DETERMINANTS AND MODULATORS IN CONSUMERS' LONG-TERM INTANGIBLE INVESTMENT DECISIONS – STEREOTYPES VERSUS EMPIRICAL EVIDENCES IN THE LIFE INSURANCE MARKET

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Problem statement

The subject of our investigation is a part of services market in which a buying decision is more like an investment with a significant and long-term impact (above all, on a household's budget). If we try to identify the characteristic elements of consumer behaviour theory in the area under investigation, then first of all we might think of the need for security. Among Rokeach's terminal values we find family security (Rokeach 1973) which – the topic being a consumer investment – plays a role in long-term decisions of the consumer market. Although such buying decisions are mostly male-driven, they are made together with the female partner (Pape 2002, p. 31) thus, in fact, it is a family purchase decision (von Schimmelmann–Franke 2005, pp. 214-215; Rodepeter1999).

The issue of long-term intangible investment decisions is in many ways special. For example consider the role of personality and trust. Personality is a function of innate drives, learned motives and experience. Personality analysis involves the classification of various types of personality. In our case it is the types of risk personality which – unfortunately – can only be measured to a limited extent (Evans-Jamal-Foxall 2006 p. 137). One of the few examples is Westewig's experiment (1977) and another one is the research of Soane and Chmiel's (2005). Trust is particularly important for services (Liljander-Strandvick 1995), which by their nature are highly intangible (for example, banks and insurance companies) because there is a need for a minimum level of consumer trust before service delivery is initiated. The time factor deriving from the process characteristic in services marketing is very often a neglected aspect. In this case, process is a kind of 'forced choice' which is in a sort of dormant phase for a long time and the transaction becomes tangible only when the risk materializes, ie it is especially difficult to manage the process (interaction) and the outcome (Lovelock-Wirtz 2004, p. 411; Brady-Cronin 2001). The decision is an intertemporal choice requiring a comparison of short and long term preferences (Müller 2001), as an issue in research of mental accounting (Prelec-Loewenstein 1998). This forced relationship to a supplier explains why the role of post-purchase cognitive dissonance in life insurance is so crucial.

As for life insurance, one special aspect of attitudes has to be considered in any case: the relationship to risk (Foscht-Swoboda 2005, pp. 83-84; Trommsdorff 2004; Spremann 1999; Kroeber-Riel-Weinberg 1999), ie risk attitude (Pennings-Smidts 2000; Smidts 1997; Weber-Milliman 1997). It is from two aspects: first, it refers to an attitude towards risks in a person's life but also their attitude to how risks relating to different types of insurance and insurance companies are evaluated is important. With consumers' investment decisions, we can witness a transformation of consumer attitudes to money: it is becoming possible to link money to ideas. People spend much more on improving their quality of life in the long-term. No longer do they only think of financial solutions that create the illusion of easy money. To measure attitudes, a useful approach is to compile a series of scales, each measuring a different attribute of the same attitude, e.g. semantic differential scales or Likert scales (Evans-Jamal-Foxall 2006 pp. 69-71). Besides attitude to money, also lifestyle plays a role in investment decisions (von Schimmelmann–Franke 2005, pp. 204-215). Traditional lifestyle research has been based typically on the presentation to respondents of a series of statements (Likert scales), as it is e.g. in the Target Group Index (TGI) annual research programme.

Nevertheless, insurance industry practice is not exempt from certain stereotypes about buyer motivation. Therefore, it makes sense to compare these with the research findings of this area. This area should be investigated also because it has very scarce research antecedents (Burnett-Palmer 1984; Karni-Zicha 1986; Wharton-Harmatz 1989; Yaari 1965). This paper explores the determinating and modulating role of certain elements of lifestyle/way of life and attitudes to money in long-term and intangible investment decisions of consumers. The chosen target group of our research is buyers of insurance products, life assurances in particular.

Exploration of insurance purchasing trends - the basis for our research model

In the first phase, a research model was established based on secondary sources, former research findings and a secondary analysis of the TGI database.

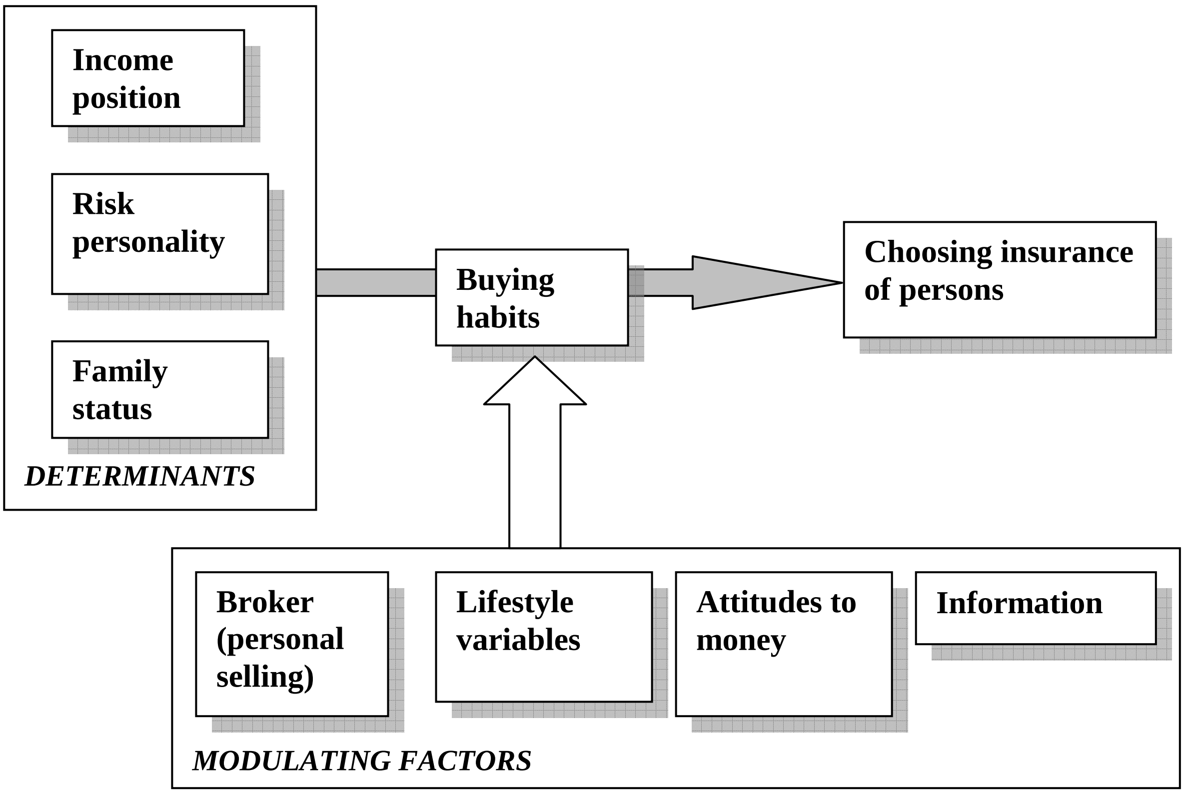
Former research was carried out into how customer attitudes to judging insurance services are affected by personal relationships with suppliers. The questionnaire tracked people's general opinion of insurances when making buying decisions. Interestingly enough, while insurance generally or definitely reminded more than half of the respondents on door-to-door brokers, advertisements played a minor role in creating a need for taking out insurance. Also, it turned out that electronic channels cannot take over the role of an insurance broker completely. This is because a vital factor in an insurer-client relationship is to continuously provide information.

In the *secondary analysis* of the TGI database we investigated two areas: family relations and attitudes to money. As for insurance behaviour and family relations, we found higher values among married people and people with children. In the case of unit linked and endowment/mixed assurances, the correlation between the number of children and buying insurance was significant with people with one or two children. Considerable correlations regarding the age of children can only be found with pension insurance and only with people who have small children. For people with older children, the values for each type of insurance tend to fall. A typical characteristic of insurance behaviour, people's willingness to assume risks and financial attitudes is that most types of insurance are sold through brokers. Considering the closeness of the correlation with financial attitudes, there are some forms of insurance which are more and others that are less closely related with financial attitudes. There seems to be a stronger relationship with the following forms of insurance: accident insurance, sickness insurance, unit linked life assurance, endowment/mixed life insurance and whole life insurance. Among the individual types of insurance, whole life insurance and unit linked life insurance seem to stand out. In the case of unit linked, endowment/mixed and whole life insurance types, those people who find investing into securities and shares not risky, seem to be more willing to take out insurance than the average. Insight generally goes hand in hand with inclination to above-average spending on buying insurance. Those who adopt an "I'm looking for profitable possibilities to invest my money", show above-average spending for each form of insurance. People who want to buy or have already bought insurance, pay closer attention to advertisements on financial services than the average.

The model
The above results identify those factors that determine or modulate the choice between different types of insurance of persons. The perception of risk incurred by debts and various forms of investment and the importance of being insured derive from a person’s risk-taking personality. The family status factor seems to have a correlation with choosing different types of insurance (see also Schmeiser-Post 2005). This and income position, being an objective condition, are regarded as determinants.

The results of previous research clearly showed that with this financial service insurance brokers are able to exert considerable influence on the process. Also, information plays a similar role, since the insurance market is characterized by a kind of information asymmetry to the detriment of buyers. Moreover, need for particular types of insurance and choice behaviour are also influenced by a person’s lifestyle (lifestyle variables) and their attitudes to money (ideas on saving, etc.). The above four factors function as modulators that modulate rather than determine the process.

The relationship between determinants and modulators of insurance choice and the buying decision is shown in the model below:



Quantitative research

Taking the above model as a starting point, we focused our quantitative research on two modulating factors: lifestyle variables and attitudes to money as well as on related buying habits. We carried out the survey only for pension insurance, since in the secondary TGI analysis a relationship between particular attitudes and pension insurance became evident in almost every case and since practically any form of savings insurance can be understood as pension insurance.

Based on the above research objective, we formulated the following research hypotheses:

H1: The purchase of pension insurance is determined by lifestyle.

> H1a: The role that looking after ourselves and others plays in lifestyle determines a purchase of pension insurance.
>
> H1b: Conscious career planning, saving and sense of responsibility give priority to maintaining a certain quality of life even in the years of retirement.
>
> H1c: Those who consider self-actualization important in life tend to finance their years of retirement from sources other than a life assurance.
>
> H1d: The way in which risks are evaluated in our lives determines how much of our savings we invest in insurances.

H2: Buying habits determine whether a consumer has pension insurance.

> H2a: The need for customized services determines whether or not someone buys pension insurance.
>
> H2b: There is a relationship between carefully considering a buying decision and buying pension insurance.
>
> H2c: The importance of frequently rewarding ourselves is inversely proportional to owning retirement life assurance.

H3: When buying financial services, the purchase decision is influenced by qualitative rather than quantitative parameters.

H4: Attitudes to money determine whether somebody owns pension insurance and what they think of it.

> H4a: The importance attached to long-term savings correlates with the purchase of pension insurance.
>
> H4b: Those who prefer long-term investment schemes own pension insurance because they do not wish to give up anything during the time of their retirement.
>
> H4c: Those who prefer long-term investment schemes own pension insurance because they consider it a regular and targeted way of saving.

H5: The age of an individual determines what they think of old age pension insurance.

H6: The type and place of residence affects how much information an individual has about pension insurance.

Research method

The above hypotheses were tested with the “paper and pencil” method using face-to-face interviewing. The sets of questions on the questionnaire included lifestyle-related associations, questions on buying patterns, attitudes to money, the relevance of pension insurance, factors affecting buying decisions and a few questions on socio-demography. Respondents were asked to rate how much they agree with each statement (e.g. buying behaviour, attitudes to money, etc.) on scales of different ranges or, in other cases, to rank the importance of certain concepts (eg ones relating to lifestyle and attitude to life). The sample size was n=200, taking a sample from a quoted sampling frame of adult population in which the individuals of the population were potential and/or current buyers of insurance services.

Considering that scale questions in the questionnaire are measured on ordinal scales, for data processing we used tests that, instead of the sample mean, take the medians into consideration. Thus using a Wilcoxon signed ranks test, we examined the significance of the differences between the medians of consecutive groups ranked according to median. Using the Mann-Whitney test we examined hypotheses where the data of the two samples could not be matched according to a statistically relevant aspect. The Friedman test was used – as a non-parametric version of variance analysis on a group of more than two samples – to compare the medians of several groups

Research findings

Significant relationship was found in the following cases: H1b accepted, H1c accepted, H2a accepted, H2b accepted, H4b accepted, H4c accepted, H5 accepted, H6 accepted.

Assumption H3 was *partially proved*: When buying financial services, a purchase decision is influenced by qualitative rather than quantitative parameters. Certain parameters of service quality are given priority over quantitative decision criteria (i.e. the cost of insurance), while others are less important.

The following *did not prove to be significantly correlated*: H1a rejected, H1d rejected, H2c rejected, H4a rejected.

Further analyses showed a *significant correlation* in a number of previously non-hypothesized relationships. These were relatively high, above 50 in number. Below we list those that beyond pure statistic correlations suggest an explainable correlation.

In lifestyle: The relevance of being (or feeling) young puts off a purchase of pension insurance. Those who consider self-actualization important in their lives tend not to own pension insurance because they do not trust insurance companies.

In buying patterns: The need for a reliable service provider, the relevance of self-expression and careful consideration of the decision are typical of those who think that through pension insurance they can make provisions for both themselves and their families. People who buy products the ownership of which gives them reassurance, own pension insurance because they consider it a regular and targeted way of saving up.

In attitudes to money: Those who believe that fulfilment of our needs is just a question of money, do not own pension insurance because they live from hand to mouth. Those who think it is good that today you can buy almost anything on credit do not own pension insurance because they cannot afford to buy one.

Classification of modulating variables

Based on the obtained results we can identify those factors within each modulator that can modify the process outlined in the model in a positive or negative direction. These can be classified as follows:

Positive modulators:

- lifestyle - hectic life; need for performance; sense of responsibility; mobility, looking after others; conscious career planning; saving
- buying habits - buying products the ownership of which is reassuring; need for a reliable supplier; the importance of self-expression; careful consideration of a purchasing decision; prevalence of qualitative factors; self-reward; preference for experiential purchases; need for customized services

- attitudes to money - preference for long-term investment schemes

Negative modulators:

- lifestyle – flexibility; self-actualization; importance of being/feeling young
- buying habits - scepticism over new products; disregarding prices; careful consideration of buying decisions
- attitudes to money - preference for credits; adopting a “The fulfilment of needs is just a question of money" principle

Further research and application possibilities

The most striking results obtained from a quantitative survey, whether they are proved or unproved hypotheses or research by-products, are intended to be confronted with stereotypical ideas of sales managers, working in the insurance industry, in the form of a qualitative interview to be conducted with a self-administered Delphi method. The Delphi interview including a three-step iteration is going to take place in the first quarter of 2007 using a panel of experts made up of 25-30 members and the results are expected to be analysed and interpreted in April.

The obtained results are expected to fine-tune the model as well as to ensure that we can finalize a model that can be tested on other areas related to consumers’ long-term financial decisions. The research findings can be useful for certain practical areas such as planning the marketing communication of insurance services.

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