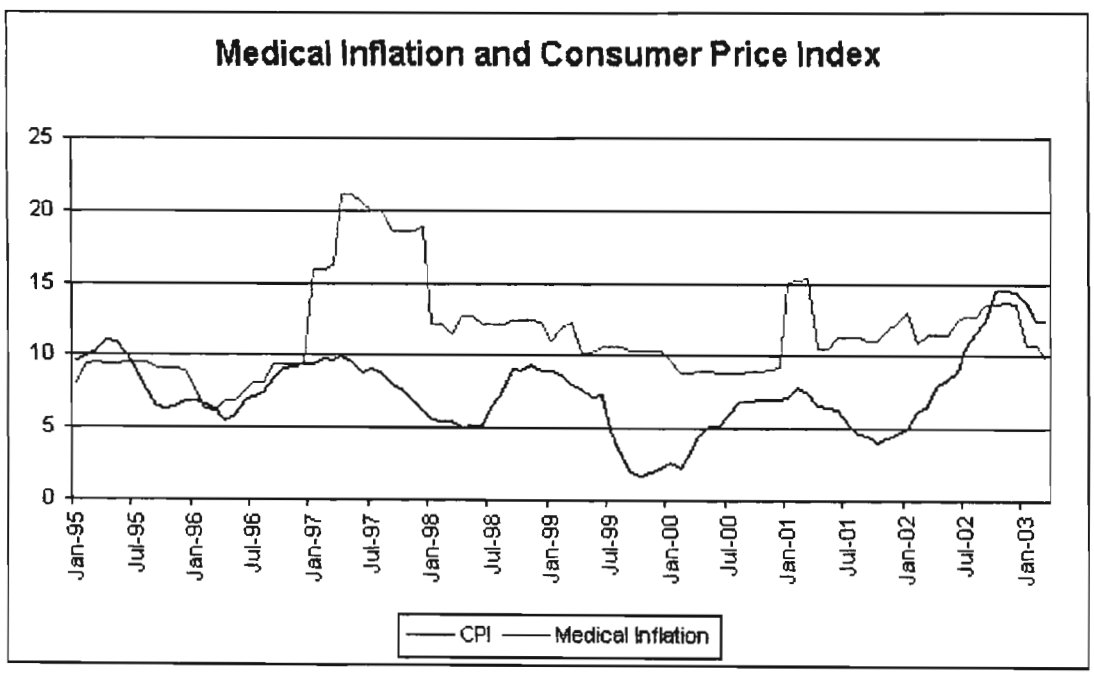
Other important influencing factors are an abundance of new schemes on offer as well as varying degrees of cover. Modern consumers are generally better informed, than ever before, this due to their high exposure to the media and increased social interactions. The Internet has also created a new vast reference source for consumers that allow them to make educated decisions on the purchasing of products that they find personally relevant. Rogoski (2003:40) reiterates this point by stating, "Consumerism is a significant challenge for health plans". He further explains that the consumer now has more choices and a wealth of knowledge that can be gleaned from the Internet, they are therefore able to make a more educated decision, and as a result, the managed care industry needs to accommodate this new generation of healthcare consumers.

The purpose of this study is to determine the impact of key consumer choice factors when consumers evaluate medical schemes with the intent to purchase cover. This to ensure that a clearer picture of the needs and wants of the modern consumer is attained. To this end an attitudinal study is conducted to determine the relevance of selected marketing elements on the average South African consumer. It is thought that these marketing elements carry a greater weighting when consumers evaluate the various schemes that they are confronted with. The validation for the use of these reasons is found in the subsequent chapters related to consumer behaviour and service marketing.

1.2 BACKGROUND

Globally the healthcare industry finds itself in a state of flux as it is affected by economic recession, inflation, new consumer demands and changes in legislation. Medical inflation tends to be higher than the consumer price index and the healthcare industry finds itself constantly challenged to curtail costs while seeking broaden its membership base (Alsfine 2002). Funding of health care is a universal problem that all countries around the world are trying to solve, Shaun Matisonn says. The problems vary from country to country, with the United Kingdom suffering from long waiting lists, while the United States continues to see the cost of private health insurance increasing far in excess of inflation (Internet 1)

Fig 1.1 South African Medical Inflation



Internet 1

The South African government, in an attempt to change the status quo, on the first of February 1998 amended the laws governing medical schemes in South Africa. The amendments came into effect on the first of January 1999. Under this law no person may be denied admittance to a medical aid scheme, although penalties, based on a customers age, may apply for new members (Internet 2).

The changes have been brought about to facilitate the provision of health care to the population. Evidence of this can be seen in the approval, by the former Health Minister Dr Nkosazana Zuma, of a joint venture between Netcare and the trade unions

to establish a private health care provider which spans the country. It was Dr Zuma's view that this new group would be able to provide health care to the emerging market of employed people who currently lack cover. At present, it is estimated by Dr Lizette de Lange: Business Development for Prime Cure, that a market of 10 million employed but medically uninsured people currently reside in South Africa (Watkins 2002). It is hoped by the Minister that the private sector would be able to provide health care services to this and approximately half the SA population (van der Kooy 1997). Further evidence of this is the Social Health Insurance Policy whose objectives are broadly speaking is to provide access for all to high quality health care in a financially sustainable manner (Alsfine 2002).

The large emerging market has lead to the proliferation of health care providers in South Africa, with the number of providers having grown drastically over the past few years. The size of the market currently stands at more than 42 open schemes offering 230 different types of medical cover (Horler 2002). Of these it is estimated that only 24 experienced positive growth in 2001 (Watkins 2002). The fastest growing of these was Resolution Health that grew by 670% in 2001. Their success is attributed to their no-nonsense approach that instils trust in the scheme by the public, as well as, an auxiliary benefit programme that rewards healthy lifestyles by members.

Along with the proliferation of the new schemes, came the opening up of closed schemes to the general public. These schemes, which previously catered for members of certain industries, now offer membership to the general public. The implications of this are that the competitive thrust in the medical schemes industry has changed drastically. It was previously an accepted fact that if you started work in a particular organisation, that you would join the medical scheme of that organisation. Now, with employees having the option to structure their pay packages, group schemes are becoming a thing of the past. Employees now have the option of choosing from a plethora of schemes that are on offer. This significant shift in the industry, will force medical schemes to alter their marketing thrust away from companies and toward the individual consumer.

Blum Khan chief executive of Metropolitan Health Group is of the opinion that the funder has a duty to ensure that members of medical schemes are fully informed of

health care benefits of the scheme option at the time of selection. This is to ensure that there is an upfront understanding of what is and what is not covered in the benefit structure to ensure that the purchaser has realistic expectations (Watkins 2002). This task is made even more difficult when one considers the vast majority of South Africans currently lack experience and knowledge in making informed health care decisions. Employees generally left these decisions to be made by the institution that they were working for. With the changes as mentioned previously, employees find that they are now directly responsible for the type and quality of health insurance that they have.

A joint study conducted by the Board of Healthcare Funders and Alexander Forbes Healthcare consultants found that open enrolment in a voluntary environment, as contained in the Medical schemes act 1998, have contributed to an inherently unstable industry. Contribution increases and benefit reductions are becoming common place in order to counter operating losses in an environment were schemes are expected to build reserves to meet interim statutory solvency targets of 25% by the end of 2002 (Alsfine 2002). Three key performance indicators evidence market failure in the industry. These being: stagnating membership; medical inflation; and an aging population under cover (Alsfine 2002).

Further changes that have affected the industry include, the rising cost of medical cover – caused mostly through the devaluation of the Rand, over servicing by doctors, the growing demand by consumers for the latest high tech treatment and fraud. Changes in legislation have also placed added financial stress on smaller schemes to abide by the new industry laws (Horler 2002). Added to this is the prediction that HIV/ AIDS related costs will account for 40% of total medical schemes costs in ten years (Watkins 2002). The inability of medical schemes to choose their members has lead to a situation in which schemes are now forced to accept members irrespective of their health. With the large number of HIV infection in South Africa, schemes find that their resources are currently being stretched to pay for treatment of its members. The smaller base of healthy individuals, will soon, no longer be able to support the larger group of members who are unhealthy.

Consumers as mentioned previously are faced with increasing premiums that far exceed inflation rates. Contributions to schemes are becoming increasingly unaffordable for members. In sharp contrast, the benefits are declining. People are paying more for less. South Africans seem to be trapped in medical schemes because of fear and because they have become addicted (Internet1).

The results of medical inflation has lead to one of two outcomes, the first being that the consumer "buys down" to lower options and the second more drastic option of leaving the scheme altogether (Alsfine 2002). According to an interview between Jackie Shevel, the chief executive of Network Healthcare Holdings and Vernon Wessels, columnist for the Business report (2002), a new middle-class market had developed that would rather pay cash at private hospitals than rely on public facilities or medical aid schemes. Shevel said there were huge opportunities to grow the private healthcare sector through low-cost medical aid products, but these would need support from the Council for Medical Schemes. This support is as yet not forthcoming from the council, although changes have been proposed.

The result of the above is that the South African health care industry is out of step with the realities this country. This view is supported by Blum Khan: Chief Executive of Metropolitan Health. He further suggests that a healthcare model that balances the need for profit with the delivery of affordable, universal healthcare is overdue (Alsfine 2002).

1.3 IMPROTANCE OF THE STUDY

Reicheld (1996) has stressed that it is cheaper to retain existing clients rather than to pursue new clients. In the South African insurance industry, high levels of churn are a common characteristic. In order to lower churn levels and increase customer loyalty it is imperative to determine, as a first step, the factors that influence customer choice in the medical insurance industry. Du Plessis (1990) states that marketers who understand the behaviour patterns of actual and potential customers will be better able to provide acceptable service packages designed to meet buyer needs. This view is supported by Foxall (1980: 15) who claims that, the success of any firm depends above all on the consumer and what he or she is willing to accept and pay for;

secondly, the firm must be aware of what the market wants well before production commences; and thirdly, consumer wants must be continually monitored and measured so that, through product and market development, the firm keeps ahead of its competitors.

It is envisaged that this study will help to identify key factors that influence consumer choice with regard to medical societies. These factors once established could then be used to help structure the types of medical schemes available, as well as the manner in which they are managed and marketed to consumers. By applying this information it would be possible for companies to increase their customer base and therefore profitability.

1.4 PROBLEM STATEMENT

South Africans consumers are spoilt for choice when confronted with decisions about the management of their health care. There are over 42 schemes, registered with the Registrar of Medical Schemes, which provide approximately 230 different types of cover (Horler 2002). Medical schemes in South Africa therefore need to establish *what the relevant market variables are that motivate consumers to choose a particular scheme over its competitors.* In achieving this, the scheme on offer will be able to increase its long-term success, and profitability.

1.5 RESEARCH OBJECTIVES

The purpose of this research is to determine the factors that influence consumer's choice when choosing between medical schemes. Establishing the key factors is important as it may:

1) Aid the medical schemes to better understand their customers.
2) Structure product offerings to include the attributes that consumers deem as important.
3) Increase customer loyalty with existing customers through improving levels of customer satisfaction.

1.6 RESEARCH QUESTIONS

The aim of the research is to determine the relevance of the

1) Price,
2) Benefits offered,
3) Ancillary benefits offered,
4) Broker influence

on consumers decision making in choosing a medical schemes.

Hypothesis

H1 There is a significant relationship between **price** and consumer choice in medical schemes

H2 There is a significant relationship between **benefits** offered and consumer choice in medical schemes

H3 There is a significant relationship between **ancillary benefits** offered and consumer choice in medical schemes

H4 There is a significant relationship between **broker influence** and consumer choice in medical schemes

1.7 LIMITATIONS

As this is a small-scale study, the sampling frame used is not comprehensive. The sample is limited to the greater Durban area for convenience. For further study, it is advised that a more representative sample be chosen. This will allow for greater extrapolation of the results.

Disconfirmation scales are used in the questionnaire. This type of measure has its limitations. They are susceptible to change in the participant's attitude over time. Due to financial and time constraints, four factors were chosen for evaluation. This is by no means the full gambit of factors influencing consumers' choice. In further research it is recommended that the full range of relevant factors be included in the study to obtain a more comprehensive understanding of the chosen field of research.

1.8 STRUCTURE OF THESIS

Chapter 1: Introduction. This chapter contains the background and motivation for the study, as well as the problem statement, objectives and value of the study

Chapter 2: Literature Review. This chapter contains a review of the literature surrounding the research topic. It lends support as to why the four hypotheses were chosen. The chapter begins with a review of consumer behaviour, focussing on the decision making process and the factors that influence the consumer. The chapter then progresses to cover the intricacies of service marketing of which medical schemes are part off. This then leads to a clearer understanding of the reason for selecting the hypothesis as the most relevant.

Chapter 3: Methods. A description of the research sample, design and methodology compromises part of the chapter. The remainder of which contains the procedures used to collect and analyse the data.

Chapter 4: Results. This chapter compromises the research findings. It includes key issues of the attitudes and perceptions of customers toward the choices that they were faced with in choosing a medical scheme.

Chapter 5: Conclusion. This chapter discusses the research findings. Conclusions are drawn and possible outcomes of the findings and their implications are discussed. Recommendations on how the information gathered can be used to improve the outlook for the medial schemes industry are also given.

1.9 SUMMARY

The changes that the South African health care industry is experiencing are unprecedented in its entire history. Firstly the rules and regulations that govern the industry are changing, this is impart due to the change in the government's position toward the provision of basic services to all. Since the democratisation of the country in 1994 government has striven to provide all South Africans with access to basic health care. The change in stance has placed stress on the public health care sector

resulting in government looking toward the private sector for assistance. This need for assistance has manifested in the changes in the laws that govern the administration of private medical schemes.

The second major force that is determining the future of the industry is that the modern consumer is now more educated and enlightened than ever. Their access to information is almost instantaneous, impart due to the Internet and television and radio. Thus medical schemes find themselves in a position in which they need to balance the legislative requirements imposed on them, and the need to compete fiercely with rival schemes for a consumer that is more educated and aware of their options.

It is hoped that in conducting this study, the information gained can be used to aid the medical schemes industry to better understand their consumers, and ultimately create a more stable and sustained competitive advantage over the competition.

CHAPTER TWO: CONSUMER BEHAVIOUR IN PERSPECTIVE

2.1 INTRODUCTION

The process that consumers embark on in making a purchase decision is extremely complex with many facets to consider. This combined with the added complexities of service marketing, makes the initial approach of this study extensive. However this is overcome by choosing the most relevant factors that influence consumers when selecting between medical schemes. The reason for using this approach is that firstly it is important to understand psychological factors that influence consumer choice in purchasing products. Thereafter these are overlaid against the vital areas of service marketing principles. This then allows for a clearer picture of the relevant factors that influence consumers when purchasing medical cover.

2.2 CONSUMER BEHAVIOUR

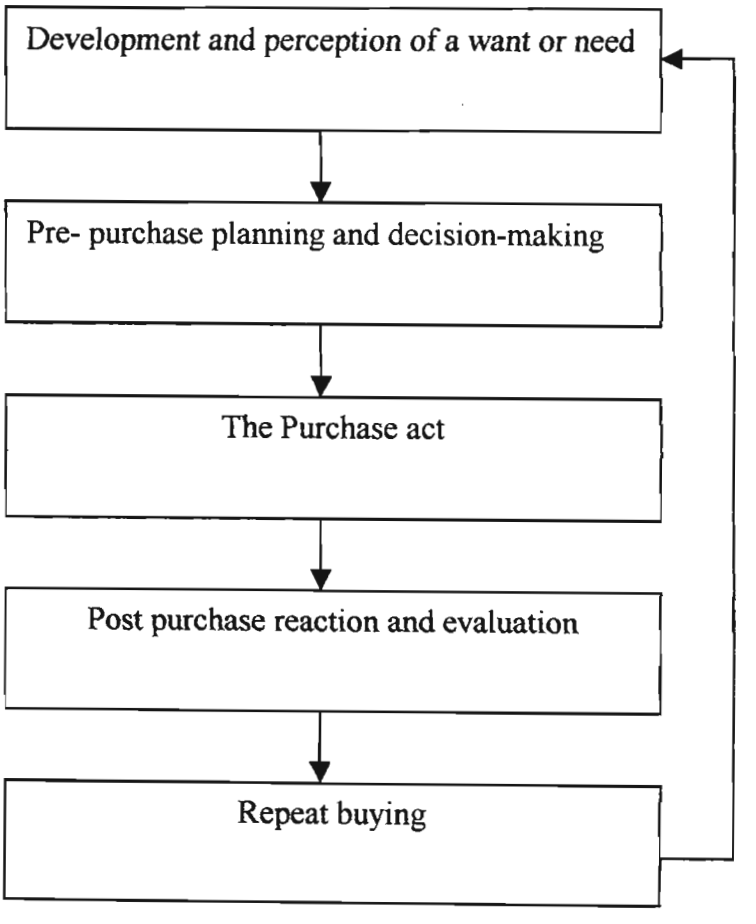
Early in the 20th centaury, marketing efforts revolved around a production orientated philosophy, with activities focussed on the efficient production of the product. Later, emphasis shifted to selling and to developing tactics that would move the most units of the product. The prevailing view today, in contrast to both these eras, is that marketing activities are designed to fulfil consumers' needs. This consumer orientated, market driven approach automatically makes consumer research pivotal within the company (Holer 2002).

The study of consumer behaviour and market research provides critical information to marketing managers for developing marketing strategies and tactics. To effectively market a product or service, marketing managers must first clearly understand consumers' needs and wants. Thus the study of consumer behaviour provides this information and suggests how marketing programmes should be designed (Hoyer 2001). The focus of this section is therefore on the concept of consumer behaviour and its significance to the marketer.

2.2.1 Consumer Behaviour Buying Model

One can currently identify two main facets to the study of consumer behaviour: a micro orientation, which focuses on the individual psychological processes that consumers use to make acquisition, consumption, and disposition decisions, and macro orientation, which focuses on group behaviours and the symbolic nature of consumer behaviour (Hoyer 2001). These two facets influence the consumer's decision-making process. This process manifests itself into a buying behaviour, which Foxall (1980:23) represented as in figure 2.1.

Fig. 2.1 The Buying Process a Basic Representation



Adapted from Foxall: pg23

The model is an attempt to simplify the complex behaviour that people engage in when deciding on what to buy. It serves as a basis from which further elaboration can be made, depending on the prevailing situational factors. The model according to Foxall (1980) follows the following process:

- Development and perception of a want or need

  This stage can be referred to as the growing consciousness of a need. The potential customer becomes aware of a want, which can be satisfied through the marketing system. This stage offers firms the opportunity to innovate by developing products that satisfy gaps in the market. This may be created through advertising or the satisfaction of latent needs.

- Pre- purchase planning and decision-making

  Having grown aware of the need, the consumer then looks for products or services that can satisfy the need. This leads to an appraisal of the alternatives that are available. During this stage the advertising and interpersonal influences are of immense importance. This factor was among the reasons for choosing broker influence as a hypothesis under investigation. The influence of the broker is further discussed under the intricacies of service marketing.

- The Purchase act

  This dimension pertains to the act of making the purchase. Decisions that are faced by the consumer at this stage are amongst others; the manner in which payment will be made, i.e., cash, credit card, etc.; the time and place of the purchase, and buying in store or through mail order. The purchaser can still be influenced to change their decision through situational influences such as people present, point of sale advertising, etc.

- Post purchase reaction and evaluation and the tendency to repurchase

  This stage is critical to the marketing of any organisation. In order for firms to survive they need to create customer loyalty. One of the essential elements for sustained customer loyalty is that customers must be satisfied with the purchase that they make. This is a vital element in trying to influence the customer to progress to the next step, which is repeat buying.

A consumer who becomes aware of a need and goes through the process described above will have their consumption behaviour modified by the micro and macro situational factors as mentioned earlier. These two factors are expanded on in the next section that lists and explains their influence on consumer behaviour.

2.2.2 Consumer Behaviour Models: Micro and Macro Orientation

According to Loudon (1984: 30), models are derived for a variety of reasons, however the purpose of most consumer models is to assist in constructing a theory that guides research on consumer behaviour. This entails:

1. Identifying the relevant variables
2. Indicating their characteristics
3. Specifying their inter relationship.

In writing this section these principles were used to identify similarities between various consumer models and thereafter the relevant variables were chosen and discussed in support of the hypothesis. The models used include those by Hoyer (2001), Foxall (1980), and Loudon (1984). The theories that are proposed by these three authors are, similar in terms of their internal and external influencing factors on consumer behaviour. The scope of this research topic however tends to focus primarily on the internal aspect of consumer behaviour as well as product specifications. This in turn relates to the decision-making process of the consumer. This process is however further elaborated on in the following sections where the micro and macro influences are discussed in conjunction with service marketing principles.

Hoyer (2001) divides the micro and macro influencing factors into the psychological core and the consumer's culture respectively. These two aspects are then further subdivided to include the following:

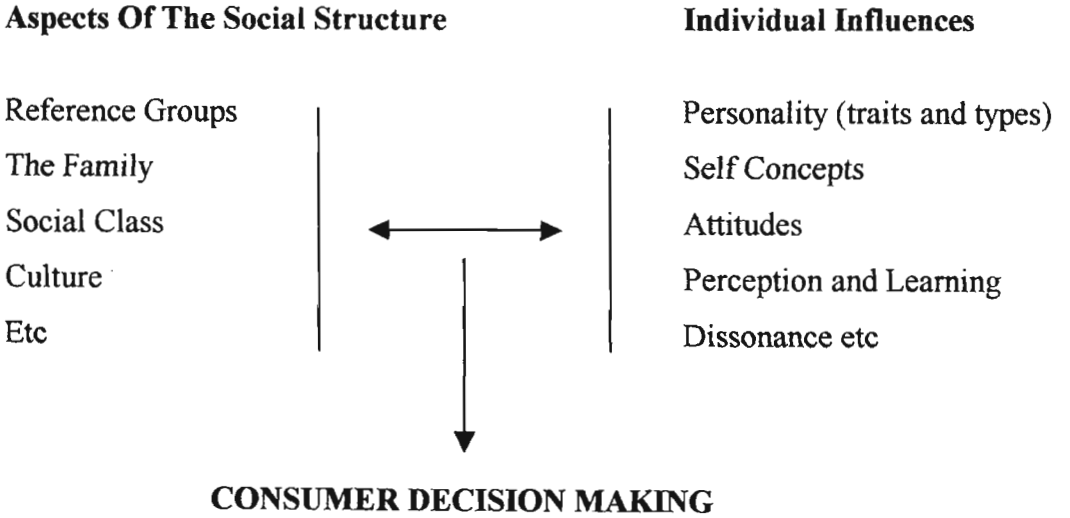
Fig. 2.2 Influencing Factors on Consumer Decision Making

Consumer Culture Influences	**Psychological Core**
-Regional, Ethnic, and Religious	-Motivation, Ability, Opportunity
-Age, Gender and Household	-Exposure, Attention, Perception
-Psychographics, Values, Personality and Life Style	-Knowing and understanding
	-Attitude formation
-Social Class	-Memory and Retrieval
-Social	

Adapted from Hoyer 2002

Foxall's (1980) model, although very similar defines his model as follows:

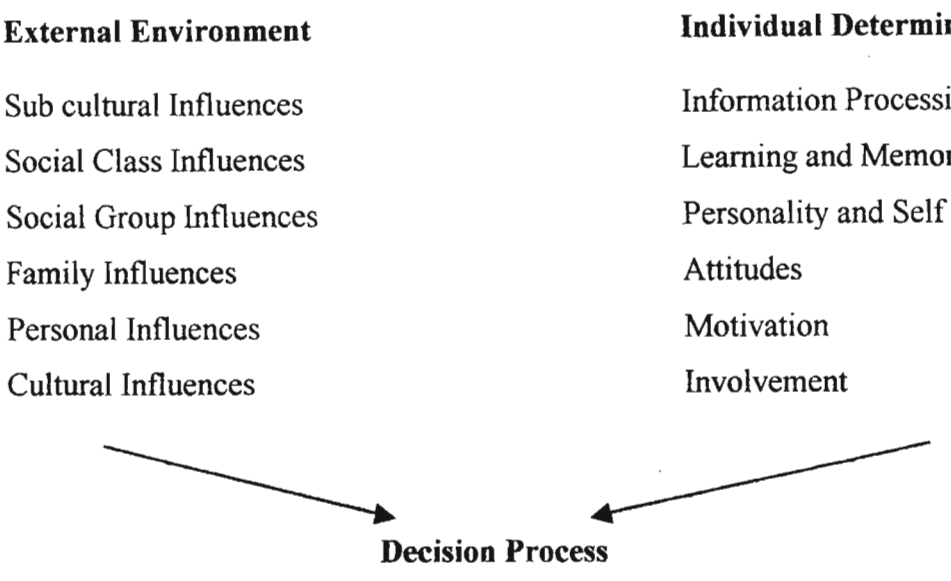
Fig 2.3 Foxall's Model of Consumer Decision Making



Adapted from Foxall pg. 19

The third model used to define the influencing factors on consumer behaviour is that of Loudon (1984). Loudon's model can be simplified into the following influencing factors:

Fig. 2.4 Loudon's Simplified Model of Factors Influencing the Decision Making Process



Adapted From Loudon pg. 40

These three models list the internal and external factors separately. The classification and naming of the factors may differ, but they are inherently very similar. Of the three models the most comprehensive is that presented by Hoyer. In the model the subcategories that are common to all three models are broken down into separate identifiable contributing factors. Psychographics for example are broken into age, gender, and household influence. In the subsequent sections the relevant influencing factors are chosen and elaborated on. Their association to the topic under investigation is also examined.

The full gambit of influencing factors could not be investigated due to the scope and scale of the study. Instead however the most relevant factors of those listed above are investigated in conjunction with their influence on consumer choice in medical schemes.

2.2.3 The Process Of Making Decisions

The process of decision making according to Loudon (1984) involves four stages, i.e., problem recognition, information search and evaluation, the purchasing process, and post purchase behaviour. This process is similar to the buying process represented in fig 2.1. However before consumers can make decisions, they must have some source of information upon which their decision can be based. This source is the psychological core (Hoyer 2001). Factors that influence the psychological core are:

- Motivation, ability and opportunity
- Exposure, attention and perception
- Categorising and comprehending information
- Forming and changing attitudes
- Forming and retrieving memories

I. Motivation Ability and Opportunity

Motivation reflects an inner state of arousal that directs the consumer to engage in goal relevant behaviour. Consumers are motivated to do, approach, or think about things that are important and personally relevant to them. It tends to be greater when the consumer sees a goal as personally relevant- i.e. it relates to their needs, values or exhibits a high degree of risk. Even when motivation is high, consumers may not be able to achieve their goal if they lack the opportunity and ability. Ability and opportunity are shaped by factors such as time, money, complexity of information, etc.

II. Exposure, Attention and Perception

In order for a consumer to react to any marketing effort, they firstly need to be exposed to it. Once exposure is achieved, the targeted consumer would then have to pay a degree of attention to the offering. This then leads to the consumer perceiving the offering. Perception is achieved through one or more of the five senses. Consumers may or may not perceive the difference in an offering as compared with a previous, or a competitors offering. This phenomenon is known as the absolute and the differential thresholds. The absolute threshold is the minimum level at which a consumer experiences a sensation. More important to his research however, is the differential threshold. This is the level at which a consumer is able to notice the difference between two stimulus. The relevance of this lies in the comparison between

medical schemes marketing attributes. These include price, product characteristics i.e. benefits offered, ancillary benefits etc. the aim of this research is to determine the role that these attributes play in determining which medical scheme is chosen.

III. Categorising and comprehending information

This refers to the manner in which the consumers apply their knowledge and understanding. Consumers form complex mental structures based on their knowledge of the product being evaluated. They place products that they perceive as similar into categories. These products are then evaluated, and a hierarchy of products within the category are formed. Comprehending of information, or understanding relates to whether the consumer is able to comprehend the message that the marketer is trying to get across. This affects the motivation and ability of the consumer to comprehend or process the information. A complex product offering such as a medical scheme may increase the motivation of the consumer to process information, or alternatively it may decrease the motivation of the consumer and may lead to the consumer using easier sources of information to make the decision. Examples of these sources may include word of mouth, third party influencers or easier to comprehend broker advise.

IV. Forming and changing attitudes

This aspect of consumer behaviour depends on a large extent on the motivation, ability and opportunity (MAO) that the consumer exhibits. When MAO is high, consumers expend a lot of effort in forming an attitude. This results in the consumer exerting a greater effort in processing information. Attitudes can be changed or further entrenched. The credibility of the source, strength of the argument, the ability to present both the positive and negative, as well as the provide comparisons all influence the consumers attitude. These can be used by service agents to influence the choices made by consumers. Fear and emotion can also drive consumers to form attitudes toward products. This is the case in the insurance industry where fear of the undpredictability of future events may increase the motivation of consumers to purchase cover.

V. Forming and retrieving memories

Consumer memory involves three basic types; sensory, short term, and long term. Memories can be changed or enhanced trough the use of various marketing

techniques. The consumers ability to remember and retrieve information, affects decision that the consumer makes in whether to purchase a product or not.

The factors listed above are considered by Hoyer (2001) to be those that compromise the psychological core of a consumer. This core is influenced by the external environment, which is known as the consumer's culture. Factors that compromise the culture are listed above in the models of Foxall (1980), Hoyer (2001), and Loudon (1984). The scope of this study prohibits all of these factors from being investigated. The most relevant of the above factors are chosen and their significance to the topic is investigated.

2.2.4 Supplementary Influencing Factors in Decision Making

I. Problem Recognition

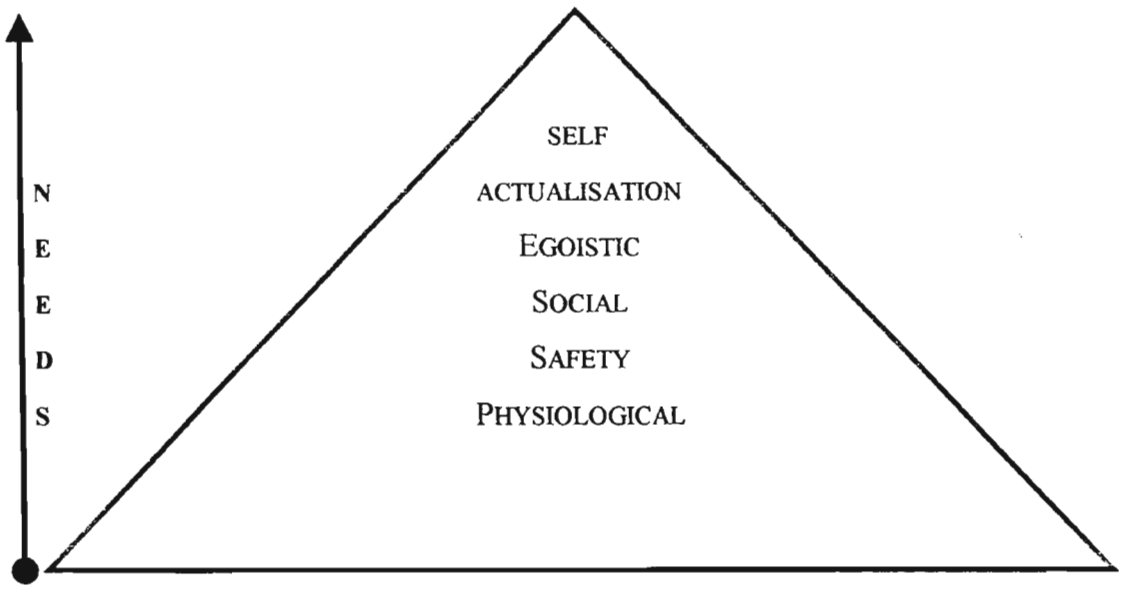
Problem recognition occurs when we realise we have an unfulfilled need (Hoyer 2001). The decision making process is determined by whether the consumer regards the choice to be made as a high effort or a low effort decision. This is important as it affects the motivation, ability and opportunity of the consumer to engage in an information search. If the consumer views the decision as a high effort decision then they are willing to exert a lot of time and mental as well as emotional effort in making it. As such this determines the amount of effort or level of motivation that the consumer has when making the decision. In choosing a medical scheme the consumers perception of the decision to be made is vital as it determines the types of information search that is done. As most consumers regard the purchase of insurance as a grudge purchase, i.e. a purchase that they are compelled to make, some of key factors that influence the choice they make follows the hypothesis as stated earlier: These being: the price, benefits, and ancillary benefits. The fourth hypothesis i.e. broker influence is discussed in the subsequent subsections.

II. Consumer Needs

According to Maslow, 1970, the needs of people can be classified into five categories. These being:

- Physiological – the need for food, water and sleep
- Safety – the need for shelter protection and safety
- Social – the need for affection friendship and acceptance
- Egoistic – the need for prestige, success accomplishment and acceptance
- Self- actualisation – the need for self-fulfilment and enriching experiences

Fig 2.5 Maslows Hierarchy of Needs



Adapted from Maslow 1970

Consumer needs are placed in hierarchical order with physiological needs occurring first, followed by safety, social, egoistic and finally self-actualisation. The theory purports that as people progress through life having fulfilled the most basic need that they then strive to fulfil the next need on the ladder. There is however debate around this point with some quarters claiming that the needs do not follow the specific order and it is possible for consumers to fulfil a higher need before a lower one is fulfilled. In purchasing medical cover consumers are fulfilling a basic need of safety. However with some modern medical schemes it is possible to combine the need for safety with the remaining needs that exist higher up. This is achieved through the use of ancillary benefits programmes. These programs help the consumer to fulfil social and self-

actualisation needs. It is for this reason that it was decided to investigate the relevance of ancillary benefits when choosing a medical scheme. Hoyer (2001) states that marketing communications should be developed so that the offering appears relevant to consumers' needs values and goals. In this way success of the product offering is improved. This provides further justification for the choice of the ancillary benefits programme as a hypothesis, as the services on offer in these programmes strive to match the goals and self-actualisation needs of the consumers.

III. Perceived risk

Perceived risk increases the consumer's motivation to process information. It reflects the extent to which consumers are uncertain about the consequences of buying, using or disposing of an offering (Hoyer 2001). The risk of buying a medical scheme that doesn't cover the basic needs of the consumer in the event of the product being used increases the motivation and effort that the consumers exerts. Due to the uncertainty of future medical emergencies as well as the possibility of becoming seriously ill, consumers generally opt for the highest possible cover. This is however countered by other factors such as price and ancillary benefits offered, both of which are being investigated in this research. According to Hoyer (2001) perceived risk is higher if:

- The offering is considered to have a high price
- Little information is available about the offering
- The offering is new
- The offering is technologically complex
- Fairly substantial quality difference exist
- The consumer has limited experience in evaluating the offering
- The opinion of others is important

When consumers evaluate a scheme several of the above factors are relevant. Their relevance is explained as follows:

- *Price* - According to Horler (2002) the increased premiums that have characterised the industry due to medical inflation far outstripping general inflation in the country has lead to consumers paying ever increasing

premiums for medical schemes, which intern has lead to an increase in the perceived risk for the consumer when deciding on which scheme to choose.

- *Complex offering* - The vast amount of information that is presented to the consumer on the plethora of schemes available also increases the perceived risk as the consumer finds the information complex and difficult to process.

- *Substantial quality differences* - The above fact is compounded by the rapid introduction of many new schemes offering varying degrees of cover at differing prices.

- *Limited experience* - Added to this is the lack of experience that consumers have when choosing between schemes. Consumers generally lack experience in evaluating the many alternate schemes that are available due to the fact that they infrequently change between medical schemes.

It can therefore be concluded that the perceived risk is high and as such the information search and credibility of broker influence is pivotal. This factor is further justified for inclusion in the research when the relevance of service marketing is discussed.

IV. Attitudes

Attitudes are an expression of inner feelings that reflect whether a person is favourably or unfavourably predisposed to a stimulus (Schiffman 1987). Attitudes can be learnt and are dynamic as they change over time. The relevance of this is that consumers consider the purchase of medical cover to be a grudge purchase. This means that they are purchasing it only because they have to. The attitude toward the purchase is therefore negative. It is hypothesised that the ability of marketers to overcome this negativity toward the offering may be enhanced through the use of the ancillary benefits programme. The offering of such programmes to the consumers' adds benefits for which they can attach value, and it is hoped that they therefore change their attitude to a more positive one. This gives then gives the consumer the elusion that they are getting added relevant benefits at no extra cost. The programme

also further aids in distinguishing the core product offering from that of the competitors. This was, in part, motivation to investigate the effect of the ancillary benefits programme on consumer choice.

Other ways to enhance the attitude of the consumers is through the use of well-trained brokers and other support staff. These factors contribute to the building of a differential advantage which du Plessis (1990) argues, makes a company and its service seem unique or a little better than its competitors. This aspect of attitude formation was part motivation for the investigation of broker influence on the decision made by consumers. Further justification of this hypothesis is found in the section pertaining to service marketing.

2.3 SERVICE MARKETING

Service marketing is still a relatively new field of study. The early years of service marketing as an academic discipline (late 19^{th} and early 20^{th} centaury) followed the wisdom that marketing involved physical goods only. This slowly began to change with early research focusing on topics such as: the differences between goods and services, descriptions of the service sector and its importance, the definition of service characteristics, the distinctive nature of marketing channels for services, and how marketing strategy needs too be different for services. This lead to the mid 1980's during which the service sector field became multidisciplinary. The field now included aspects of social psychology research as well as operations and human resource management. The service management process has now become well entrenched as a marketing discipline, with numerous books and journals dedicated to the subject. In most developed countries it is the service sector that offers the highest growth rates and is the largest employer.

The American marketing association defines services as " activities benefits or satisfactions, which are offered for sale or are provided in connection with the sale of goods." Unfortunately it does not discriminate sufficiently between goods and services. Stanton defines services as those separately identifiable, essentially intangible activities which provide want-satisfaction, and which are not necessarily tied to the sale of a product or another service. To produce a service may or may not

require the use of tangible goods. However when such use is required, there is no transfer of title of these tangible goods. Stanton further makes it clear that medical care is included as part of this definition (du Plessis 1990).

Gronroos and Kotler (1999) further clarify the definition, with Gronroos stating, " the service is the object of marketing, i.e. the company is selling the service as the core of its marketing offering". Whilst Kotler (1999) states that "a service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product". What these and other definitions share is their emphasis directly or by implication on the essentially intangible nature of services. This factor makes the marketing of a service unique as compared to the marketing of other products.

2.3.1 The Roles in Decision Making for Service Marketing

A major difference between goods and service purchasing becomes apparent when considering the various roles played in the purchasing cycle. In the tangible goods market five distinct roles have been identified:

- The information gatherer

  This person has the greatest expertise in acquiring and evaluating information from various sources. The information gatherer is most aware of alternative sources of information.
- The influencer

  This person is most likely to influence the manner in which alternative brands are evaluated.
- The decision maker

  Makes the actual buying decision, based on the data provided by the influencer and the information gatherer.
- The purchaser

  This person actually purchases the product. The purchaser may or may not have the discretion of which brand to buy.
- The user

  He or she derives benefits from using the product

Du Plessis (1990) argues that it is possible that the five roles may or may not be fulfilled by different individuals when consumers purchase tangible goods. However it is more likely that in purchasing a service the distinction between the five roles are further blurred. The result being that one or more person may fill multiple roles in the decision making process.

2.3.2 Consumer Needs and the Marketing Task

Services generally compete in a market place that offers more or less similar benefits. Buyers are therefore confronted with a variety of options when attempting the best way to satisfy their needs. It is therefore imperative for service marketers to be aware of these options and to strategise the most effective avenues to pursue. Du Plessis (1990) advocates that the range of features, advantages and benefits that users will derive and the convenience of the service should be stressed. This, in order to ensure that the service being provided stands out from the rest. In the medical schemes industry this is achieved through increased brand awareness, and the use of the ancillary benefits programmes.

2.3.3 Service Needs and Buying Motives

Because of the inherent differences between services and goods, marketers of services face very real and distinctive challengers. These challengers revolve around consumers' needs and expectations of service. With the wide range of options available, service buyers select one supplier over others according to their needs and buying motives (du Plessis 1990). The real growth opportunities for progressive service marketing however are likely to lie in the range of higher order needs. These can be substantiated by Maslow's needs hierarchy (fig. 2.5). Consumers in fulfilling a basic need are able to simultaneously fulfil higher order needs. Consumers are able to fulfil a need for medical cover while simultaneously fulfilling social as well as self-actualisation needs.

2.3.4 Evaluation

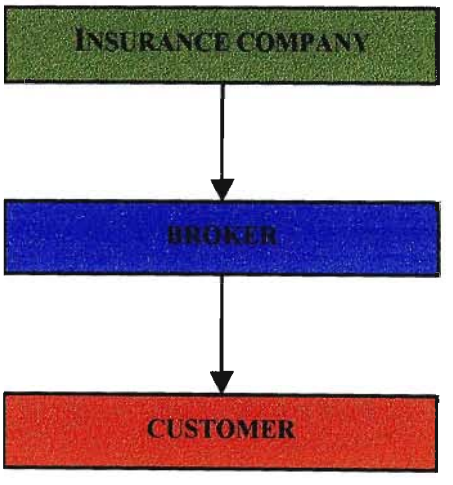
Services by nature are difficult to evaluate. When faced with a lack of physical queues consumers tend to evaluate the service by substituting normal evaluation criteria such as price for quality presuming a higher price is indicative of higher quality. Another way that consumers may overcome the lack of evaluation criteria is by relying on the

experiences of others or by consulting with experts in the field. A third method is to use the peripheral service benefits that are supplementary to the core benefit (du Plesis 1990). The relevance of this to the medical schemes industry is that if the core offering i.e. the scale of benefits are equal then the consumers may use the price of the offering, the influence of the expert source i.e. the broker, and the peripheral service benefits such as the ancillary benefits programme to evaluate the products on offer.

2.3.5 Broker Influence

Service related jobs cover a huge spectrum of positions in both consumer services and business to business services, with knowledge based jobs in particular being very well compensated (Lovelock 2001:20). In human intensive professional services, the composition of the workforce can make or break a company, and the calibre of each employee becomes essential to the organisation's success (du Plessis 1990: 262). The human element is the most important but also the mot difficult to control. According to Baron (1995) insurance companies are classified as remote service providers, i.e. the employee or broker is only present during the sale of the service. This classification is vital to understand in the insurance industry, as representation of the service provider is the broker.

Fig 2.6 Service Relationship



Robertson (1971) claims that personal influence becomes pivotal as product complexity increases. Thus with the increasingly complicated medical policies on

offer the role of the broker becomes more important. Faced with the task of collecting and evaluating experience qualities, consumers may simply select the first acceptable alternative rather than searching through many alternatives. In consumer behaviour terms, the consumers' evoked set of alternatives is smaller with services than with goods (Zeithaml 2000). This is where broker influence plays a major role as the broker advises the clients on the possible schemes available and has a substantial influence over the consumers' choice. It was therefore deemed relevant to include this aspect as part of the research.

Further justification is found in the findings of Bitner (1990) who states that effective management of the service encounter involves understanding the often-complex behaviours of employees that can distinguish a highly satisfactory service encounter from a dissatisfactory one. Baron (1995) further states that in a service context the damage caused by a dissatisfied employee could be far more serious than in an environment where a product is being made. This is due to quality control measures that are available to detect a poor product. It is for these reasons that it is pivotal for medical schemes to understand the influence that the broker has on the consumers' propensity to purchase or not.

2.3.6 Word of Mouth

Services are performances or actions rather than objects, they cannot be seen, felt, tasted or touched in the same manner that we can sense tangible goods (Zeithaml 2000). Consumers therefore judge the product on offer through other cues. The manner in which the product is evaluated is also important. According to Zeithaml (2000) the effectiveness of word of mouth (WOM) and the influence of the person rendering the service is critical in the consumers' evaluation of the service. Intangible services are very abstract and are often difficult to describe and understand. This in turn makes it difficult to demonstrate, illustrate and promote. Du Plessis (1990: 260) confirms the comments of Zeithaml (2000) by stating "potential buyers must rely on the recommendations of others with appropriate knowledge and experience to assess the quality of a service offering". It is for this reason that insurance industry makes regular presentations to the brokers in a bid to try and increase the positive influence that they may have on the consumer. With regard to medical schemes and the factors influencing the consumers' choice, the person rendering the service is the broker who

is selling the product to the client. The client also evaluates the product on the prior information that they have gathered via WOM.

The intangibility of services makes it difficult for potential consumers to view them and decide to purchase them on that basis. Service buyers must rely more heavily on word-of-mouth during the decision making stage. Thus subjectivity becomes important in service marketing, since many of the objective means of assessing a product are not available. Word-of-mouth therefore plays an important role in the search for information stage of the decision making process (du Plessis 1990: 264).

2.3.7 Ancillary Benefits

Customer rewards have been reviled in the business press as cheap promotional devices, short-term fads, giving something for nothing. Yet they've been around for more than a decade, and more companies, not fewer, are jumping on the bandwagon. From airlines offering frequent flier deals to telecommunications companies lowering their fees to get more volume, organizations are spending millions of dollars developing and implementing rewards programs. O'Brien (1995: 8) states that company interest is justified. The theory is sound. Rewards can and do build customers' loyalty, and most companies now appreciate how valuable that loyalty can be.

Unfortunately, rewards programmes are widely misunderstood and often misapplied. A rewards program needs to share value in proportion to the value the customers' loyalty creates for the company. A company must first make sure that its rewards align with company capabilities, then take into account the five elements that determine value to a customer: cash value, choice, aspirational value, relevance, and convenience. The full potential of value sharing through rewards is realized only when customers change their habits to become sustainably loyal (O'Brien 1995).

The first step in defining the ancillary benefits programme is to first establish the core service offering. This implies what the customer is actually paying for. The core service offering is the necessary outputs of an organisation, which are intended to provide the intangible benefits customers are looking for (Baron 1995). In the medical

schemes industry this core service offering is the medical cover or benefits provided. Once this has been established, then the peripheral service offerings can be examined.

Baron defines peripheral services as those, which are either indispensable for the execution of the core service or available only to improve the overall quality of the service bundle. With the ancillary benefits offered it is evident that the latter of the two options is applicable. The ancillary benefits programme is used to differentiate the somewhat heterogeneous types of cover that are available. The programmes attempt to make the service purchased more relevant to the general public. Du Plessis (1990: 260) supports this point by stating that service buyers rely on the tangible aspects of a service known as support goods. The buyers use these more tangible benefits to evaluate the quality of the offering. With medical schemes these more tangible benefits are aimed at satisfying consumers higher order needs i.e. to socialise to self actualise and to self indulged. Du Plessis (1990) reiterates this theory by stating that the buying motives of potential service users highlight the fact that great opportunities for the marketing of services lie in the higher order needs. Evidence of this in the industry can be found in the ancillary benefits programme of Discovery Health, which is widely regarded as the most successful ancillary programme to date.

Discovery's vitality programme

Discovery health has revolutionised the Medical aid industry in South Africa (Edoo 2002). Vitality, a form of loyalty programme, offered by Discovery, was to change the service offerings of most Medical aids. The programme provides its members with health and wellness benefits. The reasoning behind this is to promote a healthier lifestyle and to indirectly offer the member added benefits. The added benefits offered, is hoped to influences the consumer to choose Discovery over other schemes, thereby allowing the consumer to gain from a grudge purchase.

Reasons for Vitalities Success

1. You can only belong if you own a discovery health plan.
2. Vitality benefits include:
    - Discounted Gym membership, plus vitality points for using the gym
    - Discounted movie tickets

- Health and wellness facilities with incentives for usage
- Incentives for preventative care and medical advice (points are awarded for logging onto the Discovery world web site and seeking medical or health advise etc: the effect is regular contact with the company and rewards preventative medical practice)

3. As discovery health plan owners, there are incentives to purchase a Discovery life policy
    - No need for medical reports (a medical report from the medical aid is sufficient)
    - When purchased member gains 5000 points
    - Ancillary benefits 2500 points
4. Membership to both plans are rewarded with points annually. This can escalate depending on length of membership
5. Membership is divided into segments and rewards are structured to reward status in memberships. Members in the lower status are constantly encouraged to increase their status to achieve higher rewards.
6. Besides the vitality programme Discovery sends out a monthly magazine to every member, with news of foreign investments, economic scenarios, motoring trends, travel, etc. (Discovery clients are usually high income earners with high discretionary spending available. This is matched by sophisticated higher order needs. (Edoo 2002)

2.4 HOW TO CHOOSE A MEDICAL SCHEME

According to an article that appeared in the Independent Newspapers the factors that should be considered by consumers when purchasing a medical scheme are as follows. (Internet 1) The following is an excerpt, written by Laura du Preez (2002), and is taken from Independent Newspapers web site.

Choosing a medical scheme is a matter of finding a scheme that "best meets an optimal balance between each party's needs", Andrew Sykes, the chief executive officer of NMG-LEVY Consultants and Actuaries, told the Discovery Health / Personal Finance Health Wise seminars recently. "Easy to say. In practice, hard to

do," he says. Sykes then went on to suggest how this not-so-simple task may be undertaken.

The experiences of medical scheme members is the most important factor in choosing a medical scheme for employees, Andrew Sykes, the chief executive officer of NMG-LEVY Consultants and Actuaries, says. To choose a scheme that balances the needs of the parties involved, you first need to consider the role players. *The primary players are the members* - they are the most important, because they are the users, Sykes says.

The opinions of employers are also important, because employers often pay part or all of a member's contribution. However, one of the main reasons an employer offers membership of a scheme is in order to be competitive when attracting employees. "Prospective employees ask an employer two questions: Does the company offer membership of a pension fund? And does the company pay for membership of a medical scheme?" Sykes says. The intelligent employer, he says, chooses a scheme that makes employees happy, thus reducing the amount of time employees spend away from their desk and in the human resources office with complaints about their medical-scheme. Choosing a good scheme may also help improve the perception employees have of their employer, as the employees will feel that their employer wants nothing but the best for them, and thus provides the best medical scheme, he says.

Benefits are more difficult to rank, Sykes says, but most healthcare brokers have an idea of which schemes offer better benefits and why. Sykes says that NMG-LEVY uses up to 24 different variables when applying a matrix to choose a medical scheme for one of their clients. However, the variables that carry the highest weighting are *administration, benefits and price.*

Members must also be wary of schemes that seem to offer very attractive benefits for a relatively low contribution, as the plan options on these schemes are sometimes purposely under-costed in order to attract membership. This gamble quite often does not pay off, and the scheme may end up attracting the type of members it wants to avoid, such as pensioners and those with chronic conditions.

From the excerpt of the article as listed above a few factors can be highlighted. The key points in the article have been placed in italics. Among these is the importance of the member in choosing a medical scheme. The experience of the member also influences the decision that he or she is able to make. This fact has been substantiated further in the preceding literature review. Linked to the consumer's level of experience is the influence that the broker is able to wield. The article states that the brokers are generally aware of the different benefits plans and prices. If the consumers experience is low the likely hood of the brokers influence playing a greater role is higher. The article also lists benefits and price of the offering as key variables. These factors add to the credibility of choosing the stated hypothesis.

2.5 THE ROLE OF MARKET RESEARCH

In the more affluent parts of the world, we have witnessed a remarkable movement toward individual empowerment, from greater political democracy and the extension of human rights to expanding market affluence and consumer choice.

We have also seen the rise of mass behaviour and the closely related technologies and techniques of mass media and marketing. More recently, we have seen a shift in those technologies and techniques from trying to reach the masses to trying to reach 'the one'. So we now have individuals, largely freed from mass social constraints, being targeted via techniques that allow marketers to segment consumer data, then pinpoint each consumer as a single unit of supposedly fixed characteristics. The consumers have now become free to be manipulated as a single marketing unit (James: 2003).

Marketing managers often need to collect information about current and prospective customers. Consumer research is, in fact, fundamental to insights about the market place, such as how markets are segmented, what psychographic and demographic characteristics describe consumers within a segment, and whether consumers are satisfied with existing offerings. It also guides decisions about the four elements that constitute the marketing mix (Holer 2002). Marketers also collect information about consumers' reactions to new products; this information enables marketers to improve

the ways in which they introduce future offerings and increase their chances of success.

2.6 DEVELOPING PRODUCTS AND SERVICES

Once the relevance of consumer behaviour theory has been justified there is a need to identify what marketers do with consumer behaviour information. Kotler (1999) stresses that if a marketing effort were to be considered successful, a marketer would need to understand the target markets needs, wants, and demands.

Developing products and services that satisfy consumes wants and needs is a critical marketing activity. Consumer research provides useful information about several product decisions. Hoyer (2001) lists the questions that should be asked when marketing a product or service. Among the most relevant of these questions are the following:

- Are consumers satisfied with existing offerings
- How are competitive offerings positioned
- How should the company's offering be positioned
- What ideas do consumers have for new products
- What attributes can be changed or added to an existing offering
- What price should be charged
- How sensitive are consumers to price changes
- How can our sales-force best serve the consumers
- What are our target consumers
- How best do we communicate with them

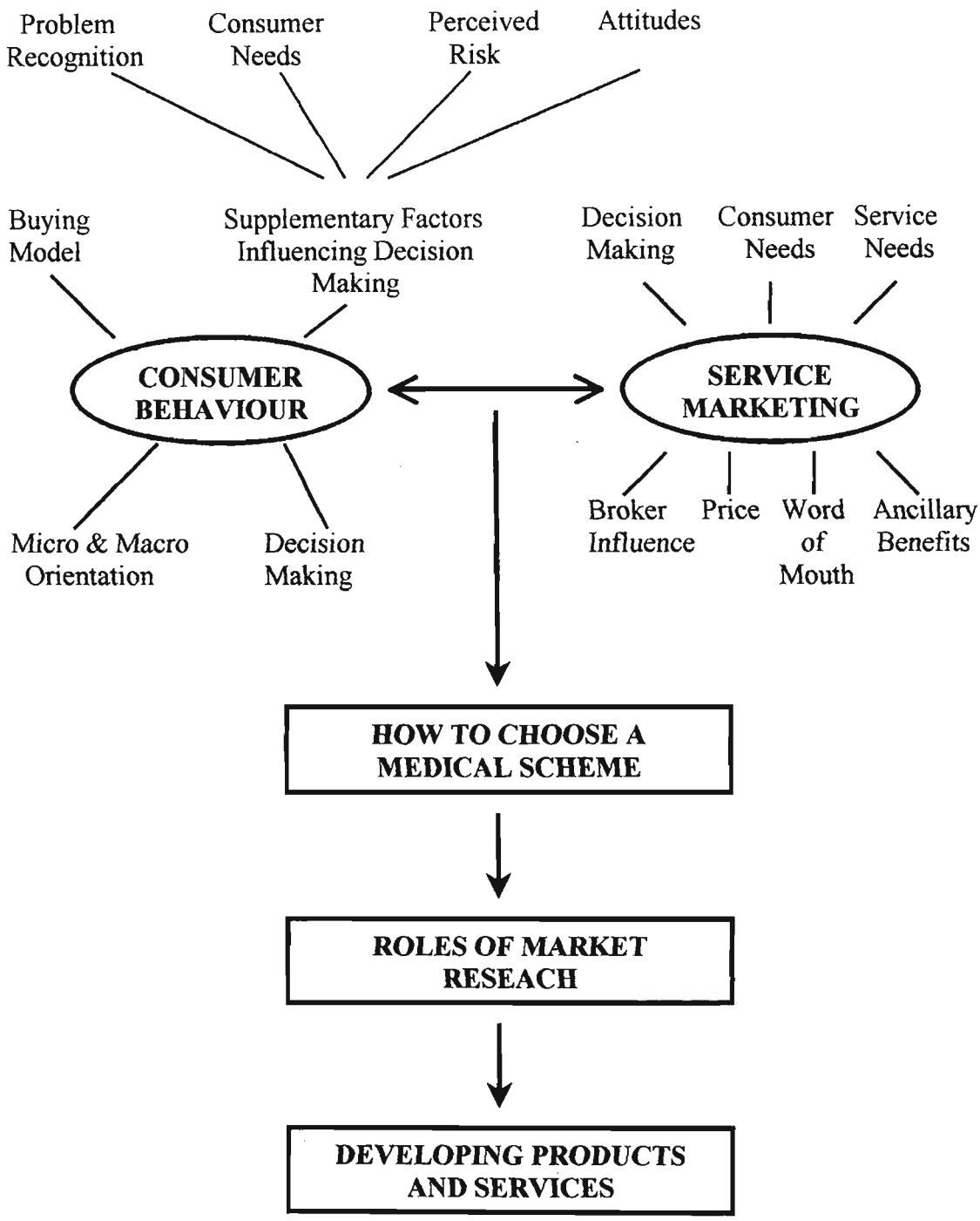
Through conducting this research it is envisaged that several if not all of these questions would be answered. This would therefore enable medical scheme administrators to make more informed decisions when developing new products and strategies.

2.7 SUMMARY

Consumer behaviour research aims to describe, explain and predict the behavioural patterns and the underlying constructs with regards to the individuals' role as consumers (Poeschel 1998). Modern marketing thought stresses the need of business manages to know who their customers are and why they choose their products rather that those of rival firms. Marketing is not a case of finding or inducing someone to buy whatever the firm happens to offer. Nowadays successful management depends more than ever on matching every aspect of the business product, advertising, after sales service and so on to the satisfaction of consumer needs. (Foxall 1980: 15)

The marketing message is that consumers are the arbiters of fortune in business, and rightly so; and that by consulting the interest of the consumers systematically both before production is undertaken and throughout the process of distribution, industrial and commercial activity not only brings forth wanted goods and services in a timely and thus economical and profitable manner, but also reveals itself in its proper role, thriving in its service to the community, raising the standard of living and meriting the rewards it receives. (Straton 1968: 9)

Fig. 2.7 CONSUMER BEHAVIOUR IN PERSPECTIVE



CHAPTER THREE: METHODOLOGY

3.1 INTRODUCTION

In this chapter the research methods are discussed together with the study design, sample and collection methods. Details of the questionnaire as well as the statistical methods used are mentioned. The research consists of a quantitative study in order to confirm the selected factors using a statistical computer package, SPSS.

3.2 SAMPLING

While research design is a plan of the information required to answer the research problem and how it should be collected, sampling addresses the question from whom do we need to obtain this information (Frazer 2000)? As is necessary, sampling requires the stipulation of how many respondents are needed and how they will be selected. In approaching a research topic a relevant population needs to firstly be established. In the case of this research, the population consists of all individuals who have purchased or attempted to purchase medical cover. Once this was determined it was necessary to decide on whether a census or a sample should be chosen. Due to the inability to establish a population frame, and the scope of this study, it was decided to use a sample of the population.

The choice was then between the use of a probability or a non-probability sample. In deciding between these two options the questions that need to be asked according to Cooper (2001: 167) are as follows:

- What is the relevant population?
- What are the parameters of interest?
- What is the sampling frame?
- What size sample is need?
- How much will it cost?

Due to the inability to determine a list of the relevant population, as well as the lack of a sampling frame, the non-probability approach was decided on. This was further

justified by the cost and time considerations. The scope of the study as listed in the limitations also allows for the use of non-probability sampling.

Of the non-probability sampling techniques on offer, snowball sampling was selected. This was due to the parameters of interest being those elements that have medical cover, or attempted to purchase medical cover. The snowball methodology was initiated through the use of insurance brokers and medical scheme consultants as initial points of contact. Referrals were gained from these sources and recent customers or potential customers of medical cover were asked to participate in the study.

Fig 3.1 Response Rates

Number Of Questionnaires Distributed	Number Of Responses Received Within Time Allocated	Total Number Of Respondents
60	50	83%

3.3 INSTRUMENT

Research can be classified into two approaches, i.e. observation or communication. The method chosen in this research was communication, due to the inability to merely observe what the research subjects were doing. It is also far cheaper and less time consuming to engage in communication in order to achieve the goals of this research. The communication approach allows the researcher to gain a greater depth of information in a shorter time period and at a lower cost than through observation.

The shortcomings of the communication approach are overcome to an extent by the research topic and the sample chosen. Among these are the willingness of elements to participate as well as the knowledge and experience of the participants. These two factors relate to the participants perceiving the topic as to sensitive or personal and therefore intrusive. Secondly the participants may lack knowledge or experience in the research subject, and may feel obliged to provide answers to questions that they have no opinion on. In this research the participants all have some knowledge as well as experience as the sample used is drawn from members of the population that have purchased or engaged in the purchase of medical cover. The topic under investigation

is also unobtrusive and the hypotheses relate to general purchasing decisions that people consider in purchasing products or services. Cooper (2001: 297) further states, "Questions can be used to inquire about subjects that are exclusively internal to the respondent. They include such items as attitudes, opinions, expectations and intentions. Such expectations can be made available to the researcher if the right questions are asked of respondents."

The survey method that was chosen for this research is the self-administered questionnaire. The reasoning for this being that a self-administered questionnaire would provide the most suitable option for gathering information on the factors influencing consumer's choice. This is due to the use of this method being efficient and economical. The chosen methodology further reduces the amount of staff required, as well as allowing for the respondents to feel more secure due to the increased anonymity provided for by this technique. Further advantages of this method include the depth and detail of information that can be collected.

Cooper (2001: 330) states that in instrument design process the following processes are of strategic concern:

- What type of data is needed?
- What communication approach will be used?
- Should the questions be structured, unstructured, or a combination?
- Should the questions be undisguised or disguised?

In developing a survey instrument these factors were considered and it was decided that a self-administered questionnaire would be the most suitable. The questionnaire consists of a combination of dichotomous, open-ended and disconfirmation scale types of questions.

3.4 VALIDITY AND RELIABILITY

Privacy will be assured to all participants in the study thereby increasing the validity of their responses. A pilot study will be carried out in order to test the validity and the reliability of the measurement scale.

A student will be recruited to check that the data has been inputted correctly thereby increasing the reliability and validity of the results.

3.5 METHOD OF DATA ANALYSIS

A combination of quantitative and quantitative methods of data analysis was used in order to analyse the data collected. The collected data was coded to allow for processing using the SPSS computer package. Descriptive statistics were used to analyse the findings of the study. These statistics allow for a better understanding of the underlying factors affecting consumer choice in medical schemes.

3.6 ETHICAL ISSUES

According to Frazer (2000) the importance of ethics in business research is to ensure that no one is harmed or suffers adverse consequences from research activities. As such data collection began with an explanation to the respondents of the benefits of the research. It was further explained that confidentiality and privacy would be maintained at all stages of the research process. The respondent's rights were communicated to them via the intermediary used to make contact. These rights also included the right to refuse to participate in the research. All research assistants and intermediaries were briefed on the rights of the respondents as well as their responsibilities and ethical issues that were relevant. Assistants were also requested to sign a nondisclosure statement.

3.7 SUMMARY

All issues pertaining to the research design process were dealt with in this chapter. The motivation for selecting the type of research design was stated, and the advantages of the design were used to substantiate the selection process. Methods for data collection and the subsequent analysis were stated. This chapter forms the platform on which the subsequent chapters will be based. It is from the fundamentals of this chapter that the conclusions of the research may be drawn.

CHAPTER FOUR: ANALYSIS OF SURVEY

4.1 INTRODUCTION

Sixty questionnaires were handed out to the relevant population as according to the guidelines listed in chapter three. Of the original sixty handed out, fifty were received in the time allotted for the return of the questionnaires. This represents a response rate of 83.3%. The results obtained for each question are discussed in the following sections.

4.2 RESULTS

Question 1

Your Age Category?

This was a demographic question based on the age of the respondent. Respondents were asked to respond by selecting one of 5 age bands. The mean age was found to lie in at 2.88. This indicates that the average population band for the sample was the 20-30 year old. This band was also found to have the most frequently occurring value. The category with the second most occurring rate of response was the 31- 40 year band, which totalled 24% of the respondents. These responses can be seen in the table and graph bellow.

Table 4.1 Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20	3	6.0	6.0	6.0
	20-30	22	44.0	44.0	50.0
	31-40	12	24.0	24.0	74.0
	41-50	4	8.0	8.0	82.0
	Above 51	9	18.0	18.0	100.0
	Total	50	100.0	100.0	

AGE

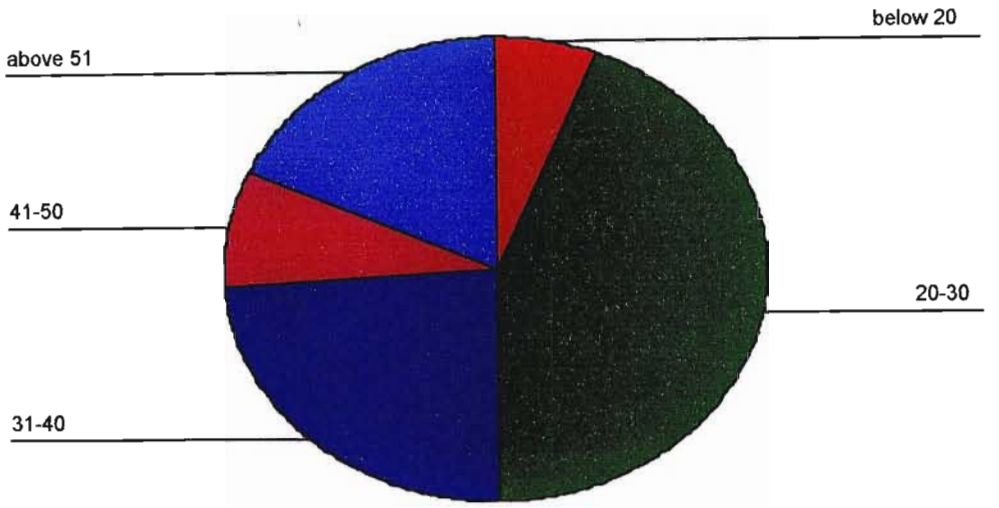


Fig 4.1 Age

Question 2

Gender?

Respondent's gender was determined using this question. From the analysis conducted it was found that male responses were more frequent than females in this sample. The table shows that the males constitute 58% of the sample as opposed to the females who constitute the remaining 42%.

Table 4.2 Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	29	58.0	58.0	58.0
	Female	21	42.0	42.0	100.0
	Total	50	100.0	100.0	

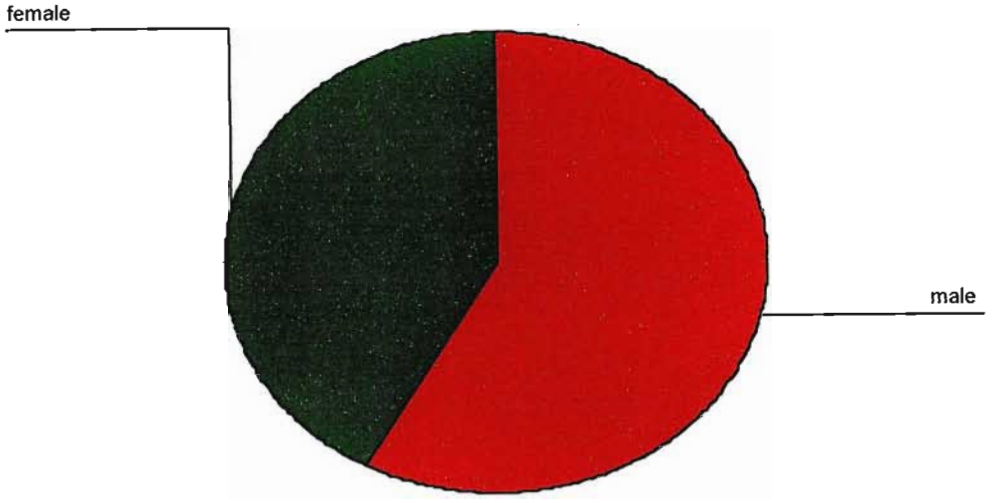


Fig 4.2 Gender

Question 3

Marital Status.

The aim of this question was to establish the marital status of the respondent. Of the sample chosen, it was found that 64% were married, whilst 36%were single. This question had no direct influence on the hypothesis, but was used to check the demographic make up of the sample.

Table 4.3 Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	32	64.0	64.0	64.0
	Single	18	36.0	36.0	100.0
	Total	50	100.0	100.0	

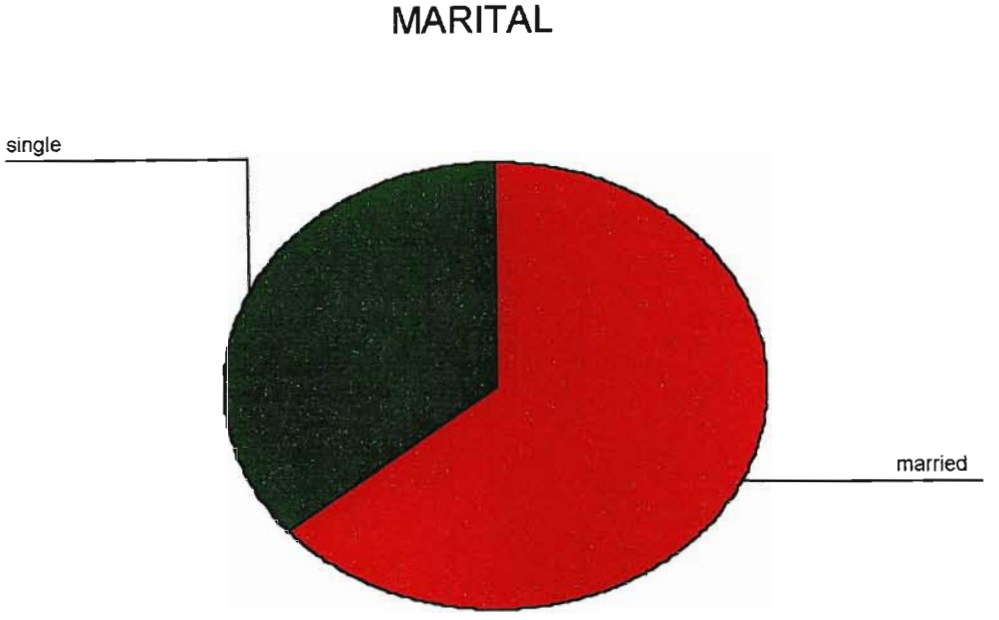


Fig 4.3 Marital Status

Question 4

Number of dependents.

The relevance of this question pertained to the effect that the number of dependents had on their decision-making process regarding medical schemes. The question was open ended, and responses ranged from none to a maximum of six. The most frequently occurring response being none. The results gained are listed in the table bellow.

Table 4.4 Number Of Dependents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	25	50.0	50.0	50.0
	1.00	6	12.0	12.0	62.0
	2.00	11	22.0	22.0	84.0
	3.00	3	6.0	6.0	90.0
	4.00	2	4.0	4.0	94.0
	6.00	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

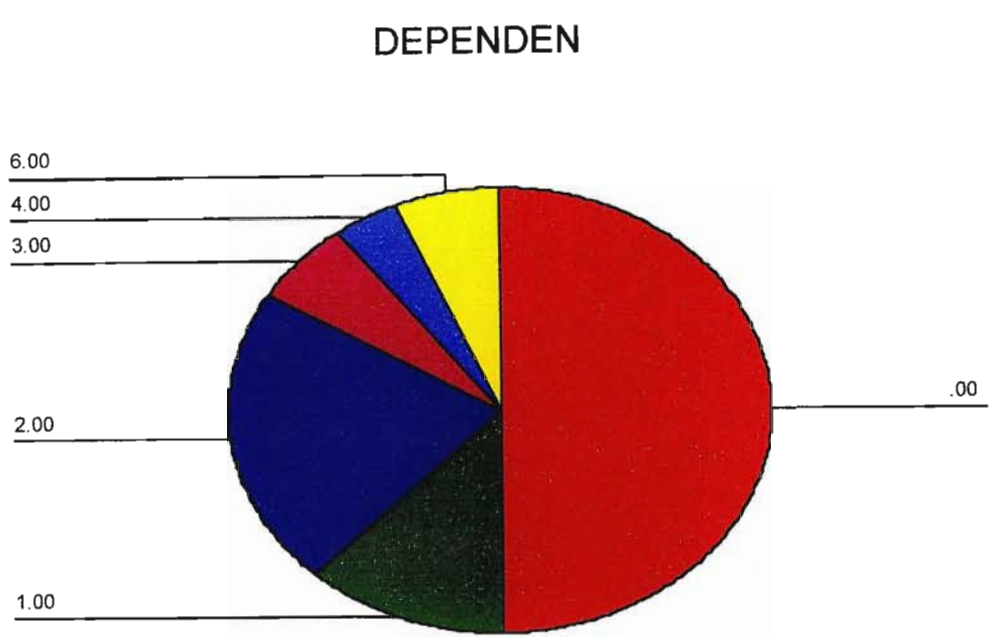


Fig 4.4 Number Of Dependents

Question 5

Income Category per month.

This question dealt with the income category that the respondents belonged to. Five income bands were listed, ranging from less than R3000 to over R15 000. Respondent incomes ranged from under R3, 000 to over R15, 000. 56% of respondents poled were found to have income bellow R7, 000. The most frequently occurring income group was the 2nd band containing the R3, 000- R7, 000 income category.

Table 4.5 Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under R3, 000	13	26.0	26.0	26.0
	R3, 000-7,000	15	30.0	30.0	56.0
	R7, 100-10,000	9	18.0	18.0	74.0
	R10, 100-15,000	8	16.0	16.0	90.0
	Over R15, 000	5	10.0	10.0	100.0
	Total	50	100.0	100.0	

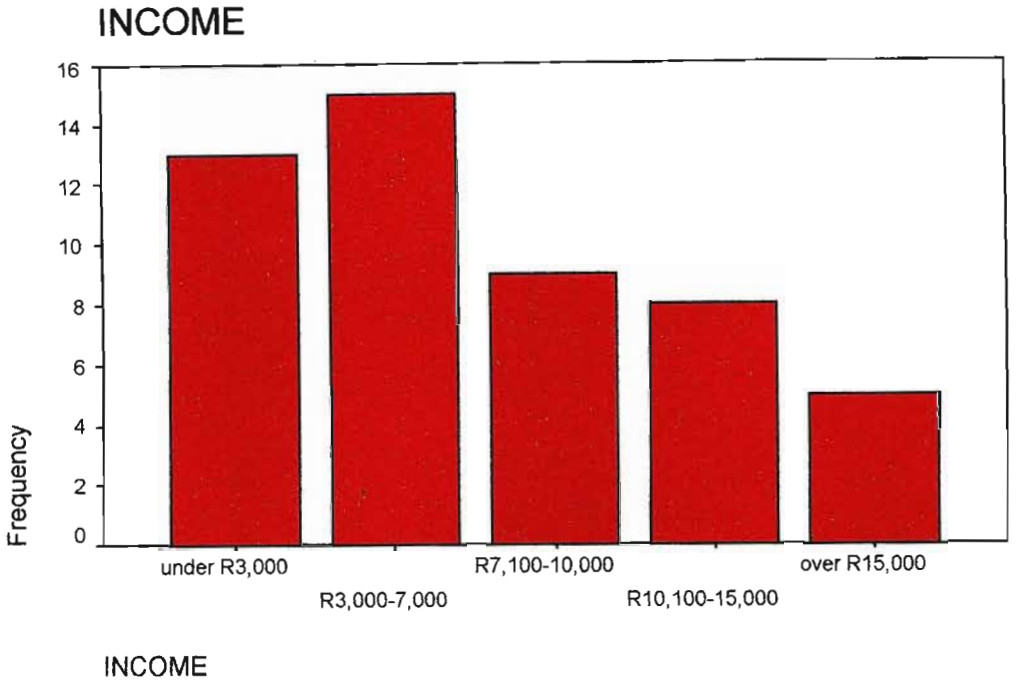


Fig 4.5 Income

Question 6

Are you presently covered by medical aid?

The need to establish whether the respondent were presently covered by a medical scheme was determined by this question. This question also formed the basis for the next two questions, which relate to the type of cover and whether the cover was bought as an individual or provided for by the respondent's employer. The data collected was of a nominal nature as the respondents were presented with a dichotomous question. 70% of respondents indicated that they were presently covered by some sort of medical aid.

Table 4.6 Presently Covered Or Not

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	35	70.0	70.0	70.0
	No	15	30.0	30.0	100.0
	Total	50	100.0	100.0	

Question 7

If yes what type of cover?

The aim of this question was to determine the type of cover that the respondent has, if any. The various types of cover were listed as well as an option of stating other types of cover, or interpretations of cover that the respondents may have. The data obtained was purely to classify the respondents and to determine the prevalence of the different types of cover that are available. The majority of respondents were found to be covered by some form of medical cover. The most prevalent type of cover was comprehensive medical aid. Of the total number of respondents, 24% did not have any cover.

Table 4.7 Type Of Cover

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	12	24.0	24.0	24.0
	Comprehensive	20	40.0	40.0	64.0
	MSA &hospital cover	11	22.0	22.0	86.0
	Hospital cover	4	8.0	8.0	94.0
	Other	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

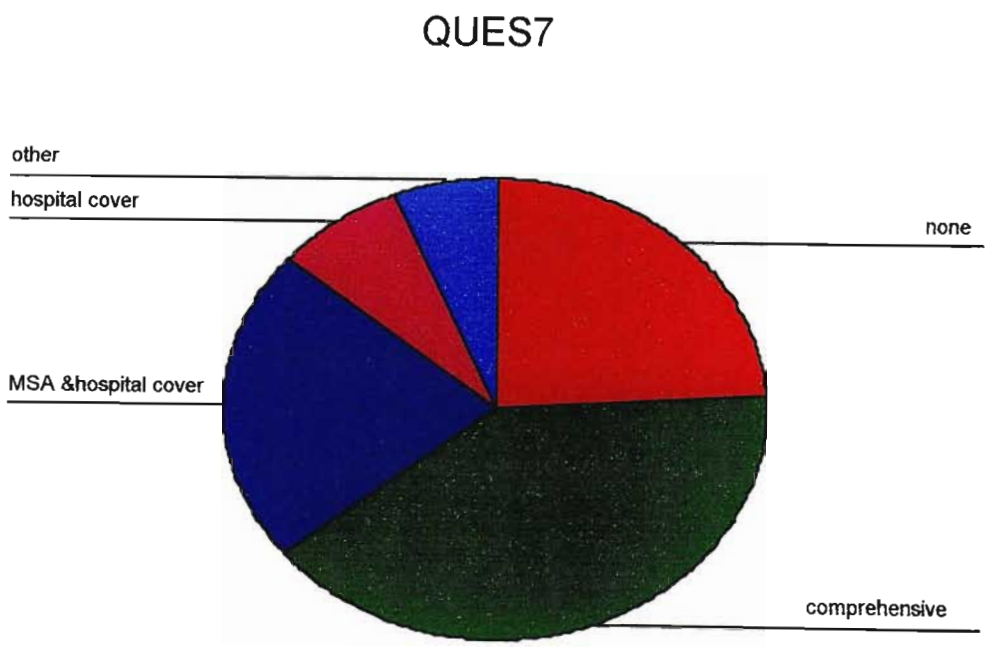


Fig 4.6 Type Of Cover

Question 8

Is your medical cover provided for by your company (i.e. group scheme), or did you purchase cover as an individual?

This question is used to further clarify the manner in which the purchase of medical cover was conducted. Of those polled, 12 indicated that they had no cover, whilst 76% were found to have purchased cover. This represented 24% who had purchased cover as an individual, whilst the remaining 52% were covered by a group scheme provided for by their employers.

Table 4.8 Individual Or Company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	12	24.0	24.0	24.0
	Company	26	52.0	52.0	76.0
	Individual	12	24.0	24.0	100.0
	Total	50	100.0	100.0	

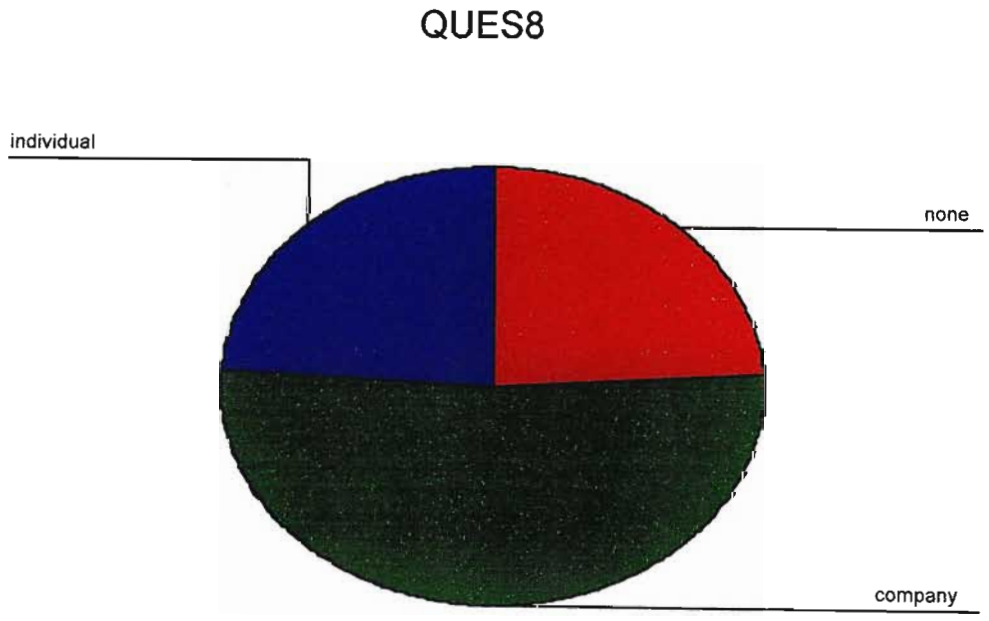


FIG 4.7 Individual Or Company

Question 9

When was the last time you purchased or attempted to purchase medical aid?

This question was used to determine the salience of the information that the respondent possessed with regard to the purchasing process. The question was open-ended asking respondents to indicate the time period in months. Responses ranged from not applicable, which was coded as zero, to 48 months ago. This may indicate that the information and thought process of the respondents are still reasonably salient. Results further show that 54% of responses occur in the first 8 months. The most frequent responses being 8 and 2 months. These results were however expected due to the sampling method used.

Table 4.9 Time Since Last Attempt At Purchase Of Cover

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	3	6.0	6.0	6.0
	1.00	3	6.0	6.0	12.0
	2.00	7	14.0	14.0	26.0
	3.00	2	4.0	4.0	30.0
	4.00	1	2.0	2.0	32.0
	6.00	3	6.0	6.0	38.0
	7.00	3	6.0	6.0	44.0
	8.00	5	10.0	10.0	54.0
	9.00	4	8.0	8.0	62.0
	10.00	2	4.0	4.0	66.0
	11.00	1	2.0	2.0	68.0
	12.00	4	8.0	8.0	76.0
	13.00	1	2.0	2.0	78.0
	15.00	1	2.0	2.0	80.0
	17.00	1	2.0	2.0	82.0
	18.00	1	2.0	2.0	84.0
	20.00	1	2.0	2.0	86.0
	24.00	4	8.0	8.0	94.0
	28.00	1	2.0	2.0	96.0
	30.00	1	2.0	2.0	98.0
	48.00	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

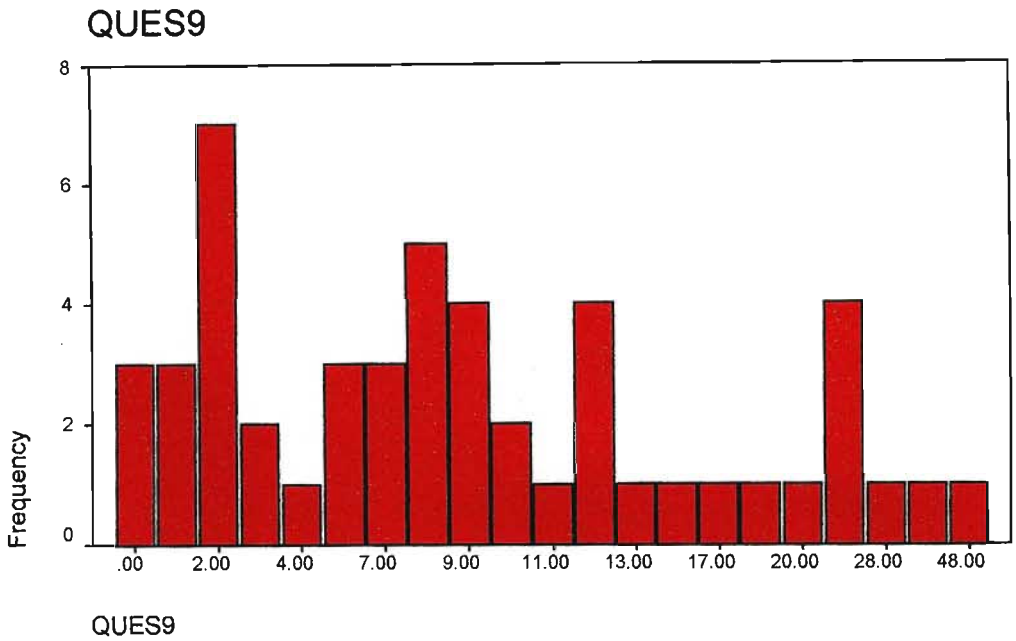


Fig 4.8 Time Since Last Attempt At Purchase Of Cover

Question 10

List the 5 most important factors that you consider when purchasing medical cover?

The respondents were given five spaces to write the factors that they considered important in choosing medical cover. The question was used to determine the relevance of the hypothesised factors. It was also deliberately placed before the question relating to the hypotheses to be able to determine if any other important factors could be found. Thirdly the question allowed for the respondent to follow that chain of thought in answering the rest of the questionnaire. The most common factors listed were banded together into the following broad categories:

- Price
- Benefits
- Hospital cover
- Company reputation
- Broker influence
- Ancillary benefits
- Number of dependents
- Family and friends
- Scheme administration

Of these factors benefits offered and price of the offering ranked the highest. This was followed by the reputation of the company. The remaining factors rated equally, except for the influence of family and friends as well as the number of dependents. These two factors ranked far lower than the rest.

Question 11

Check any source you consult when deciding on which medical cover to purchase

Respondents were given the option of choosing between several common information sources. The option of listing other relevant sources that the respondent might use is also provided for. The most frequently occurring response was insurance brokers. This was followed by family and friends. The Internet, insurance companies, and articles were the third. The least referred to source listed was the influence of the co-worker.

Question 12

Are you aware of any added benefits programmes offered by medical aids?

This question was used to determine the awareness of the respondents with relation to ancillary benefits programmes. The information gathered was of a dichotomous nature as the question has a yes or no response. It was found that of the elements polled, 62% were aware of ancillary benefits programmes.

Table 4.10 Awareness Of Ancillary Benefits Programs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	31	62.0	62.0	62.0
	No	19	38.0	38.0	100.0
	Total	50	100.0	100.0	

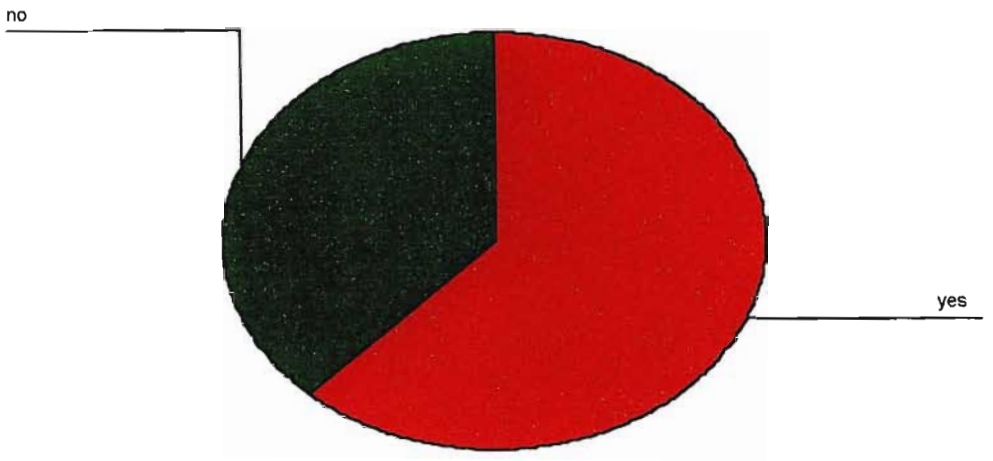


Fig 4.9 Awareness Of Ancillary Benefits Programs

The questions that followed in the survey instrument related to the respondent's attitudes to the hypothesis as stated earlier. These questions were grouped together to measure the respondent's attitude toward the factor under investigation. The measurement scale used was a five point Likert scale. Respondents were asked to respond to the statement listed by choosing one of five options, strongly disagree, disagree, neutral, agree, strongly disagree. The table that follows is a summary of the responses gained from the 50 respondents. The table forms the basis for the discussion on the descriptive statistics that follow.

Table 4.11 Descriptive Statistics Ques. 13- 29

	N	Minimum	Maximum	Mean	Std. Deviation
QUES13	50	1.00	5.00	3.7000	1.09265
QUES14	50	1.00	5.00	3.3400	1.09935
QUES15	50	1.00	5.00	3.9000	.90914
QUES16	50	1.00	5.00	3.9400	1.05772
QUES17	50	2.00	5.00	4.1600	.91160
QUES18	50	1.00	5.00	3.8400	1.11319
QUES19	50	1.00	5.00	3.8400	.88893
QUES20	50	1.00	5.00	2.8200	.94091
QUES21	50	2.00	5.00	3.5000	.99488

QUES22	50	2.00	5.00	3.8200	.96235
QUES23	50	2.00	5.00	4.6400	1.20282
QUES24	50	1.00	5.00	3.5400	1.05386
QUES25	50	1.00	5.00	3.3000	1.09265
QUES26	50	2.00	5.00	3.9000	.76265
QUES27	50	2.00	5.00	4.1000	.70711
QUES28	50	1.00	5.00	3.5800	.92780
QUES29	50	1.00	5.00	3.1800	.84973
Valid N (listwise)	50				

Question 13

I consider an added benefits programme as vital in choosing medical cover.

Question 14

I will not purchase medical cover unless an added benefits or rewards system is in place.

Question 15

I try to choose a medical scheme that has an added benefits programme.

These questions related to the importance of an ancillary benefits programme when consumers chose medical schemes. Responses ranged from a mean of 3.700 for question 13, to 3.3400 for question 14 and 3.900 for question 15. This indicates that the attitude toward an ancillary benefits programme is neutral to positive. This may indicate that consumers do not find an ancillary benefits programme as vital in choosing cover, they do however make an attempt to purchase cover that has an ancillary benefits programme attached.

Table 4.12 Question 13 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	4.0	4.0	4.0
	Disagree	5	10.0	10.0	14.0
	Neutral	12	24.0	24.0	38.0
	Agree	18	36.0	36.0	74.0
	Strongly agree	13	26.0	26.0	100.0
	Total	50	100.0	100.0	

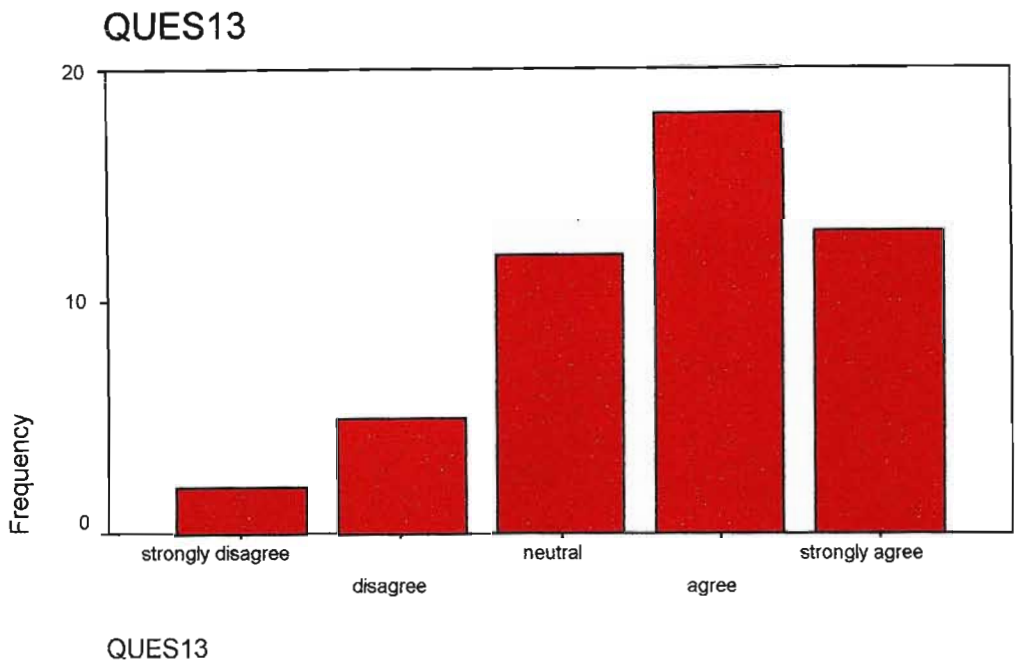


Fig 4.10 Question 13 Results

From the above graph and table of the data obtained from the analysis of the responses, it can be seen that the mode for this question is that respondents generally agree. This is further justification for the statement made above pertaining to the respondent's attitudes towards ancillary benefits programmes.

Table 4.13 Question 14 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	4.0	4.0	4.0
	Disagree	11	22.0	22.0	26.0
	Neutral	12	24.0	24.0	50.0
	Agree	18	36.0	36.0	86.0
	Strongly agree	7	14.0	14.0	100.0
	Total	50	100.0	100.0	

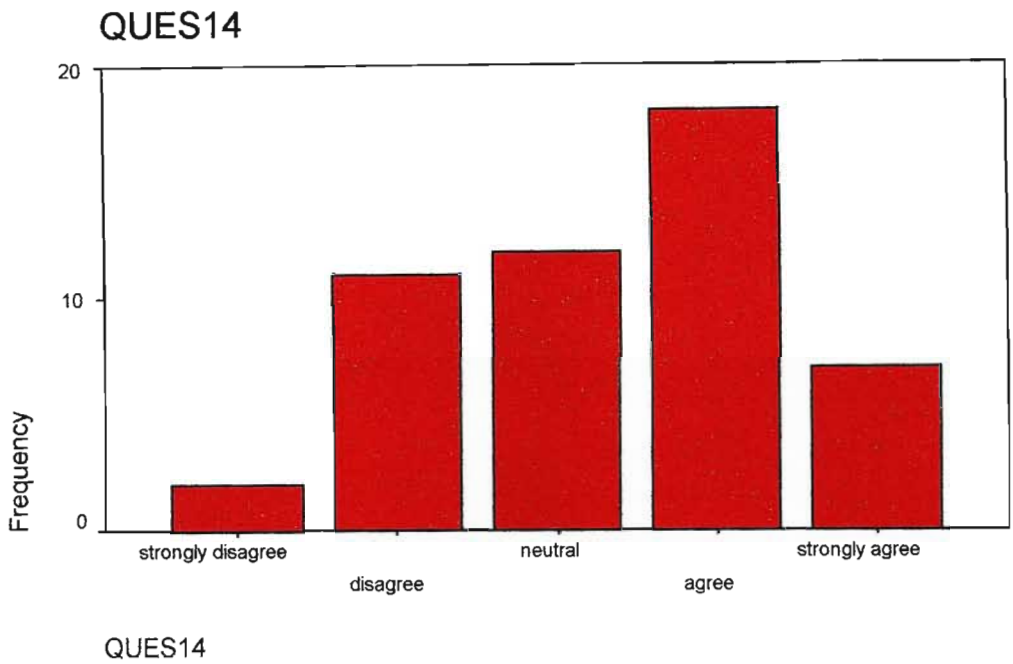


Fig 4.11 Question 14 Results

This graph is more evenly spread with the mode once again being response 4, which is agree. This option had 36% of the total responses.

Table 4. 14 Question 15 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.0	2.0	2.0
	Disagree	3	6.0	6.0	8.0
	Neutral	8	16.0	16.0	24.0
	Agree	26	52.0	52.0	76.0
	Strongly agree	12	24.0	24.0	100.0
	Total	50	100.0	100.0	

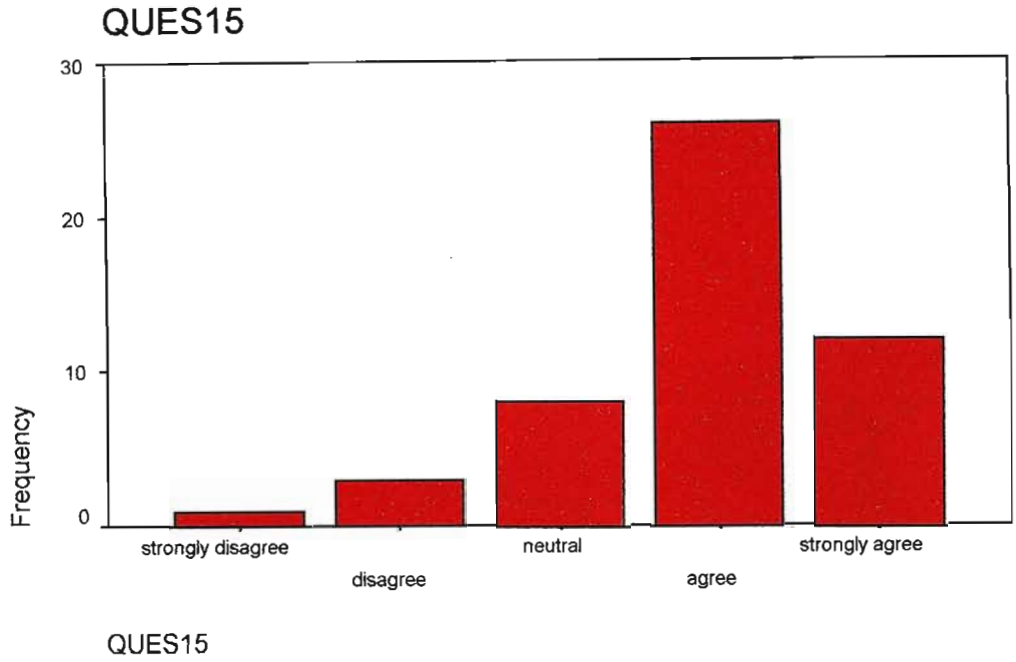


Fig 4.12 Question 15 Results

This question pertained to the tendency of the respondents to purchase cover that included an ancillary benefits programme. It was found that 8% disagreed with the statement, whilst the remaining 92% either agreed or were neutral. The total number of respondents that agreed was 76%. Once again the mode was option 4, agree.

Question 16

I consider the benefits offered in a medical aid as the most important factor when purchasing cover.

Question 17

I first look at the benefits offered by a scheme before I start to evaluate my choices.

Question 18

I use benefits offered by a scheme as the primary means of evaluating the various schemes on offer.

Question 19

I evaluate the benefits offered by the scheme I am choosing against my medical insurance needs.

Question 20

I regard the benefits of the various medical schemes as being very similar.

Questions 16 to 20 dealt with the respondent's attitude toward the benefits offered by a scheme. The aim of the questions was to determine the role that benefits offered played with regard to their choice in medical cover. Responses ranged from a mean of 3.9400 for question 16, to 4.1600 for question 17, 3.8400 for questions 18 and 19 and finally 2.8200 for question 20. This indicates that the respondents polled consider the attitude towards benefits offered by a scheme, as important. The negative response to question 20 indicates that respondents are aware of the differences that the various schemes that are on offer.

Table 4.15 Question 16 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.0	2.0	2.0
	Disagree	4	8.0	8.0	10.0
	Neutral	11	22.0	22.0	32.0
	Agree	15	30.0	30.0	62.0
	Strongly agree	19	38.0	38.0	100.0
	Total	50	100.0	100.0	

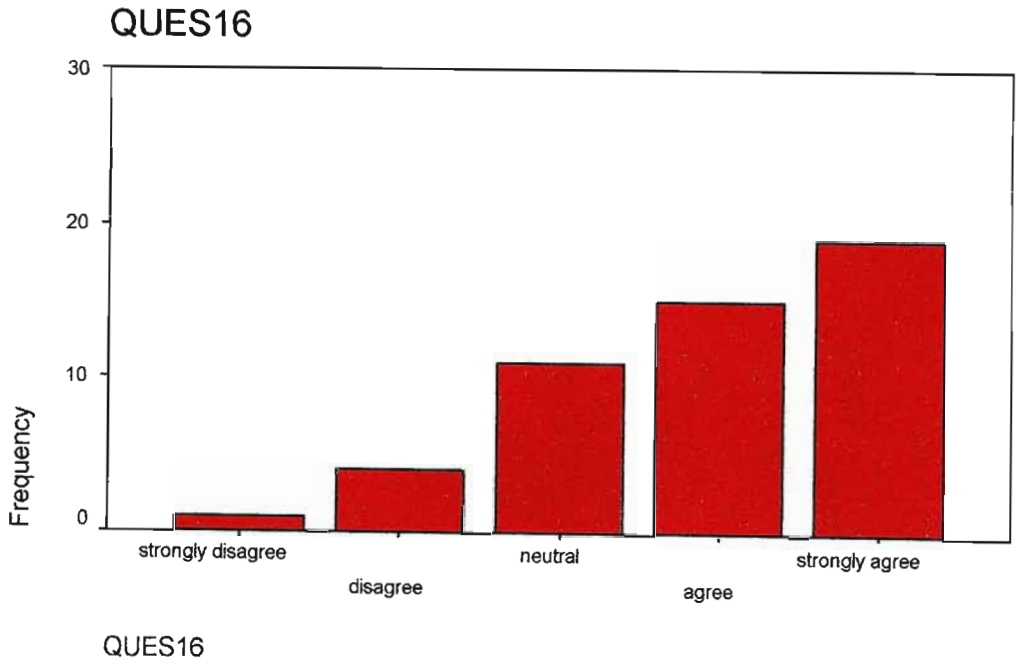


Fig 4.13 Question 16 Results

Only 10% of respondents indicated that they disagreed or strongly disagreed to the statement made. 38% of respondents strongly agreed that they first looked at the benefits offered before they began their evaluation of the schemes on offer. This response is also the most frequently occurring response.

Table 4.16 Question 17 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	8.0	8.0	8.0
	Neutral	5	10.0	10.0	18.0
	Agree	20	40.0	40.0	58.0
	Strongly agree	21	42.0	42.0	100.0
	Total	50	100.0	100.0	

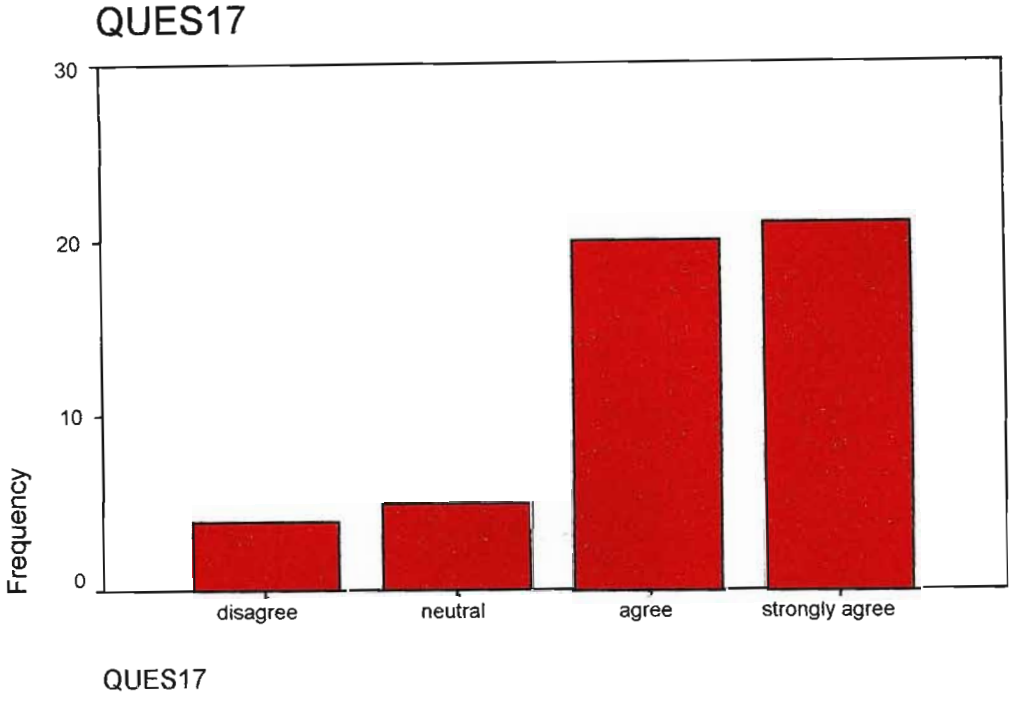


Fig 4.14 Question 17 Results

This question enquired as to whether respondents looked at benefits offered before they began to evaluate their choices. No respondents selected option one (strongly disagree), however the majority of respondents selected agree or strongly agree as their choice. The total of these two choices being 82%. The most frequent response being strongly agrees. This indicates that respondents did firstly examine the benefits offered by medical schemes before they began evaluating the schemes. The mean for

this question was also high (4.1600) indicating that respondents exhibited strong agreement with the statement.

Table 4.17 Question 18

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.0	2.0	2.0
	Disagree	7	14.0	14.0	16.0
	Neutral	8	16.0	16.0	32.0
	Agree	17	34.0	34.0	66.0
	Strongly agree	17	34.0	34.0	100.0
	Total	50	100.0	100.0	

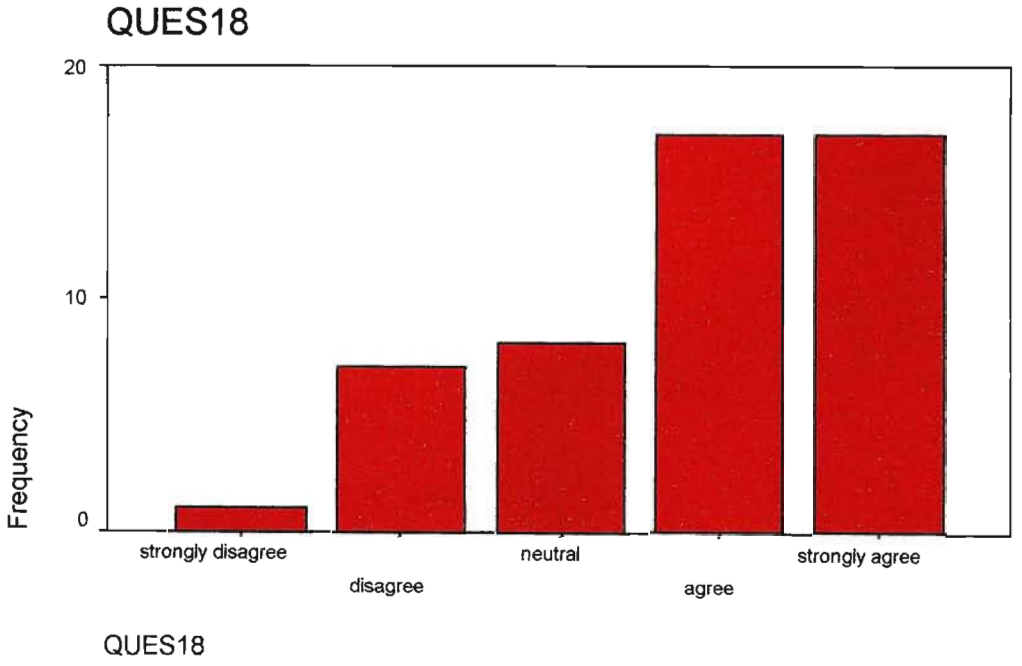


Fig 4.15 Question 18 Results

Once again results indicate that the sample considered benefits as important when evaluating the options available. A total of 68% agreed or strongly agreed with the statement made. The mode for the responses gained were equally distributed between agrees and strongly agrees.

Table 4.18 Question 19 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.0	2.0	2.0
	Disagree	3	6.0	6.0	8.0
	Neutral	9	18.0	18.0	26.0
	Agree	27	54.0	54.0	80.0
	Strongly agree	10	20.0	20.0	100.0
	Total	50	100.0	100.0	

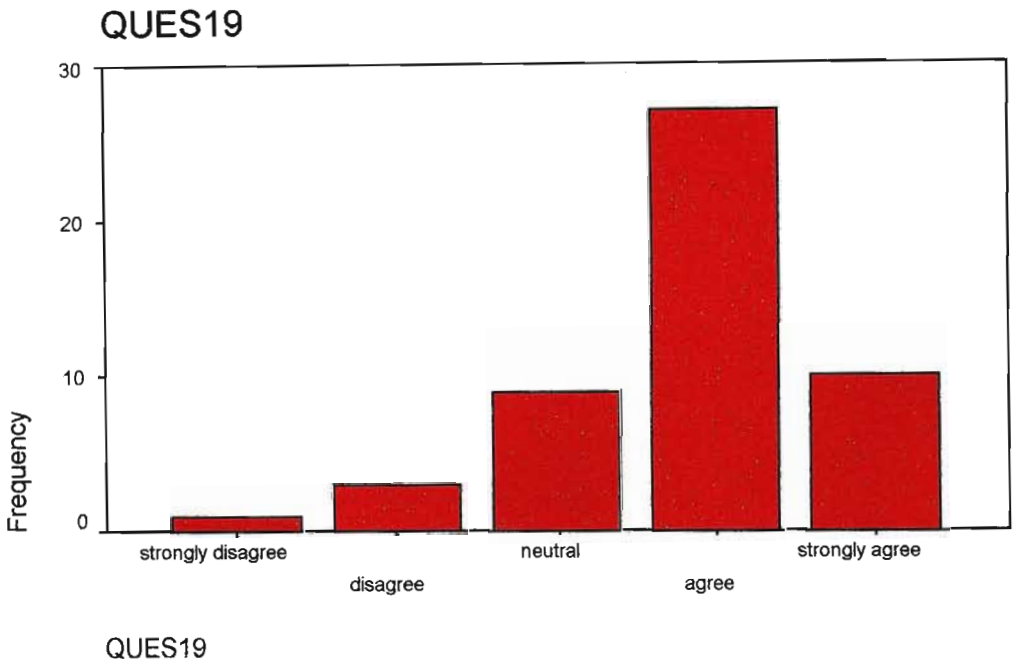


Fig 4.16 Question 19 Results

This question enquired as to whether respondents evaluated schemes against their medical needs. The most frequently occurring response was, agree. 54% of responses chose this statement. A further 20% strongly agreed, making the total positive response for this question 74%. This indicates that respondents did consider the needs that they had before choosing a medical scheme.

Table 4.19 Question 20 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	4.0	4.0	4.0
	Disagree	20	40.0	40.0	44.0
	Neutral	14	28.0	28.0	72.0
	Agree	13	26.0	26.0	98.0
	Strongly agree	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

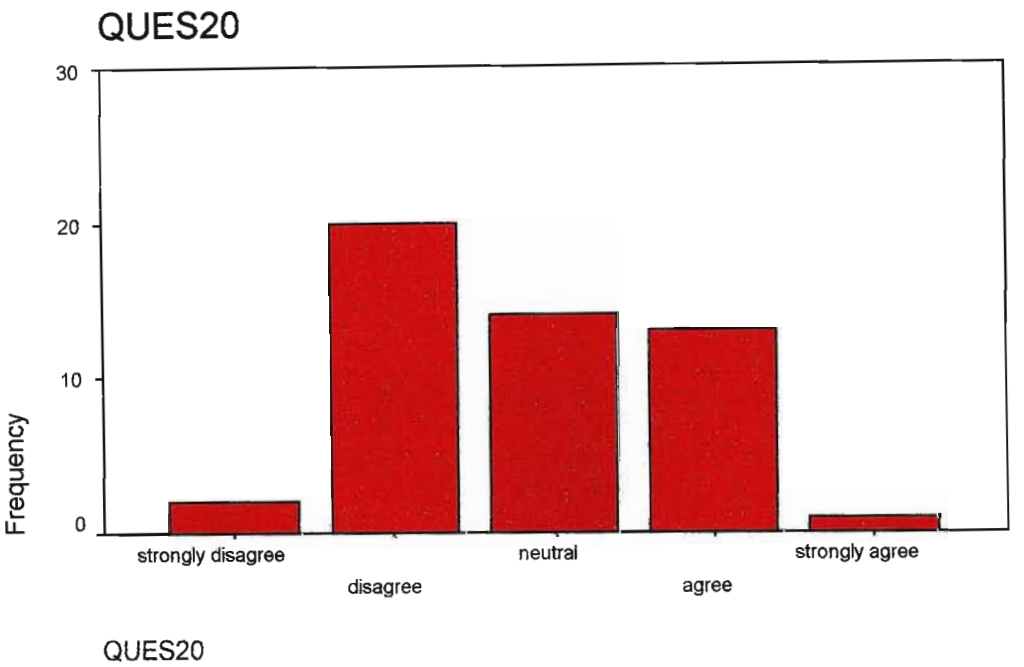


Fig 4.17 Question 20 Results

This question was used to try to determine whether consumers were aware of the differences in benefits that the various medical schemes offered. It was found that strongly agree, and strongly disagree had the least frequent responses with 4 and 2 % respectively. The most frequent response being disagree, with 40% of all responses. A significant percentage did however choose neutral, which indicates that although benefits are considered important, not many of the respondents were able to tell the difference between schemes of a similar nature. This may be due to the complexity of the offering and information available.

Question 21

I regard price as the most important factor in deciding on which medical cover to purchase.

Question 22

I will not purchase medical cover if I feel the price is too high.

Question 23

I will not purchase medical cover if I feel I am not getting value for money.

Question 24

I consider the price of the medical cover to be a reflection of the quality of medical cover being purchased.

Question 25

I use price as a means of evaluating the quality of the medical cover that I am purchasing.

Questions 21 to 25 dealt with the respondent's attitude toward the price of medical schemes. The aim of the questions was to determine the influence of price with regard to consumer's choice in medical cover. Responses ranged from a mean of 3.500 for question 21, to 3.8200 for question 22, 4.6400 for questions 23, 3.5400 for question 24 and finally 3.3000 for question 25. The results obtained per question are discussed bellow. From the means listed above, it can be determined that consumers are price sensitive when choosing a medical scheme. The strongest response received was that of question 23, which pertained to the issue of value for money when purchasing medical cover.

Table 4.20 Question 21 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	9	18.0	18.0	18.0
	Neutral	16	32.0	32.0	50.0
	Agree	16	32.0	32.0	82.0
	Strongly agree	9	18.0	18.0	100.0
	Total	50	100.0	100.0	

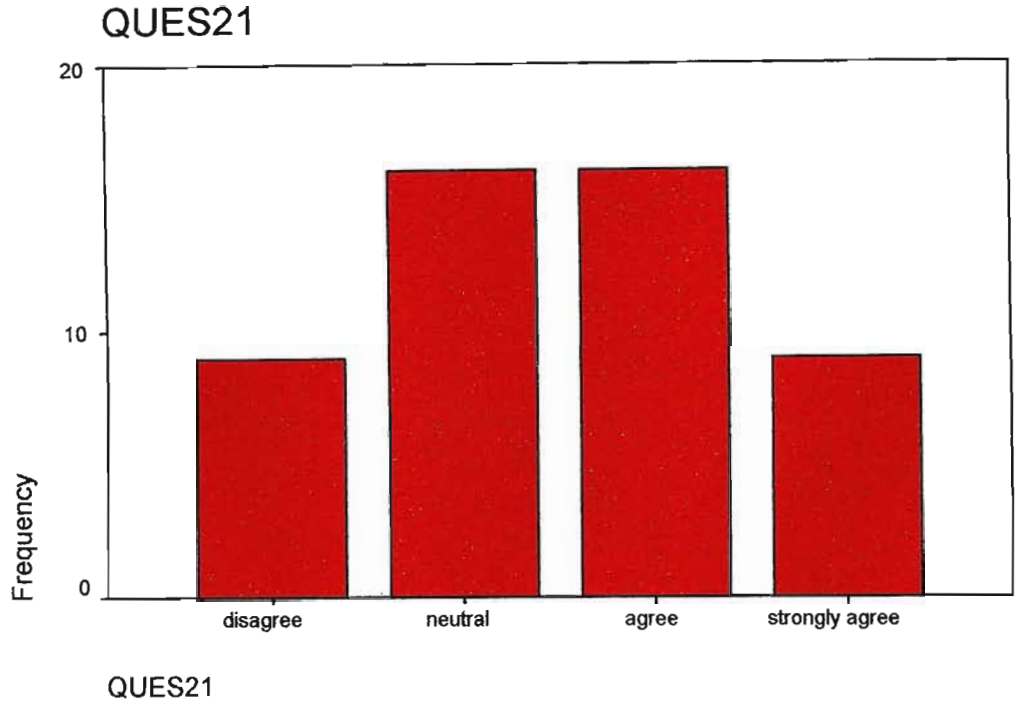


Fig 4.18 Question 21 Results

Question 21 enquired as to whether respondents regard price as the most important factor in choosing a medical scheme. The mean for this question was 3.500, indicating a neutral response to the question. No responses for strongly disagree were received. The most frequent response being neutral and agree, with both achieving 32% of the responses. Disagree and strongly agree both received 18% of the responses.

Table 4.21 Question 22 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	12.0	12.0	12.0
	Neutral	10	20.0	20.0	32.0
	Agree	21	42.0	42.0	74.0
	Strongly agree	13	26.0	26.0	100.0
	Total	50	100.0	100.0	

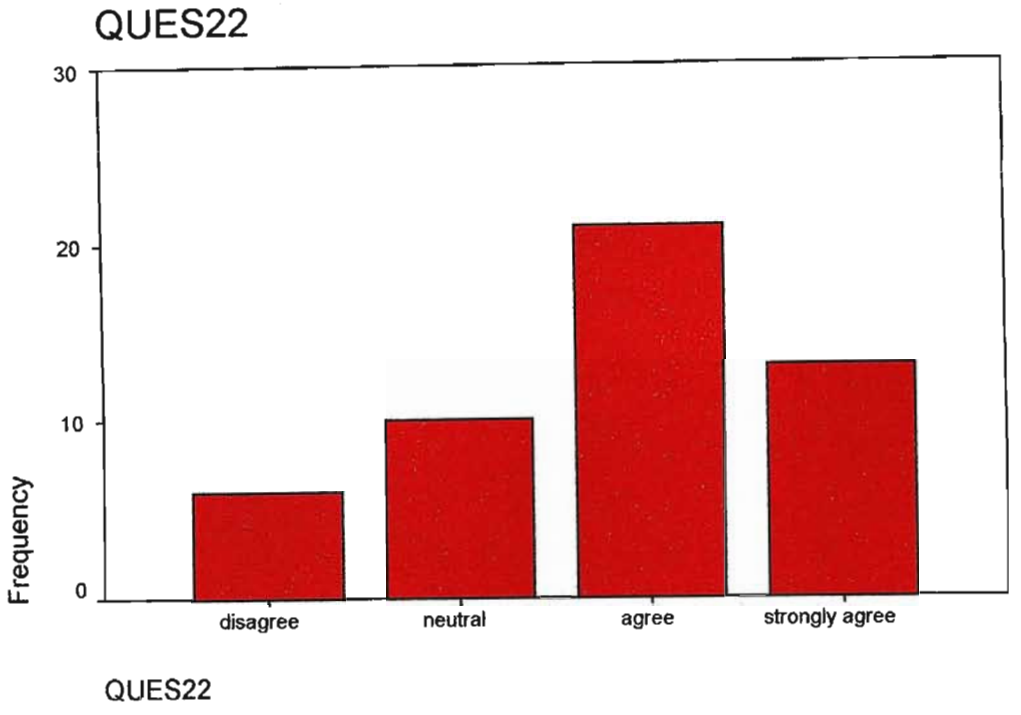


Fig 4.19 Question 22 Results

This question pertained to the respondents' tendency to purchase cover if they regard the price as being too high. No responses were gained for strongly disagree. The most frequent response being agree with 42% of the responses. The total responses for agree, and strongly agree is 68%. The mean for this question is 3.8200. This indicates that respondents are price sensitive.

Table 4.22 Question 23 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	10.0	10.0	10.0
	Neutral	7	14.0	14.0	24.0
	Agree	19	38.0	38.0	62.0
	Strongly agree	19	38.0	38.0	100.0
	Total	50	100.0	100.0	

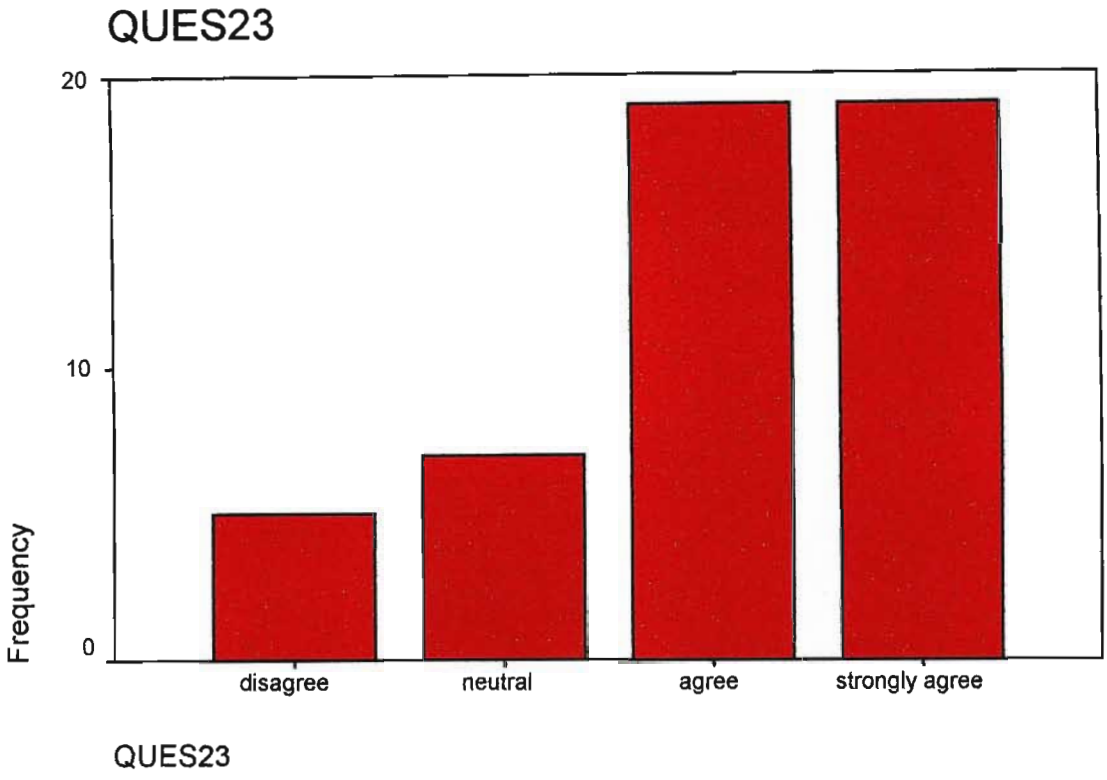


Fig 4.20 Question 23 Results

This question pertained to the respondents willingness to purchase medical cover even thought they perceived that they are not getting value for money. Once again as in question 22 no responses were registered for strongly disagree. The most frequently recorded response was 38% for agree and strongly agree. The mean for this question was 4.0400. This once again indicates that respondents as in question 22 agreed with the statement made.

Table 4.23 Question 24 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	4.0	4.0	4.0
	Disagree	8	16.0	16.0	20.0
	Neutral	8	16.0	16.0	36.0
	Agree	25	50.0	50.0	86.0
	Strongly agree	7	14.0	14.0	100.0
	Total	50	100.0	100.0	

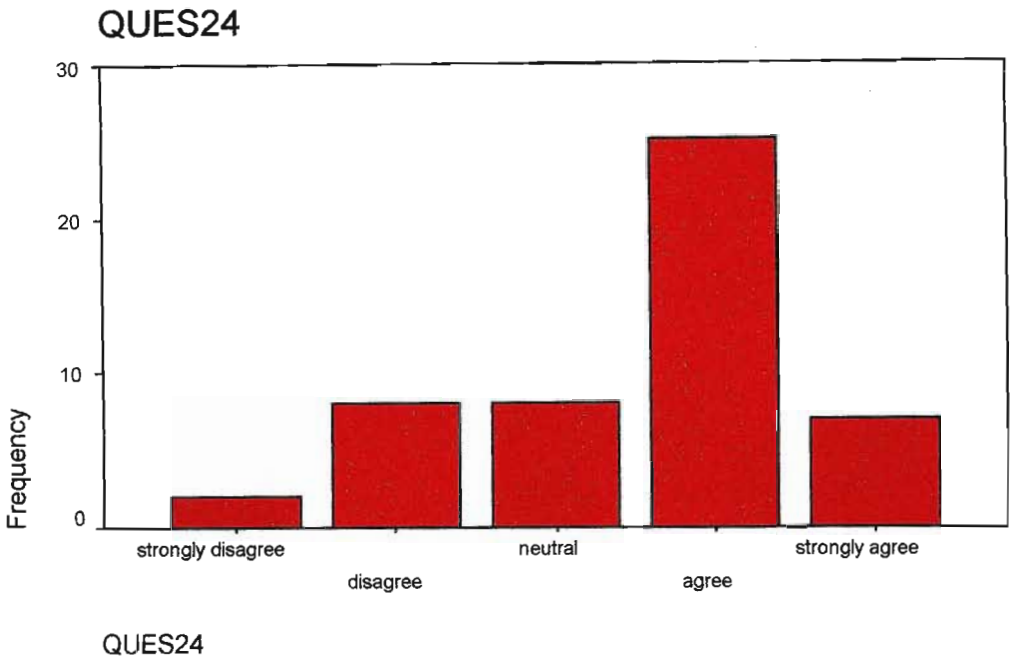


Fig 4.21 Question 24 Results

This question was used to try and determine the tendency of consumers to use price a means of evaluating the quality of the service offering. Respondents were asked whether they considered price as a reflection of the quality of cover being purchased. The result being that the most frequent response was agree with 50% of the total responses. A further 14% responded by indicating that they strongly agree. This resulted in the mean being 3.5400.

Table 4.24 Question 25 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.0	6.0	6.0
	Disagree	9	18.0	18.0	24.0
	Neutral	14	28.0	28.0	52.0
	Agree	18	36.0	36.0	88.0
	Strongly agree	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

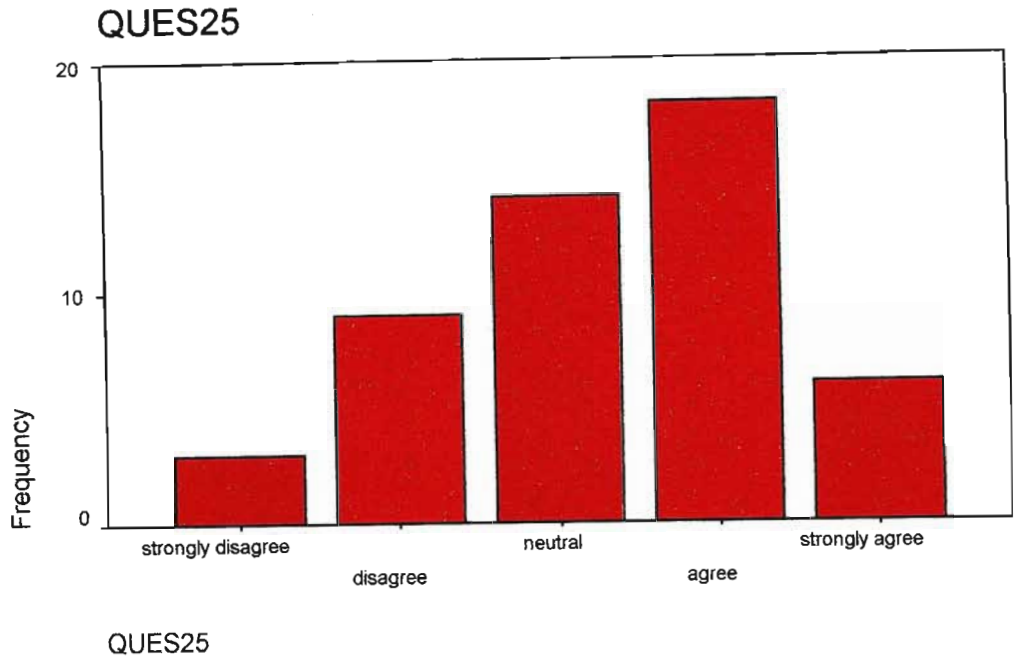


Fig 4.22 Question 25 Results

Question 25 was closely related to the one preceding it. The statement made, enquired as to whether consumers used price as a means of evaluating medical schemes. Responses ranged between all five options, with the most frequent being agree. The mean response for this question was 3.300. This would indicate that respondents were neutral with regards to the statement made.

Question 26

I ask the broker about the various medical schemes that are available.

Question 27

I ask the broker about the various types of cover that are available.

Question 28

I consult various brokers before deciding on which type of medical cover to purchase.

Question 29

I always listen to the advice of the broker when choosing a medical scheme.

Question 30

I purchase the medical scheme that is recommended to me by the broker.

Questions 26 to 30 dealt with the respondent's attitude toward the intermediary or broker selling medical cover to them. The aim of the questions was to determine the

influence that this person would be able to wield on the prospective purchaser of medical cover. Responses ranged from a mean of 3.900 for question 26, to 4.100 for question 27, 3.5800 for questions 28, 3.1800 for question 29 and finally 3.1000 for question 30. The results obtained per question are discussed bellow. From the means listed above, it can be determined that consumers do consult their brokers for advice on the type of cover available as well as the purchase options that are available to them. They however make the final decision regarding the purchaser of cover independently from their broker.

Table 4.25 Question 26 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	6.0	6.0	6.0
	Neutral	8	16.0	16.0	22.0
	Agree	30	60.0	60.0	82.0
	Strongly agree	9	18.0	18.0	100.0
	Total	50	100.0	100.0	

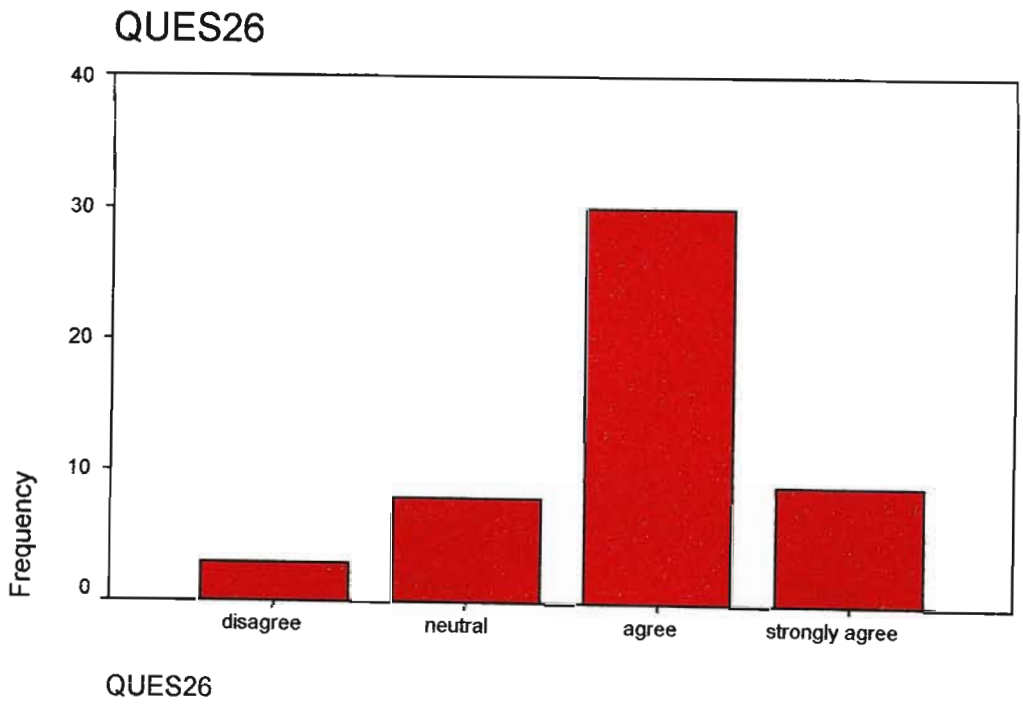


Fig 4.23 Question 26 Results

The statement made in this question related to whether respondents sort the advice of brokers regarding the various medical schemes that are available. 60% of respondents

agreed with the statement, whilst 18% strongly agreed. This adds up to a total positive response of 78%. The mean of 3.9000 for this question, also reflects the agreement respondents had toward the statement made.

Table 4.26 Question 27 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.0	2.0	2.0
	Neutral	7	14.0	14.0	16.0
	Agree	28	56.0	56.0	72.0
	Strongly agree	14	28.0	28.0	100.0
	Total	50	100.0	100.0	

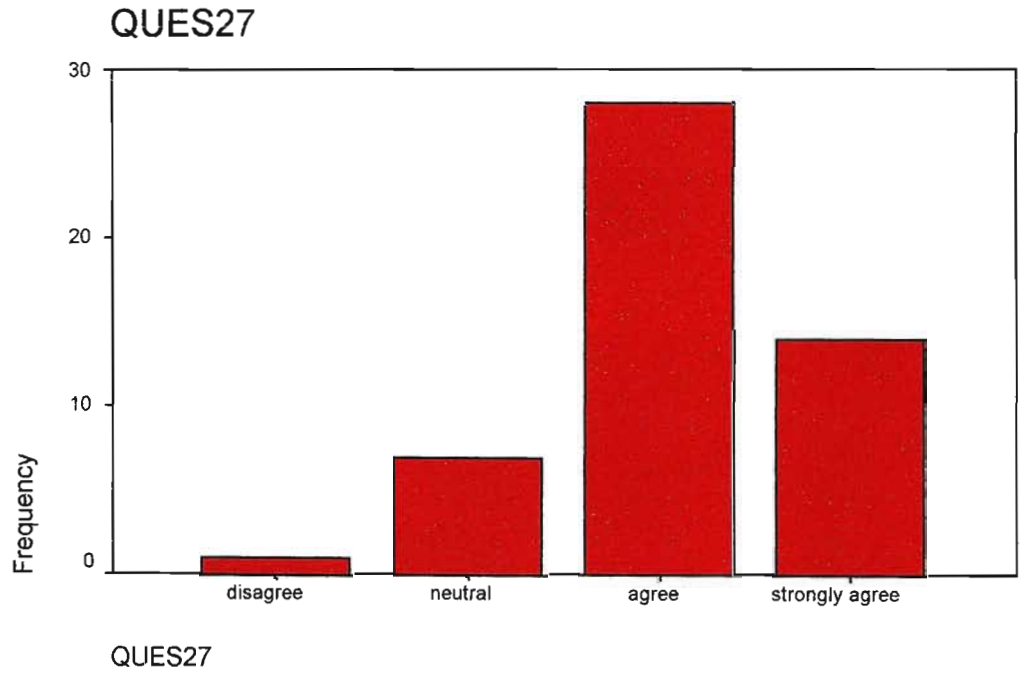


Fig 4.24 Question 27 Results

Question 27 dealt with whether consumers consult heir brokers with regard to the various medical schemes that are available. No responses were received for strongly disagree, whilst the most frequent response was agree (56%). Strongly agree also scored well with a total of 28% of the responses. This totalled a at 84% positive sentiment toward the statement made. The mean for this question of 4.100 further substantiates the positive sentiment.

Table 4.27 Question 28 Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.0	2.0	2.0
	Disagree	6	12.0	12.0	14.0
	Neutral	12	24.0	24.0	38.0
	Agree	25	50.0	50.0	88.0
	Strongly agree	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

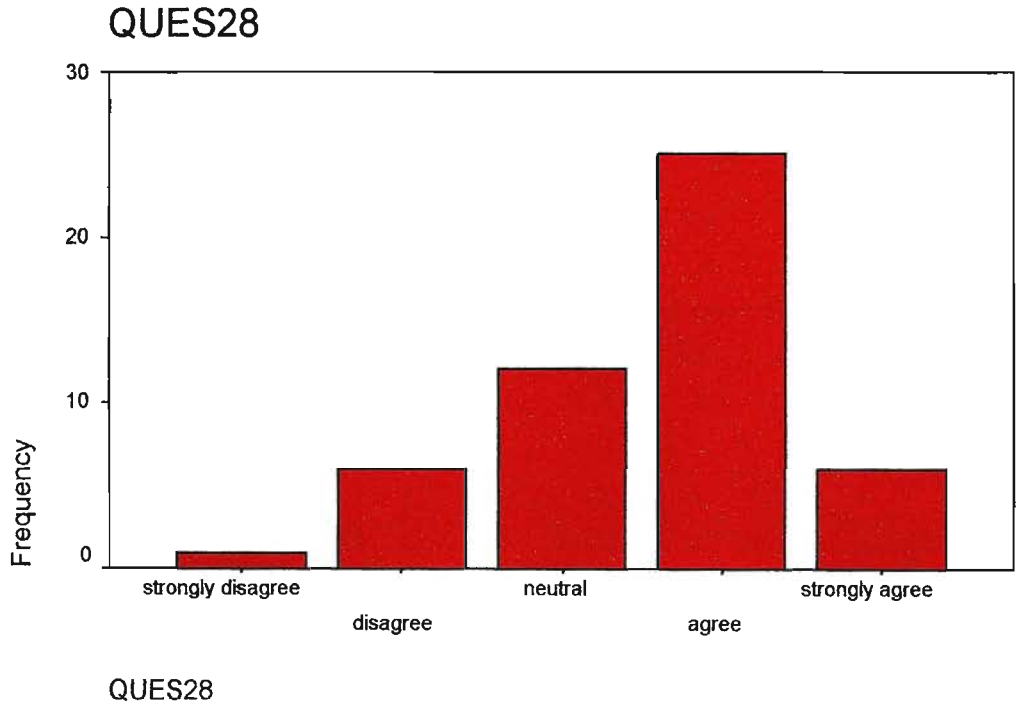


Fig 4.25 Question 28 Results

This question asked the respondents to state their opinion on whether they consult various brokers before choosing a medical scheme. The most frequent response was agree, which scored 50% of the total responses. The mean for the question was 3.5800 indicating that respondents were generally neutral or in agreement.

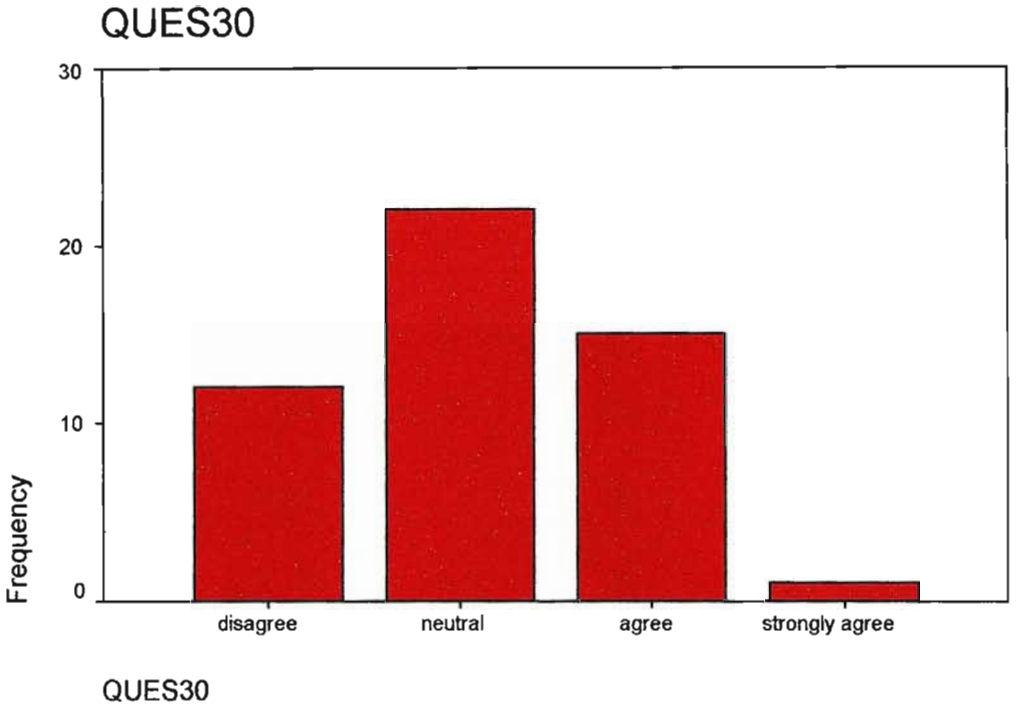


Fig 4.27 Question 30 Results

This question was a follow up to the previous one. The question enquired as top whether the respondents always listened to the advice of the broker and purchased then scheme recommended to them by the broker. Once again the most frequent response was neutral and the mean for this question was 3.100. This indicates the neutrality of responses that respondents had with regard to the influence of the broker.

Question 31

Please rate how important or unimportant each aspect is when deciding on which medical cover to purchase.

Respondents were asked to rate several relevant factors according to how important they deemed the factor to be. The measurement scale used was a 5-point scale rated from 1 to 5, with 1 being unimportant and 5 being important. The results gained were used to develop the tables and graphs below. The factors that were relevant to the research topic were analysed with the following results.

Table 4.30 Price

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	1	2.0	2.0	2.0
	2.00	1	2.0	2.0	4.0
	3.00	10	20.0	20.0	24.0
	4.00	15	30.0	30.0	54.0
	5.00	23	46.0	46.0	100.0
	Total	50	100.0	100.0	

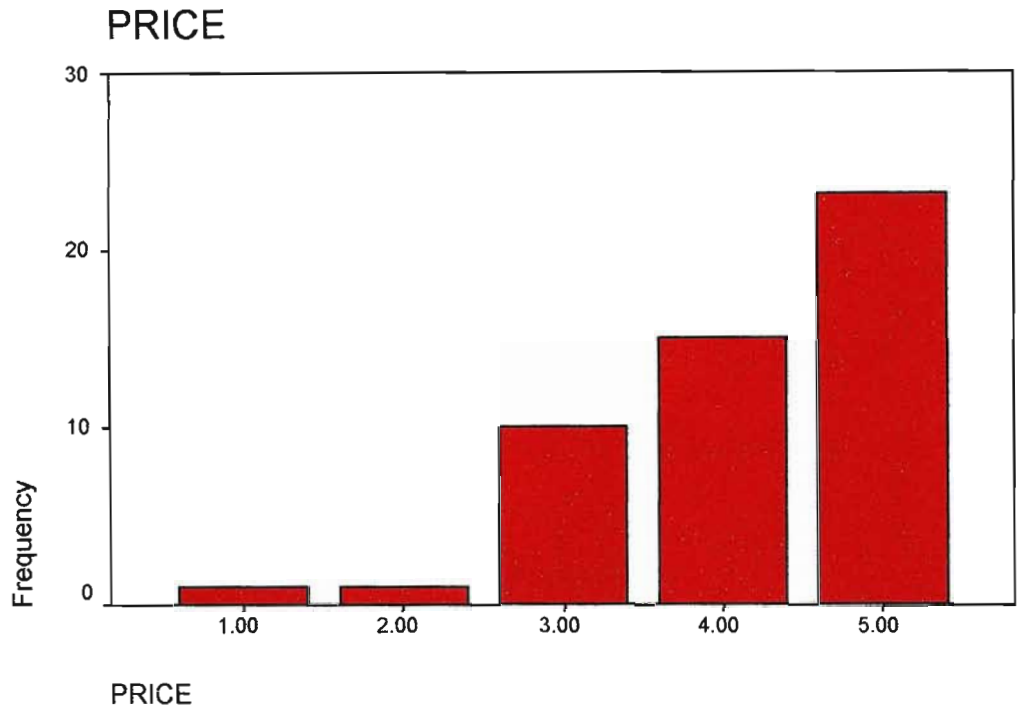


Fig 4.28 Price Results

Respondents were asked to rate how important they felt price was in determining which medical scheme to choose. It was found that 46% of respondents found price to be important, whilst 30% rated it as 4 on the measurement scale. This totals 76% of respondents that consider price as an important variable in choosing a medical scheme. Of the remaining 24%, 2% rated price as unimportant, or option 1 on the scale, whilst a further 2%rated it as a 2. 10% were considered neutral as they rated price as three.

Table 4.31 Benefits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	1	2.0	2.0	2.0
	3.00	5	10.0	10.0	12.0
	4.00	7	14.0	14.0	26.0
	5.00	37	74.0	74.0	100.0
	Total	50	100.0	100.0	

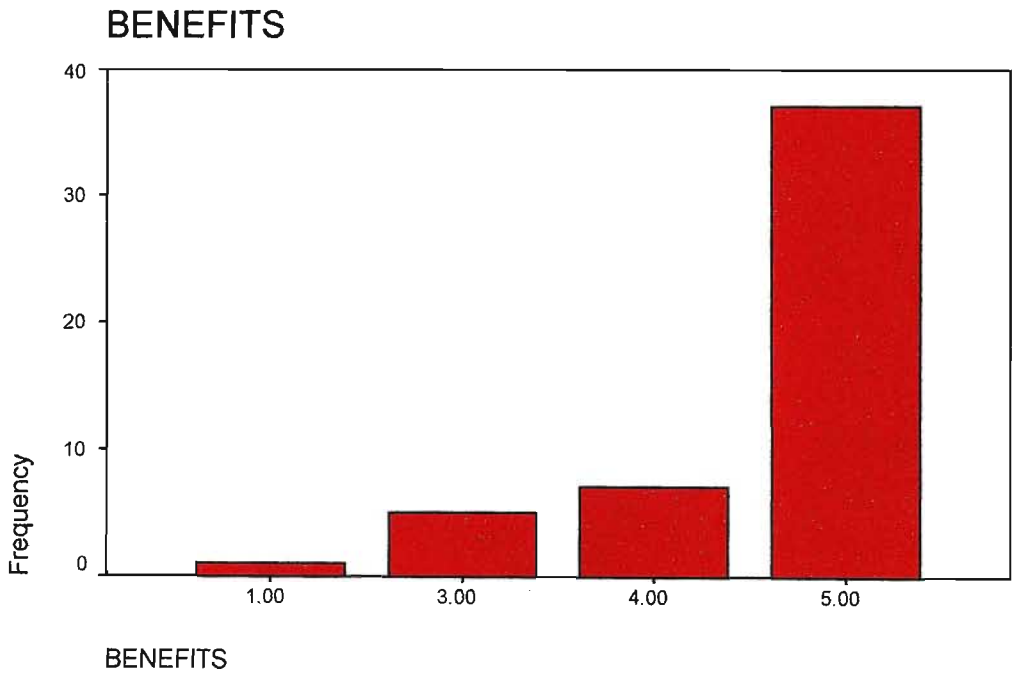


Fig 4.28 Benefits Results

Of the respondents poled a substantial percentage of 74% rated benefits offered as a 5. A further 14% rated benefits as a 4. This totaled a positive response of 88% for benefits offered. The remaining 12% were split between responses 1 and 3 with figures of 2% and 10% respectively. No respondents selected option 2.

Table 4.32 Broker Influence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	8	16.0	16.0	16.0
	2.00	11	22.0	22.0	38.0
	3.00	22	44.0	44.0	82.0
	4.00	6	12.0	12.0	94.0
	5.00	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

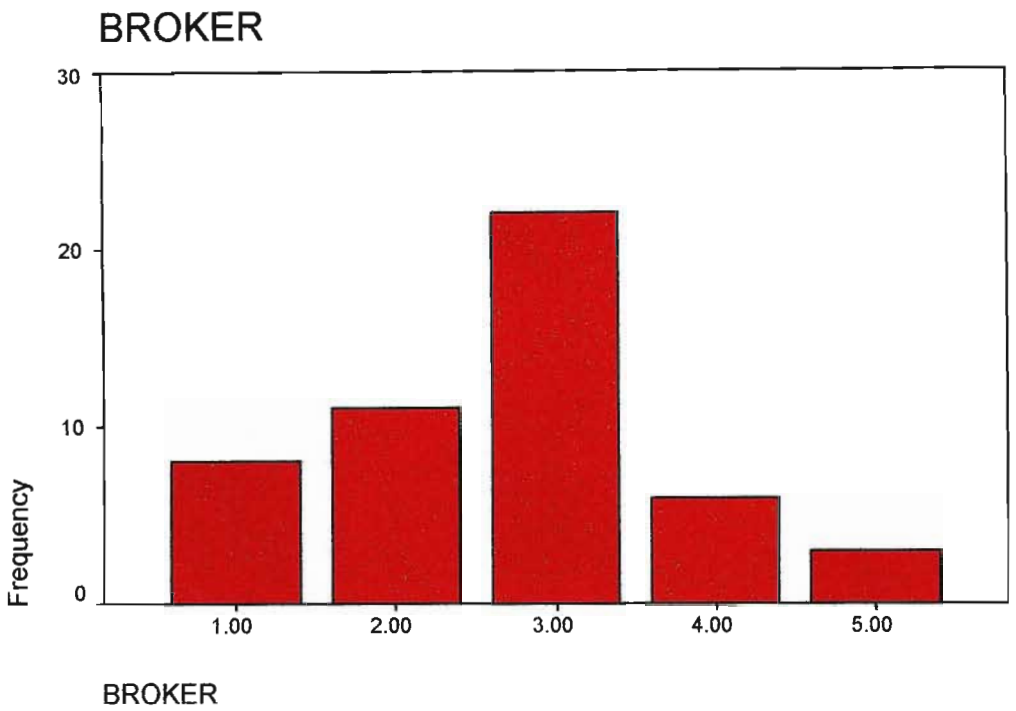


Fig 4.29 Broker Influence Results

Responses for the influence of the insurance broker were more varied than the previous two factors. The most prevalent response was 3, which can be considered as neutral. 44% of responses were marked 3, whilst the second most frequently occurring response was 2 with 22%. The total negative response to this factor equals the sum of option 1 and 2, whilst the total positive response for this factor equals the sum of option 4 and 5. These values are 38% and 18%respectively.

Table 4.33 Ancillary Benefits Program

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	3	6.0	6.0	6.0
	2.00	6	12.0	12.0	18.0
	3.00	13	26.0	26.0	44.0
	4.00	12	24.0	24.0	68.0
	5.00	16	32.0	32.0	100.0
	Total	50	100.0	100.0	

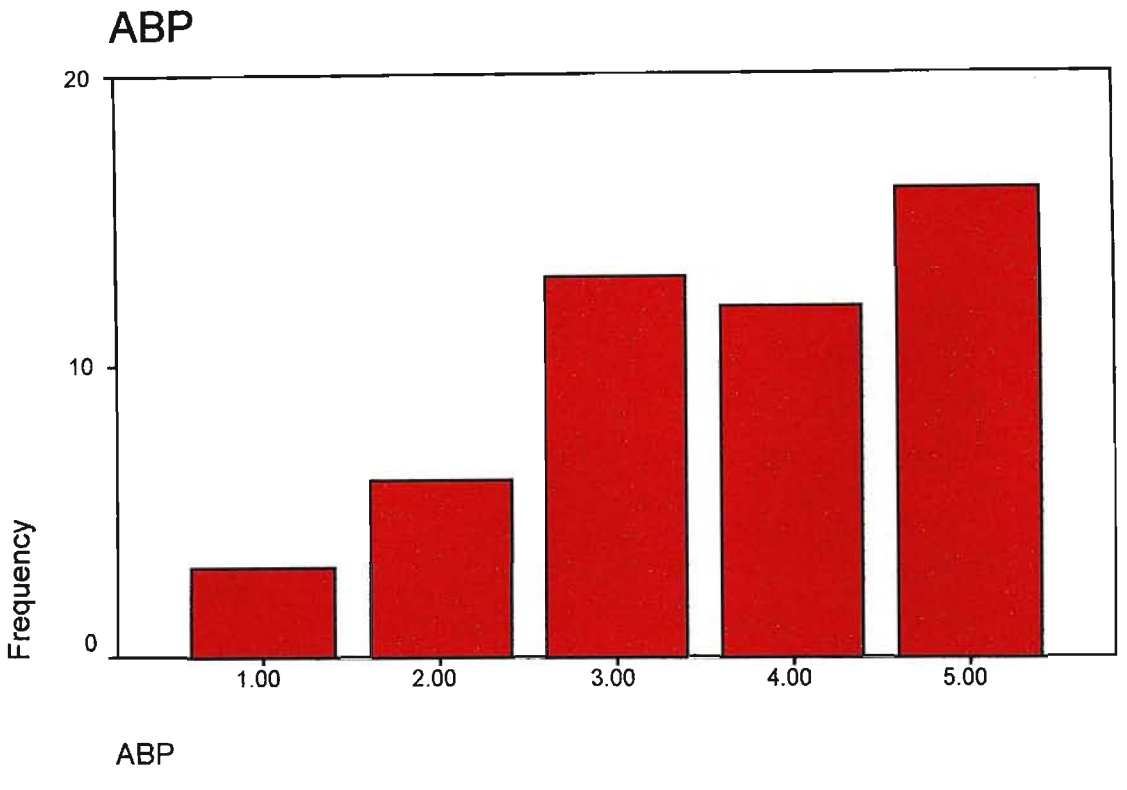


Fig 4.30 Ancillary Benefits Results

Once again the responses received were quite varied. The selection of the respondents varied across the full spectrum of all five points. The most frequently chosen point was 5, with 32% of the total. The combination of option 4 and 5 equalled the total positive sentiment toward the ancillary benefits programmes. This was equal to 56% of the responses. The negative sentiment equalled the sum of option 1 and 2, these being 18%. The number of neutral responses was 26%.

4.3 SUMMARY

This chapter dealt with the findings of the research. The measurement scales as well as the results of the specific questions were discussed. Further discussion of the results and their implications are done in the following chapter. The findings in this are therefore used as a base for the drawing of conclusion with regard to the entire research. Recommendations as well as the management implications are also drawn from the results obtained and discussed in this chapter.

CHAPTER FIVE: RESEARCH CONCLUSIONS

5.1 INTRODUCTION

The primary objective of this study was to elucidate the factors which consumers deem important in choosing a medical scheme. To this end, four factors that were deemed critical in the evaluation process were chosen. It was hypothesised that these four factors played a vital role in influencing the consumer in their decision. The research conclusions are drawn according to the 4 hypotheses as stated in chapter one. Management implications and recommendations follow the findings of the research. The chapter concludes with possible areas for further research.

5.2 HYPOTHESIS ONE: PRICE

It was hypothesised that price would be a factor that influences the consumers choice in a medical scheme. From the survey that was conducted, questions 21 through 25 related to the respondents attitude toward the price of medical schemes. Of the questions asked, responses ranged from a mean of 3.500 for question 21, to 3.8200 for question 22, 4.6400 for questions 23, 3.5400 for question 24 and finally 3.3000 for question 25. Question 21 asked respondents if they regarded price as the most important factor in choosing a medical scheme. The mean response was 3.5, which would indicate that respondents were between agree and neutral.

Question 22 was used to check the price tolerance that respondents may have with regard to the price of the offering. The mean response was 3.82 which indicates respondents were more in favour of the agree option. This indicates that if respondents view the price as being to high, they may not purchase medical cover. Question 23 also dealt with the same issue that was presented in the previous question. Respondents were asked if they would purchase medical cover if they felt that they weren't getting value for money. The mean response was 4.64, which indicates that most respondents agreed with the statement made. These questions verify that respondents are price sensitive in choosing their medical insurance cover. It further indicates that respondents may not purchase cover if they view the price as being exorbitant.

Questions 24 and 25 dealt with whether respondents used price as a means of evaluating the quality and the comprehensiveness of medical schemes. The mean responses for these two questions were 3.54 and 3.3 respectively. This indicates a neutral to positive response for the statements made.

The findings of the above questions indicate that respondents do find price important when choosing a medical scheme, they may also not purchase cover if they believe that they are not getting value for money, or if they sense the price is to high. Respondents were also found to agree that they regard the price of the cover they are purchasing to be a reflection of the quality of cover being purchased. They however do not always use the price of the cover as primary means of evaluating their purchase options.

The final question dealing with price was part of question 31. Respondents were asked to rank the importance of price according to the level of importance on a five-point scale. The majority of respondents rated price as a five. The mean response was found to be 4.16, which indicates that price is regarded as fairly important. The only other factor that was rated higher than price, was the benefits offered by a medical scheme.

5.3 HYPOTHESIS TWO: BENEFITS

The benefits offered by a medical scheme were hypothesised to influence the consumer in their choice of medical schemes available. In investigating the relevance of this hypothesis, the survey instrument contained questions related to the benefits offered by a scheme. Questions 16 to 20 asked respondents to rate on a five point Likert scale their response to statements made about benefits offered in medical schemes. Responses ranged from a mean of 3.9400 for question 16, to 4.1600 for question 17, 3.8400 for questions 18 and 19 and finally 2.8200 for question 20.

Question 16 enquired as to whether respondents regarded benefits as the most important factor in choosing a medical scheme. It was found that the mean response for this question was 3.94, which indicates that the respondents agreed with the statement made. Only 10% of respondents were found to disagree with the statement.

Question 17 was closely related to the previous question as it enquired whether respondents use benefits offered to disregard schemes that didn't meet their needs. The response gained was a positive mean of 4.16, which would indicate that respondents were attentive to the benefits offered by the various schemes, and used them as a means for selecting the most suitable one.

Question 18 was a follow up to the previous question and asked whether respondents used benefits as a primary means of evaluating medical schemes. A positive mean response of 3.84 indicates that in many cases respondents agreed with the statement made. A similar mean was registered for the following question, which asked if respondents evaluated the benefits offered by a scheme against their medical insurance needs. This also indicates that respondents were aware of their needs and in most cases tried to match their needs with the type of cover provided by medical schemes.

Question 20 was used to determine if respondents were aware of the varying degrees of cover offered by medical schemes. The statement made was that the benefits offered by medical schemes are very similar. To this a mean of 2.82 was registered, which would indicate that respondents were between disagree and neutral. This is indicative that respondents are able to differentiate, to a degree, the benefits of the various schemes.

In summary the findings of the above questions are as follows. Respondents were found to compare the benefits offered by the various schemes in order to form an evoked set from which a choice could be made. They were further found to evaluate the benefits offered by a scheme against their own insurance needs. Question 20 established that respondents are able to differentiate the various types of cover that are available to them in terms of the benefits offered.

The final question dealing with benefits was part of question 31. Respondents were asked to rank the importance of benefits according to the level of importance on a five-point scale. The majority of respondents rated benefits as a five. The mean response was found to be 4.58. This was the highest mean recorded for any of the factors that were listed. The responses gained in this question provided further

validation that consumers regard the benefits offered in a medical scheme as the most important variable in choosing between the various schemes on offer.

5.4 HYPOTHESIS THREE: ANCILLARY BENEFITS

With the increasing popularity of ancillary benefits programmes, it was thought that an investigation into the effectiveness of these programmes with regard to medical schemes would be prudent. To this end it was decided to include this topic as one of the hypotheses. Questions 12 to 15 related to the afore mentioned hypothesis. Question 12 was basic in nature, and enquired as to whether respondents were aware of ancillary benefits programmes. 62% of those polled were found to be aware, whilst the remaining respondents were unaware. The remaining questions went on to measure the respondent's attitudes toward ancillary benefits programmes.

Question 13 asked whether respondents thought that an ancillary benefits programme was vital in choosing medical cover. Of the responses registered, the mean response was 3.7. This would indicate that respondents expressed a positive to neutral response to the statement. Question 14 established that respondents were neutral as to whether they would purchase medical cover given that no ancillary benefits programme was in place. Question 15 enquired as to whether respondents tried to purchase cover that included an ancillary benefits programme. The mean response to this question was 3.9. This indicates that respondents generally agreed and therefore tried to include an ancillary benefits programme with their purchase.

It was found that almost two thirds of all respondents were aware of ancillary benefits programmes that are available. Respondents however did not regard ancillary benefits programmes as vital in purchasing medical cover, although they were found to be inclined to try and purchase medical cover that included an ancillary benefits programme.

The final question dealing with ancillary benefits was part of question 31. Respondents were asked to rank the importance of ancillary benefits according to the level of importance on a five-point scale. The majority of respondents rated ancillary benefits as a five. The mean response was found to be 3.64. This mean indicates that

respondents did value the rewards an ancillary benefits programme delivered, they were however found to value the benefits offered and the price of the programmes as more important.

5.5 HYPOTHESIS FOUR: BROKER INFLUENCE

Due to the inherent nature of medical schemes sales, it was decided to investigate the influence of the broker in choosing a medical scheme. According to service marketing principles, the intermediary should have a substantial influence on the choice made by the consumer. In order to investigate this factor, questions 26 to 30 were used in the survey instrument. Responses ranged from a mean of 3.900 for question 26, to 4.100 for question 27, 3.5800 for questions 28, 3.1800 for question 29 and finally 3.1000 for question 30.

The higher means recorded for questions 26 and 27 deal with the advice that consumers sought from intermediaries regarding the various schemes and types of cover that are available. This indicates that consumers do rely on the intermediary as a source of information on the medical schemes available. Question 28 enquired as to whether the respondents consulted various brokers before they made their final decision. The average response for this question was found to be between neutral and agree. This is in keeping with the marketing of a service, where consumers who are unsure about their purchases and have few tangible cues to evaluate the service, seek the advice of as many people as possible. This can assume the form of word of mouth, or consultation with people more experienced in the given field. In this case the insurance brokers.

Question 26, 27 and 28 dealt with the information gathering stage of the process. Questions 29 and 30 deal with the actual decision making stage of the purchasing process. These questions investigated the influence of the broker with regards to the final decision made by the consumer. Question 29 asked whether respondents always listen to the advice of the broker whilst question 30 enquired as to whether respondents purchased the scheme recommended to them by the broker. The means for these two questions, 3.18 and 3.1 respectively, indicate that consumers were neutral with regard to the statements made. These results were somewhat surprising as

it was thought that consumers after seeking the advice of an insurance broker would then follow the recommendations that are made. This however does not occur as respondents indicated in questions 26, 27 and 28 that they sought advice from brokers, however according to results gained from questions 29 and 30 they did not always follow the advice that was given to them.

The final question dealing with broker influence was part of question 31. Respondents were asked to rank the importance of broker influence according to the level of importance on a five-point scale. The majority of respondents rated it as a three. The mean response was found to be 2.70. This once again demonstrated the lack of influence that the intermediary has on the consumers. These results are unexpected as it was hypothesised that the broker would have a major influence on the decision making process of the consumer. Instead it was found that consumers are inclined to use the broker as a source of information, but they make the final purchasing decisions independently of the broker.

5.6 MANAGEMENT IMPLICATIONS AND RECOMMENDATIONS

Understanding the factors which consumers value in choosing a medical scheme is of utmost importance for the scheme to compete successfully. In conducting this research four such factors were hypothesised to influence consumer choice in medical schemes. The results of the research were somewhat surprising as the level of importance that consumers afforded to the hypothesised factors was unanticipated.

Of the factors investigated it was found that the most important factor was the benefits offered by a medical scheme. The medical schemes industry would be well advised to try and structure medical packages to suite the needs of the consumer more closely. Market segments should be developed and relevant packages structured to match consumer's needs in a given segment. This is a departure from the current manner in which schemes are structured, in which the same types of cover are offered to all. Further research is needed firstly to determine the feasibility of this and secondly to establish the types of benefits that are relevant to each market segment.

The factor that was found to follow benefits in the level of importance was the price of the medical scheme. This factor was expected to feature as one of the most important factors influencing the decision making process. It was found that consumer to an extent uses the price of the scheme on offer as a means of evaluating the quality of the offering. The importance of this finding is vital in pricing a medical scheme. If administrators set the price to low, consumers may regard the scheme as inferior to other medical schemes. The scheme administrators have to therefore balance the need for a competitive price against the image that consumers may form of the scheme.

The third factor that was investigated was the ancillary benefits programmes that are offered. Given that two of the countries most successful schemes have ancillary benefits programmes, the importance of the programmes needed to be established. Of the sample chosen two thirds of the respondents indicated that they were aware of ancillary benefits programmes. They however further indicated that they do not regard such programmes as vital in selecting a medical aid. The level of importance that they afforded an ancillary benefits programme was 3.64. The management implications of this are that, if consumers considered all other factors that the medical schemes are offering as equal then, they may choose the medical scheme that offers an ancillary benefits programme over one that does not. Management should therefore not use these programmes as a primary means of competing with each other; they should instead concentrate on the other more important factors that were mentioned previously. Once management finds that it has met consumer expectations on the primary factors then it may develop an ancillary benefits programme to try and differentiate its product from others that are on offer.

The final area of research was the influence that the broker is able to wield over customers. The results obtained shows that consumers do not regard the intermediary as important an influencing factor as is with other service encounters. Although brokers were consulted on the various types of schemes available, consumers did not always choose the scheme that was recommended by the broker. Brokers were found to have the most degree of influence in the information gathering stage of the purchase process rather that the decision making stage. It is therefore vital that medical schemes educate and inform their intermediaries of the latest industry trends and product developments. In doing so they will equip the intermediary with

extensive knowledge. This in turn may increase the credibility of the intermediary, and it is envisaged that a spin of to this would be an increase in the influence that intermediaries are able to wield over the consumer.

5.7 AREAS FOR FURTHER RESEARCH

The hypotheses chosen are by no means the full gambit of factors influencing consumers' choice. In further research it is recommended that the full range of relevant factors be included in the study to obtain a more comprehensive understanding of the chosen field of research.

Further it is recommended that demographic factors such as the marital status, number of dependents and age of the consumers be cross tabulated against the hypothesised factors in order to gain a greater insight into the topic. These demographic factors may be chosen according to the market segments that the medical scheme has developed or wants to develop. The results of this would allow the medical schemes to better understand the influencing factors that are most relevant to a particular segment.

Of further interest would be the relationship that the intermediary shares with the consumer. From the research findings, it was found that consumers sought the advice of insurance brokers, however they did not always follow the advice given to them. It is recommended that this be investigated to try and discover the reasons why this may occur.

5.8 CONCLUSION

The research conducted was envisaged to help elucidate the factors that influence consumers in their choice of medical schemes. In achieving this it was found that the first two hypothesised factors did significantly influence consumers in their choice of scheme. The third hypothesis was found to influence consumer choice, however the relevance of the hypothesised factor seemed to be limited. Consumers regarded other factors as more important and may in fact use the hypothesised factor to differentiate between schemes that appear to be very similar. The fourth hypothesis was found not to have a significant influence on the decision made by the consumer. It was however discovered intermediaries did significantly influence the consumer during the information gathering stage.

Recommendations and management implications of the findings were made to add value to the results obtained in this study. Areas of further research are also recommended in order to clarify anomalies that were found in completing this study. Any aspects of further research should use the information gained in completing this study to further clarify the topic under investigation.

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World wide web

1) www.iol.co.za
2) www. Medicalschemes.com
3) www.Discoveryworld.co.za
4) www.persfin.co.za

The questionnaire that you are requested to participate in, forms part of an MBA research programme. The topic under investigation relates to the factors influencing consumer choice in medical schemes. You are requested to answer all questions and to indicate Not Applicable (N/A) if you cannot relate to any of the questions.

Thank you for your co-operation.

Y.A. Boodhun

(084 5824 151)

1. **Your Age Category?**

<20	20-30	31-40	41-50	51>

2. **Gender?**

Male	Female

3. **Marital Status?**

Married	Single

4. **Number of dependents?** _____

5. **Income Category per month?**

< R3000	R 3000- R7000	R7100- R10 000	R10 100- R15 000	>R15 000

6. **Are you presently covered by medical aid?**

Yes	No

7. **If yes what type of cover?**

Comprehensive Medical Aid ___

Medical savings account with hospital Cover ___

Hospital cover ___

Other ___

If other please specify _____

8. **Is your medical cover provided for by your company (i.e. group scheme), or did you purchase cover as an individual?**

Company	Individual

9. **When was the last time you purchased or attempted to purchase medical aid?**

_____months ago.

10. **List the 5 most important factors that you consider when purchasing medical cover?**

_____ _____ _____

_____ _____

11. **Check any source you consult when deciding on which medical cover to purchase?**

Friends	____
Family	____
Co-workers	____
Insurance brokers	____
Insurance companies	____
Internet	____
Articles	____
Other	____

If other please specify? _____

12. Are you aware of any added benefits programmes offered by medical aids? E.g. Vitality, Accolades etc.

Yes	No

Please indicate your response to the statements made by crossing the opinions listed in the box.

13. I consider an added benefits programme as vital in choosing medical cover.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

14. I will not purchase medical cover unless an added benefits or rewards system is in place.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

15. I try to choose a medical scheme that has an added benefits programme.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

16. I consider the benefits offered in a medical aid as the most important factor when purchasing cover.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

17. I first look at the benefits offered by a scheme before I start to evaluate my choices.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

18. I use benefits offered by a scheme as the primary means of evaluating the various schemes on offer.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

19. I evaluate the benefits offered by the scheme I am choosing against my medical insurance needs.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

20. I regard the benefits of the various medical schemes as being very similar.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

21. I regard price as the most important factor in deciding on which medical cover to purchase.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

22. I will not purchase medical cover if I feel the price is too high.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

23. I will not purchase medical cover if I feel I am not getting value for money.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

24. I consider the price of the medical cover to be a reflection of the quality of medical cover being purchased.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

25. I use price as a means of evaluating the quality of the medical cover that I am purchasing.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

26. I ask the broker about the various medical schemes that are available.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

27. I ask the broker about the various types of cover that are available.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

28. I consult various brokers before deciding on which type of medical cover to purchase.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

29. I always listen to the advice of the broker when choosing a medical scheme.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

30. I purchase the medical scheme that is recommended to me by the broker.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

31. Please rate how important or unimportant each aspect is when deciding on which medical cover to purchase.

	IMPORTANT				UNIMPORTANT
The price	5	4	3	2	1
The benefits offered	5	4	3	2	1
The influence of the broker	5	4	3	2	1
The importance of an added benefits programme	5	4	3	2	1
The popularity of the medical scheme	5	4	3	2	1
The influence of family and friends	5	4	3	2	1