ATTITUDES AND PERCEPTION IN CONSUMER'S INSURANCE DECISION

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Abstract

Consumers attitudes are both an obstacle and an advantage in the decision proccess. Choosing to discount or ignore consumers' attitudes of a particular product or service, while developing a marketing strategy,guarantees limited success of a campaign.Differences in attitudes dependes also by the gender of decidents. the different features between men and women in the perception of risk and decisional process of making an insurance. Women are more risk averse than men. Over an initial range, women require no further compensation for the introduction of ambiguity but men do. Differences appear also in which concerns risk taking, overconfidence and information processing. Perhaps the attitude s formed as the result of a positive or negative personal experience and by other psychological factors outside the common market manipulation.

Keywords: risk aversion, insurance, decisional process, information processing, perception.

J.E.L. Classification:

Introduction

This study aims to assess the degree in which formed attitudes and consumer perception influences the insurance decision and if women display a common trait of less risk-seeking behaviour than men in insurance decision-making.It is common known that the influence of society, of culture, of family and friends are not the only factors that drives a consumer in making a market decision.The subliminal factors like psychological ones and cognitive dissonance play a main role in what consumer perceive and decide in the insurance world.

Insurances are intangible products that have some special features apart from the material good.

Insurances represent a service that cannot be touched, price standardization is not possible,there is no ownership transfer and production and consumption are inseparable.The consumer is a part of the production process so the delivery system must go to the market or the consumer must come to the delivery system.Because the insurance is linked also to the value of risk is very important to analyze if consumer of insurance is risk averse or not. The risk is evaluated before insuring to charge the amount of share of an insured, consideration or premium. There are several methods of evaluation of risks. If there is expectation of more loss, higher premium may be charged. So, the probability of loss is calculated at the time of insurance.

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The insurance serves indirectly to increase the productivity of the community by eliminating worry and increasing initiative. The uncertainty is changed into certainty by insuring property and life because the insurer promises to pay a definite sum at damage or death.

From a family and business point of view all lives possess an economic value which may at any time be snuffed out by death, and it is as reasonable to ensure against the loss of this value as it is to protect oneself against the loss of property. In the absence of insurance, the property owners could at best practice only some form of self-insurance, which may not give him absolute certainty.

Having into consideration this aspects we can say that, the ultimate level beside the real utility of the insurance product in the decision process, is played by the perception of the insurance product.

Consumers can evaluate a product along several levels. Its basic characteristics are inherent to the generic version of the product and are defined as the fundamental advantages it can offer to a customer. Generic products can be made distinct by adding value through extra features, such as quality or performance enhancements. The final level of consumer perception involves augmented properties, which offer less tangible benefits, such as customer assistance, maintenance services, training, or appealing payment options. In terms of competition with other products and companies, consumers greatly value these added benefits when making a purchasing decision, making it important for manufacturers to understand the notion of a "total package" when marketing to their customers. For example when acquiring an insurance, the consumer do not acquire only the risk protection represented by the sum of money payed in case of a disaster but also the feeling of security and the psychological confort that can be offered by this exchange through the insurance policy.

Nevertheless, is obvious that some people are more risk averse and value more the insurance protection, others like to take risk and the insurance will not appear so appealing.

Also, gender differences relating to risk behavior, the perception of insurances, the information acquisition and reporting, information and moral hazard in financial decision-making is examined in Section 2, together with the importance of differing contextual instances in explaining such differences in building the stereotypes. If some behavioral factors as gut feeling and emotion effect desion making and how the persons react to those is the subject of our debate.

The insurance purchasing and marketing activities do not always produce results that are in the best interest of indivuals at risk.we will discuss such behavior with the intent of showing the difference for the insurance interest decision making and the factors that influence both men and women.

1. Knowledge stage

An attitude in marketing terms is defined as a general evaluation of a product or service formed over time (Solomon, 2008). An attitude satisfies a personal motive and at the same time, affects the shopping and buying habits of consumers. Dr. Lars Perner (2010) defines consumer attitude simply as a composite of a consumer's beliefs, feelings, and behavioral intentions toward some object within the context of marketing. A consumer can hold negative or positive beliefs or feelings toward a product or service. A behavioral intention is defined by the consumer's belief or feeling with respect to the product or service.

Perhaps the attitude formed as the result of a positive or negative personal experience. Maybe outside influences of other individuals persuaded the consumer's opinion of a product or service. Attitudes are relatively enduring (Oskamp & Schultz, 2005, p. 8). Attitudes are a learned predisposition to proceed in favor of or opposed to a given object. In the context of marketing, an attitude is the filter to which every product and service is scrutinized.

The functional theory of attitudes,developed by Daniel Katz,offers an explanation as to the functional motives of attitudes to consumers (Solomon, 2008). Katz theorizes four possible functions of attitudes. Each function attempts to explain the source and purpose a particular attitude might have to the consumer. Understanding the purpose of a consumer's attitude is an imperative step toward changing an attitude. Unlike Katz's explanation of attitude—as it relates to social psychology, specifically the ideological or subjective side of man—consumer attitudes exist to satisfy a function (Katz, 1937).

The utilitarian function is one of the most recognized of Katz's four defined functions. The utilitarian function is based on the ethical theory of utilitarianism, whereas an individual will make decisions based entirely on the producing the greatest amount of happiness as a whole (Sidgwick, 1907). A consumer's attitude is clearly based on a utility function when the decision revolves around the amount of pain or pleasure in brings.

In insurances case, we can assume that the consumer is thinking at and balance the chances that exists that a risk occur in his/her field of activity and the consequences it brings. If the amount of pain and financial loses is bigger that the pain felt of loosing the premium amount of money that it is payed for the insurance policy, this is to say that the consumer accepts the insurance and has a positive attitude in which concerns the insurance.

Changing a consumer's attitude towards a product, service or brand it can be a challenge. Three attitude change strategies include: changing affect, changing behavior, and changing beliefs (Perner, 2010). Classical conditioning is a technique used to change affect. In this situation, a marketer will sometimes pair or associate their product with a liked stimulus. The positive association creates an opportunity to change affect without necessarily altering the consumer's beliefs. Altering the price or positioning of a product typically accomplishes changing behavior. In insurance, the deductibles and the marketing strategies in the domain have conditioned clients to be more opened to contract a policy of insurance that is less costly or is comprehensive and include more rosk in a single insurance and this lowers the price making the consumer more inclined to subscribe to such contract.

In this section, it can be discussed the problem of ambiguity which is close related with the risk and about risk aversion that manifest different in the case of women and men.

Studied have shown that women are more risk averse than men. Over an initial range, men reduce their valuation of ambiguous urns more than women. After that, men and women equally value marginal changes in ambiguity.Since psychological measures are related to risk but not to ambiguity, risk aversion and ambiguity aversion are distinct traits since they depend on different variables. Schubert et al. (1999) find that women are more ambiguity averse than men in an investment context but not in an insurance context. Powell and Ansic (1997) report that women are more risk averse and ambiguity averse. Dohmen et al. (2008) find that lower cognitive ability and less openness to new experiences predict greater risk aversion.

In a review of the specific literature on gender differences in business decision-making, Johnson and Powell (1994) argue that the research findings before 1980 were instrumental in establishing a dominant view that substantial gender trait differences exist in the nature and outcomes of management decisions involving risk. These studies suggest that women are more cautious, less confident, less aggressive, easier to persuade, and have inferior leadership and problem solving abilities when making decisions under risk compared to men, reinforcing stereotypical views that women are less able managers. Johnson and Powell (1994) re-examine the early business decision-making literature and conclude that the evidence on gender differences is no longer clear cut.

Studies of insurance decision-making have also identified a lower degree of confidence amongst women in their ability to make decisions and in the out-come of these decisions (Estes and Hosseini, 1988; Stinerock et al., 1991; Zinkhan and Karande, 1991; Masters, 1989).

Women had a lower risk preference and a higher degree of anxiety in financial decisions than men, plus a stronger desire to use financial advisers.

In which concerns moral hazard the difference between genders is not important, maybe because of the psychological factors like narcissism that make the person behave more irresponsibly.Suppose an insured individual behaves in a manner, which increase the probability of a loss from what it was before insurance was purchased. Furthermore suppose that the insurer cannot determine that the policyholder has changed his behavior in this way. When there is this type of asymmetric information between buyer and seller, then one has the condition known as moral hazard. There are good reasons for the presence of moral hazard. The insured individual has less incentive to take the same amount of care as when she was uninsured, knowing that if there is an accident or disaster, she has protection. Furthermore if a person has suffered an insured loss he may try and be able to collect more than the actual loss. The insurer may not be able to detect these types of behavior. It is costly and often extremely difficult to monitor and control a person’s actions and determine whether she is behaving differently after purchasing insurance. Similarly it may not be possible to determine if a person will decide to collect more on a policy than he or she deserves by making false claims without extensive auditing, which is also a costly proposition.

The risk aversion is related with risk perception and other psychological triggers that exists in the decisional process of the consumer.

Perception is another lead factor in the consumer insurance decision. A *perceptual set*, also called *perceptual expectancy* or just *set* is a predisposition to perceive things in a certain way. It is an example of how perception can be shaped by "top-down" processes such as drives and expectations. Perceptual sets occur in all the different senses. In insurance, perception is determined by culture, social development, education and informational background.That is why in poor country the perception of insurance is different by the one people have in devolped countries.

For example in Ghandia, majority of policyholders think that insurance companies are good at collecting premiums and once one get into trouble they bring you a lot of issues in order to avoid paying claims. ‘insurance companies just collect your money.The perception is if one has an accident the company want to get a police report or inform that one’s policy does not cover this amount.

In the developed countries, people have a financial education and they are opened to having more than one insurance policy.

But what happens about the young perception in insurance ? The perception and the attitudes of young people about the necessity of insurances it will be shown in the next survey.

2. Study case

Questionnaire about the perception of students about insurances.

The sample 100 students of the Foreign Languages Faculty, Italy.We can consider this sample as a pilot sample taken with the purpose of projecting a survey with much more variable which should insure a better reprezentativity of the sample and minimize the errors of the survey. The contact method and the collection of data was the direct questionnying of students applying a formular and also completying data on a internet platform.

The first part of the questionnaire had the purpose to follow the registration of the classifying characteristics of the insurance agent or the consumer which had, has or will have an insurance and obtaining a representative sample. The sample structure after the classifying were:

At the question *"What is your age ?"*, the distribution of the answers was :

Table 2. The structure of students after age

Age	Structure (%)
>20 years	41,3
< 20 years	58.7

The majority of the students had above 20 years, some of them between 25-30 years old refering to the ones that completed the questionnaire on the online platform, the rest of the students had 20 or less (around 40 %). That is why at this segment of population the more important thing is to empahse the perception about insurances and the proclivity to make or not in the future a sort of insurance because at this age students don't have sufficient income in order to already subscribe to an insurance company.The main purpose of the questionnaire is to see the perception and the availability of the students regarding insurance market..

At the question *" You are male/female? "*, the distribution of answers was:

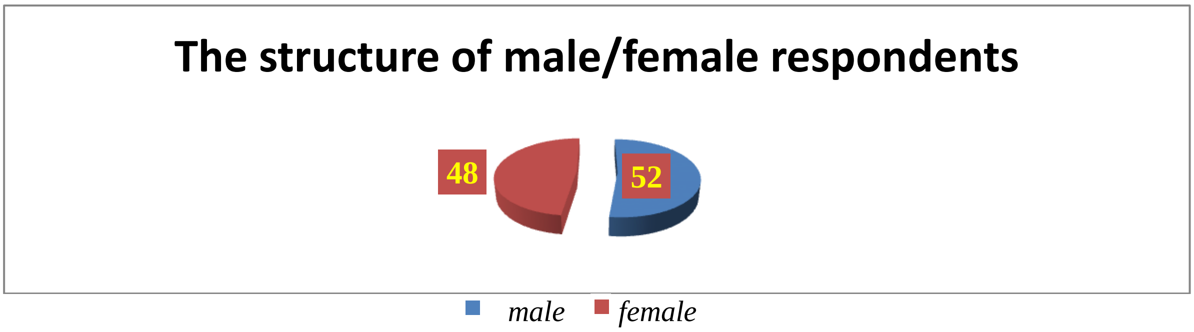


Figure 1 –The structure of male/female respondents

It can be seen that 52 % of the respondents were male that and the rest, 48% female.In fact, the type of the insurance held,as we will see in the second part of the survey, it is the insurance for social responsability car and the gender can create some differences in which concerns the consumer preferences and risk perception.

At the question «Are you risk averse?», the distribution of answers was:

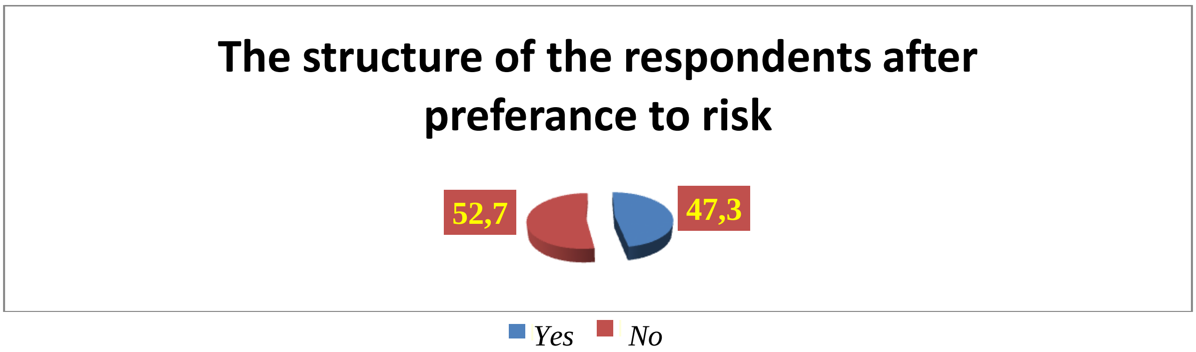


Figure 2 –The structure of the respondents after preferance to risk

It can be observed that 52.7% are risk averse, which is in according to Standard Economic Model (www.wikipedia.org/wiki/Economic_model) and 47,3% prefer risky situation.The reason that are behind this option should be analyzed in order to sustain the Prospect Theory(Prospect Theory: An Analysis of Decision under Risk, Daniel Kahneman and Amos Tversky, Econometrica, 1979) and prove that psichological factors and enviroment referential points can influence one person perception in which concerns risky situation.

At the question « Do you have an insurance policy ? If yes what kind of ? », the distribution of answers was :

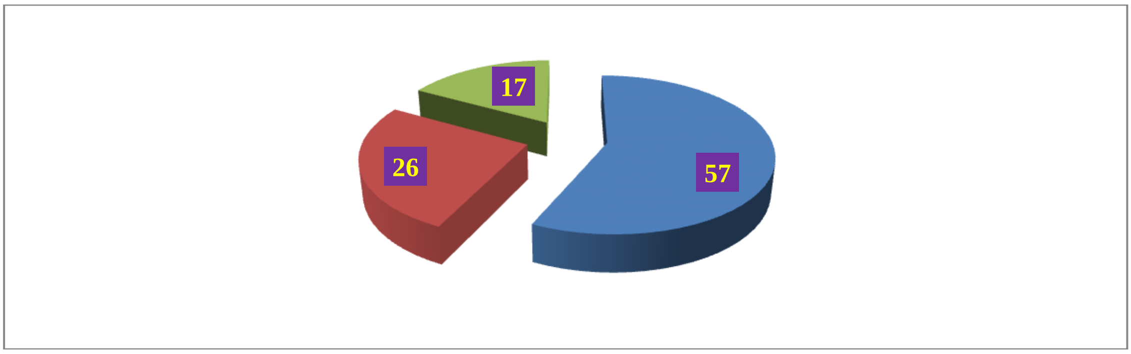
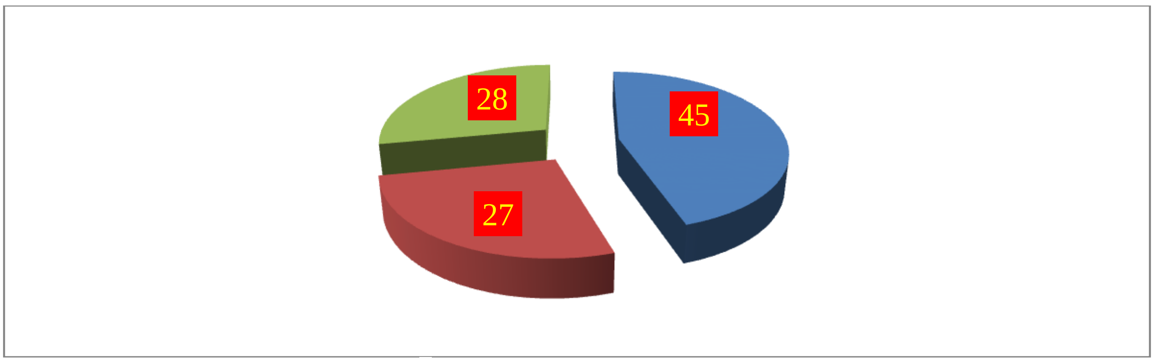


Figure 3 –Structure of the respondents after the insurance type held or future purchase

In the total of the responses, 57% of the students said that they did not have an insurance and of the ones they had an insurance they preferred RCA 26 %,insurance for car civil responsability because at this age the only good they have is the automobile and 17% had CASCO insurance or other types.It can be menstioned that in this procentage of 17%,are included the respondents that completed the online form and the age average was between 27-30 years. In this case the other types of insurance that they had, were included life insurance, family insurance,work insurance and accident or disaster insurance.

Referring to the question « Which is the current state of your insurance ? », the distribution of answers was :



The insurance is still running *The insurance is over* *The insurance has been cancelled*

Figure 4 –The structure of the respondents in function of the current state of the policy

In figure 4 it can be seen that 45% of the ones that had insurance have a contract that is still running, 27% declare that the contract finished and 28% didn't answered motivating that for lack of money they did not subscribe to a contract.

At the question « Which are the main reasons for which you would buy an insurance ? », the distribution of answers was :

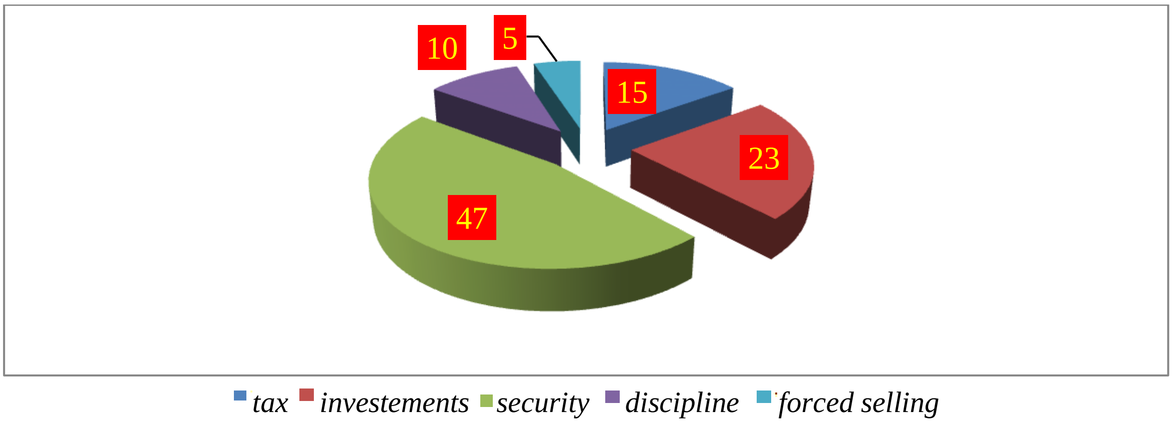


Figure 5 –The structure of answers after the main for buying an insurance

In figure 5 it can be observed that 47% of the respondents appreciate that they will buy an insurance for reasons of security, safety and trustv (emotional factors) 23% as investment in their future stability 15% for taxes, 10% for discipline,and 5% declare by forced selling because of contracting a bank credit.

At the question «What criterya you use for choosing the insurance company ?», the distribution of answers was:

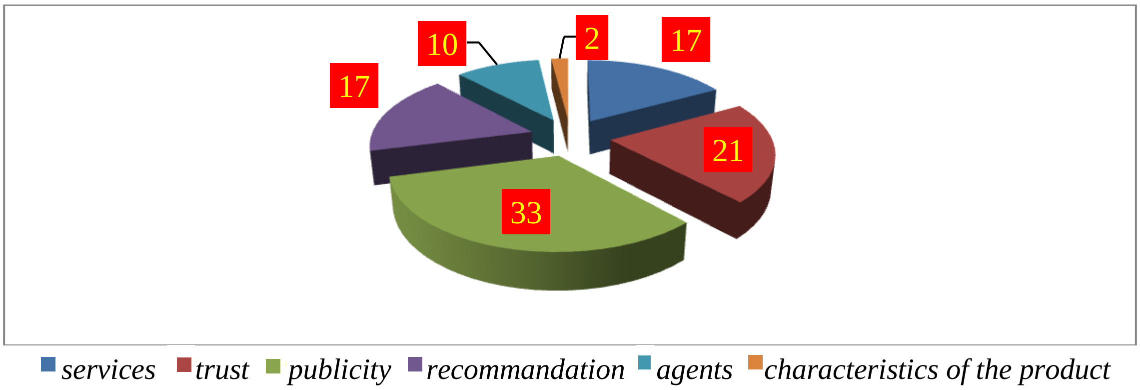


Figure 6 –The structure of the respondents after the criterya used in choosing an insurance company

In the figure 6, it can be observed that 17% of answers show that the society is choosen having into consideration the services offered and the historic of the security and trust of that society on the market, 33% by publicity, 21% due to trust and recommandations, 10% due to the selling agents, 17% due to the characteristics of the product, 2% other motifs.

At the question « If you have not an insurance, would you buy one ? Why ?. »

The majority answered that they would not buy an insurance (53%), because they do not need an insurance or they do not have money to subscribe to an insurance policy.This is easy to see that the students does not perceive the importance of an insurance, they are not risk averse due to the lack of information or due to the age when they minimize the risk they are expose to.If they do not have the money to make an insurance is due to the fact that they do not have a fix income or the schoolarship or parents' allowance is very little and the structure of their income addresses to the fundamental needs like food, clothes, buying books for education, etc.

At the question « How do you prefer to buy an insurance ? », the distribution of answers was :

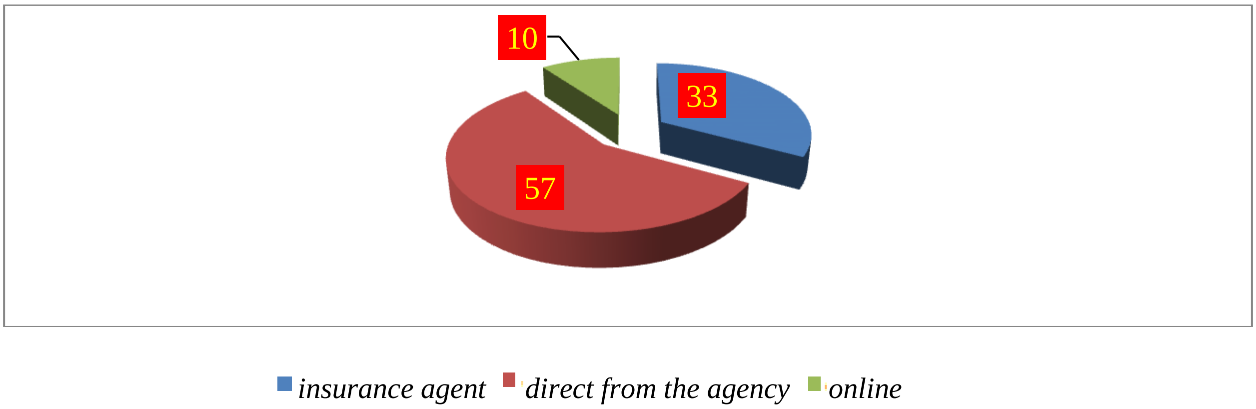


Figure 7 –The structure of respondents according to the channel of buying an insurance

The distribution of answers was : 57% declare that prefer to buy the insurance direct from the insurance society, 33 % prefer the selling agents and 10% prefer online buying.

At the question « Do you feel more protected having an insurance ? », the distribution of answers was:

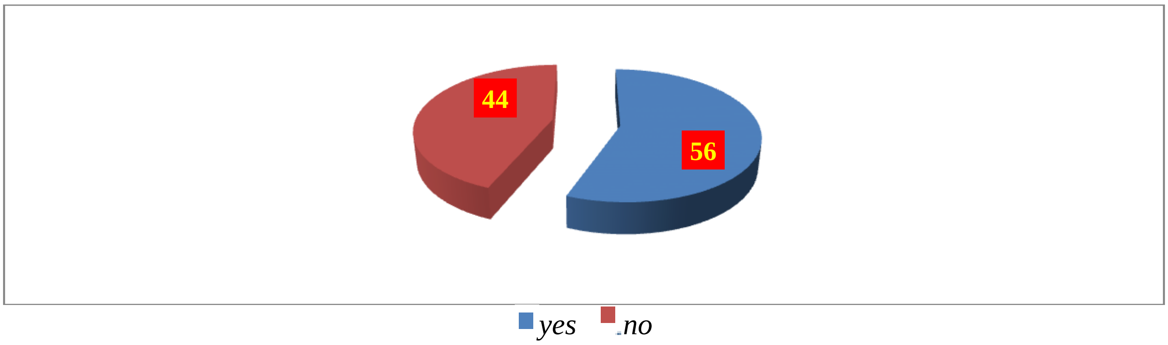


Figure 8 –The structure of respondents after the protection level perceived

In figure 8 we can see that 56% of students feel more protected having an insurance and 44% consider that this is not increasing their level of safety.This is due to the fact that in that 44% percentage the student do not have an insurance or do not have the financial education to understand why would be better to have an insurance.Due to the lack of experience, lack of money, lack of information and having in consideration that at this age they do not have many goods in their possesion, young people do not feel the need to be protected or to protect the welfare of their family.As the Maslow needs pyramide show, the need for security and safety is a superior need, it is on the third level of the pyramide and this shows that people have primarly to fulfill their basic needs and accomplish a certain level of personal development in order to concentrate upon this sorts of need like security, protection.

Conclusions

The majority of students had no insurance or had an automobile insurance because of lack of money.It was observed that the male were more proned to subscribe to an compulsory car insurance or to a casco because they had automobiles.Other types of insurance,were registered to the ones that completed the questionnaire online and had between 25-33 years old, the principale insurances were house policies and life policies.In the crisis context, price has certainly become more important. It can be assumed that modern retail, which offers good prices, will be the consumers' first choice.Students perception about insurances in Italy revealed the fact that young people appreciate and find useful an insurance policy but due to the lack of money they do not have insurance policies. This is to say that majority of students would buy an insurance due to the trust and security feeling that an insurance held creates. Another reasons for making an insurance is to protect their family and future goods or if they will have the money for it. The principale insurance detain by students are the automobile insurances because this is the only welfare they have. It is to be noticed that financial reasons blend with emotional ones in order to sustain the idea that human beings are not so rational in their decision process and the affective component could play an important role in making an acquisition.

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