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A comparative study of the perceptions of corporate managers to those of low income earners concerning funeral insurance needs

By

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Declaration

I declare that this research project is my own, unaided work. It is submitted in partial fulfillment of the requirements of the degree of Master of Business Administration for the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other university.

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Date

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ABSTRACT

This exploratory study examines the differences in perceptions between managers of corporate firms in the financial services industry and those of a sample of the low income market concerning funeral insurance needs. The purpose is to understand these differences and whether the opportunity exists for corporates to achieve greater market orientation.

A sample was drawn from the corporate firms, banks and insurance companies who currently offer funeral products. Qualitative interviews were conducted with senior managers who had an influence on the developing products for the market. A second sample representing the LSM1-5 group (low income) was drawn from a township outside Johannesburg. The resultant perceptions were compared to each other.

Findings reveal a lack of market orientation on the part of most service providers coupled with low levels of market understanding. However, service providers have also displayed a willingness to re-orientate themselves to the market.

Further, the market displays a willingness to purchase formal products but certain incorrect perceptions and a shortage of appropriate products could be preventing greater uptake. Recommendations for managers and for policy-makers on more meaningful ways of understanding and designing for the market are offered.

The exploratory nature of the study has also yielded ideas for future research that could be of value in accessing and serving the market.

The author presents a model for researching low income markets based on the findings of this study coupled with precepts of consumer behaviour theory.

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CHAPTER 1

1. Definition of the problem

1.1 Introduction

Hammond and Prahalad (2004), in their research on selling to the poor, or “low income” markets, found that managers of national and multinational corporations have certain perceptions or pre-conditioning as perpetuated by business schools, marketing seminars and well packaged quantitative research, of who they can and can’t do profitable business with. They are conditioned to focus on middle to upper-income consumers, an observation particularly true of the banking and insurance sectors in South Africa, and become prisoners of their own logic thereby excluding their firms from tapping into potentially profitable low income markets. Much of the perceptions on poor consumers consist of broad generalizations about their needs, wants and propensity to purchase, consume and generate income.

Zohar and Marshall (2004) further assert that there is a visible broadening of the criteria used by society in general, not just the poor, to define wealth and power. These new definitions place a responsibility on companies to expand their notions of “corporate social responsibility” to a more meaningful level that respects humanity, the environment and life as the broader context in which businesses carry out their actions. To ignore this shift could mean direct “bottom line” consequences for businesses as it has become more evident that the current pace of purely economic growth is unsustainable.

Current media attention focused on the financial services industry in South Africa has highlighted dissatisfaction by society with the alleged lack of service, high fees and excessive profits in the industry.

Yet, cases exist that challenge dominant logic and prove that firms can indeed “do well by doing good”.

Van Rooyen and Mills (2003) cite one such example applicable to the financial services sector as being that of the Cape-based Kuyasa Fund that concentrates on lending to the poorest of the poor, thereby allowing them to engage in economic activity that was previously inaccessible to them. It has recorded a repayment rate of approximately 90%, a rate that is comparable with lending to the higher income segments.

In a study of the providers of funeral insurance to the poor in a township in Grahamstown, Roth (2001) found the businesses to be highly profitable whilst providing services and products desperately needed by the community.

1.2 The low income market in South Africa

For purposes of this study, the “low income” market is defined broadly as the same group as described by the Living Standards Measures (LSM) 1 to 5 categories. This categorization is used for purposes of convenience as it is the same categorization used in the Financial Sector Charter (FSC) to denote the low-income market.

When one considers the glaring cultural, geographic, educational and economic differences, to name but a few, between the pockets of people who broadly fall under the definition of “poor”, it begs the question of whether or not

these differences have been given careful enough consideration by the corporations who could serve these many different sub-segments but choose not to due to their perceptions and generalisations of the market needs and indeed due to the generic categorization implied by the FSC.

Pascal (2005) found that published research has been done on low income markets mainly in Asia, Europe and South America. Very little has been done in sub-Saharan Africa, including South Africa.

South Africa has undergone a major transformation in its political and social dispensation that has spurred on reforms in virtually all aspects of its existence, bringing the marginalized low-income market into sharper focus. The Financial Sector Charter, formalized in 2004, is one of the results of a voluntarily combined political imperative and business willingness to facilitate the realization of the full economic potential of a country that still remains characterized by racially based income and social service inequalities. It aims to do this through the provision of accessible financial services to black people and by directing investment into targeted sectors of the economy (Financial Sector Charter, 2004).

By explicitly stating the category of people it wishes to empower viz. black people in the LSM 1 to 5 category, and in what ways, (broadly, access to financial services, representation within the organizations according to Black Economic Empowerment targets and support for entrepreneurial activity and social development, as measured by a balanced scorecard) the Charter leaves little room for misinterpretation. It further provides an incentive for corporates to meet the targets voluntarily or suffer both public discredit and likely exclusion from government business.

However, a question remains as to whether these providers of financial services hereafter referred to as FSP's, meaning mainly banks and insurance companies for purposes of this report, truly believe that catering for the poor can be profitable and indeed worth their while as more than merely an FSC imperative, and whether or not these poor consumers themselves require or value the products that the FSP's are under pressure to provide to them.

1.3 Motivation for research

Recent public backlash at the financial service industry, notably the Competitions Commission report on bank charges, published in May 2005 and the Pension Funds Adjudicator rulings against some insurance companies, give the impression that there is certainly something remiss with the way financial services are being offered to the market.

Baumann (2002) suggests that while we may think it completely logical to formalize access to financial service products through the existing systems as a function of social and economic development, these "poor" people have in fact been meeting these needs in various forms already through their own financial customs, habits and capacities, albeit not in the most efficient or cost-effective manner. He asserts that developments such as the FSC are based on the assumption that something does not exist in these communities and that they need it. Further, he says that not every person without a policy or bank account would even want one at the current prices and regulatory rigour.

While the ambit of financial services is vast, this report will focus on the provision of funeral insurance as one of the many services provided by the

financial services industry. It is the second most-used financial service product by the low income market after banking products (FinScope, 2005). It has long been regarded as a service of great importance within the predominantly black low-income market and yet formal products for this market have a low penetration rate. Burial society and funeral parlour offerings have a much higher take-up rate.

For the purpose of minimising the financial shock experienced by a household when a death occurs, various forms of savings for funeral expenses have existed for decades. The most well-known of these forms are the stokvel, the burial society, the funeral parlour scheme and the formal funeral policy.

The stokvel is a voluntary group savings scheme typically consisting of members, usually from the same community, contributing monthly amounts that are pooled and drawn on a rotational basis or in the case of an emergency.

The burial society scheme is similar to the stokvel but with the specific purpose of covering the funeral costs of a member or his/her dependant, and which usually has a component of community support in the way of society members rendering assistance with funeral arrangements, religious ceremonies and food preparation. These tend to be run by the society itself and are usually not in any way underwritten.

The funeral parlour offers “policies” to members at a set monthly premium where the benefit is a pre-defined set of services to be rendered upon death of a member/dependant such as the provision of a coffin, transportation, registration of death and tent and chair hire. Once again, there is usually no underwriting of risk and no cash payout.

The funeral policy is a formal insurance product provided by regulated providers such as insurance companies and which entails the payment of a monthly premium in lieu of a pre-defined benefit which will be paid mainly in cash to the member/nominee in the event of the death of an insured person.

Bester, Chamberlin, Short and Walker (2005), looked at the membership of burial societies and funeral policies amongst African households because African, and not Indian and Coloured households are the largest users of burial societies, and it is surprising to note that in the LSM 1 to 5 category membership of a burial society varies between 27% and 33%. This is already higher than the 2014 target penetration of 22% indicated in the FSC for members of the Life Officers Association for “life” policies. Even though funeral policies constitute the bulk of formal insurance sales to this market currently, burial society membership is far higher. This is in spite of the fact that burial society schemes have inherent risks that put the members at a disadvantage whereas formal products are regulated and offer greater protection to the consumer.

Seemingly, these two systems, the informal burial societies and the formal funeral insurance policies, exist side-by-side, aiming to fulfill the same need, with the burial societies showing a much higher take-up rate. A preliminary review of the formal funeral products currently available has shown that products are very similar in nature with respect to the benefits offered. Innovation is limited and is usually limited to distribution channels. An example of this type of innovation is the current trend for insurers to partner with retailers and access the retailers’ captive databases.

A typical benefit schedule compiled from the various options available on the market will look as follows:

	<u>Benefit amount</u>	<u>Premium</u>
Immediate Family benefit :		R 50
Member	R10 000	
Spouse	R10 000	
Child : 14 to 21years	R 7 000	
Child : 6 to 14 years	R 3000	
Child: 0 to 5 years	R 2000	
Stillborn	R 1000	
Extended family benefit:		
Upto age 55	R 5 000	+R 20 per person
Age 56 to 65	R 3 000	+R 30 per person
Above age 65	R 2 000	+R 50 per person

Figure 1: Example of a schedule of benefits and premiums for a typical funeral benefit policy

Premiums usually vary according to the age of the principal member for primary family cover. This also holds true for extended family cover. Premiums are payable monthly, however, limited options from some companies allowing for quarterly, bi-annual and annual advance payments are available.

Reasons for these rather limited options and low market penetration rate may include a lack of understanding or low market orientation on the part of the formal insurers and regulators, an inability to deliver possibly due to financial and operational constraints, or even a lack of interest in the low income market. The increasingly stringent regulatory environment may be a contributing factor.

If these services are already being provided in another form and in a way that is easier to access and is culturally acceptable to the market (Baumann, 2002),

there is a question as to how corporate managers are defining, perceiving and understanding this market for funeral insurance that has been highlighted as a key “Charter” product and that indeed has for many years been considered the essential low income market product.

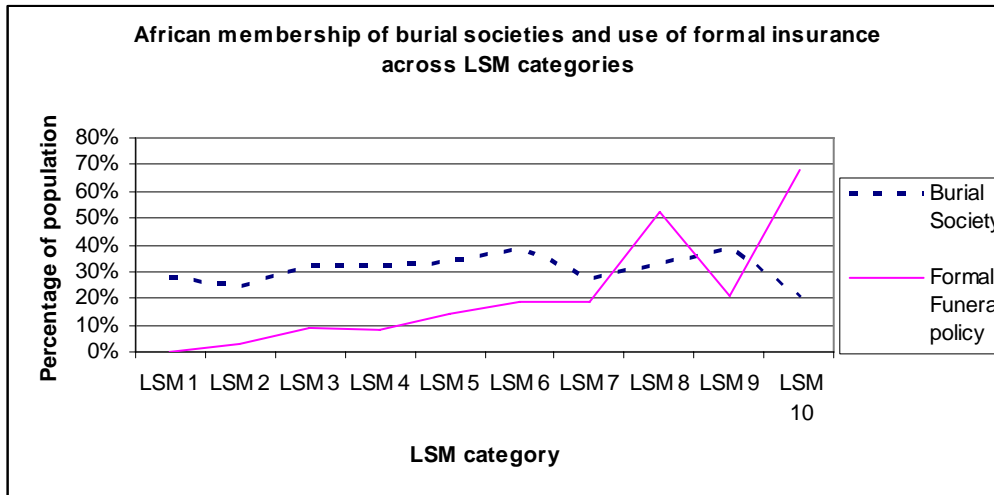


Figure 2: African membership of burial societies and use of formal insurance across LSM categories

Source: FinScope 2003

Figure 2 above clearly shows the large gap between the uptake of formal insurance policies and that of burial society schemes most evident in the LSM 1 to 5 categories followed by a reversal of this trend in the higher LSM categories.

Possible clues for understanding this trend and where formal funeral insurance may be failing the low income market, will likely come from the market itself. A look at the annual report from The Ombudsman for Long Term Insurance (the independent body to which complaints can be sent, and under whose jurisdiction funeral insurance providers fall) offers some potentially useful

insights.

In 2005, a record number of complaints against life assurance related products was reported (Cameron, 2006). Most complaints fall in the categories which relate to poor service, communication and information, mis-selling and to claims being declined due to policy conditions not being met or clearly understood. The report further shows that approximately half of these complaints (refer to categories 1, 2 and 6 in table 1 below) were actually resolved in the clients' favour, implying that the provider was at fault. The report chastised the industry by saying that the fact that many complaints were resolved as soon the Ombudsman's Office became involved "...smacks of poor administration and lack of proper client care on the part of these insurers and does not reflect well on their efficiency" (The Ombudsman for Long Term Insurance – Annual Report, 2005, p.12).

Table 1 : Summary of complaints received by the Ombudsman for Long Term Insurance

		Complaints related to Life insurance			
		2004		2005	
Category	Nature of Complaint	Number received	Resolved wholly or partially in favour of complainant	Number received	Resolved wholly or partially in favour of complainant
1	Poor communications/documents or information not supplied/poor service	1234	51%	1257	54%
2	Claims declined (policy terms or conditions not recognised or met)	1048	39%	1510	45%
3	Claims declined (non-disclosure)	111	18%	109	27%
4	Dissatisfaction with policy performance and maturity values	514	18%	581	14%
5	Dissatisfaction with surrender or paid-up values	142	21%	156	22%
6	Mis-selling	691	42%	668	51%
7	Lapsing	91	35%	99	48%
8	Miscellaneous	233	33%	239	31%
	Total	4064	39%	4619	34%

(Source : The Ombudsman for Long Term Insurance – Annual Report, 2005, p.11)

If the existing clients in the formal industry who are largely from the higher income and education groups face such problems, it is fair to expect that the less literate and lower income communities will face even more difficulty when transacting with the existing service providers if their needs are not specially and sufficiently considered and if the FSP's do not gain a better understanding of serving this market

The FinScope report for 2003 , an annual research report produced by the FinMark Trust looking at the status and trends of financial services usage in the low income market, shows that there is indeed a huge untapped market for funeral insurance and that it is a valued and necessary product in this market segment. Up to 30% of household income can be spent on funeral-related savings due to the significance and importance of funerals in this market. Currently, 1.5 million people in the LSM's 1 to 5 (approximately 9%) have policies with formal institutions (Melzer and Smith, 2004). This implies a potential market of 16 million people who do not have funeral insurance policies.

The sheer number of potential members, coupled with the findings of Bester *et al.* (2005) that this market is relatively insensitive to price provided that their needs are being appropriately met, provides a rather compelling business case for FSP's who can understand and serve the market.

Brown and Churchill (2000) in a study on the provision of insurance for low income communities, encompassing a total of thirty two microfinance institutions, private companies and co-operatives, which have already begun offering insurance to the low income market, found that life insurance products were not only profitable, but sustainable as well. Their research recommended

that one of the areas for further experimentation was that of understanding the low income households' insurance needs, an understanding that this research report aims to contribute towards.

Do funeral insurance FSP's know what the low income market values and how to provide it profitably? Does their apparent lack of care and poor service, as evidenced by the high rate of complaints resolved in favour of clients of the insurance industry, alienate them from the low income communities? What lessons can the market teach the formal insurers about the less understood needs of the low income segment?

1.3 The research problem

It is ultimately managers in corporate firms who take the decisions as to how the target market is to be served and what products to develop and offer. Understanding both corporate and market paradigms could possibly allow for some insights into why there are certain shortcomings in the current service and product offerings.

This research aims to:

- Investigate the perceptions of managers of firms providing funeral insurance products concerning the funeral related needs of the low income market and the opportunities for serving this market in South Africa
- Investigate how a sample of the low income market itself perceives its own needs and what it values concerning funerals

- Compare the above-mentioned sets of perceptions to highlight any differences that will allow for deeper insights into the needs of this important customer segment
- Highlight gaps that may exist between corporate perceptions of the low income market and the needs of the market as articulated by the market itself

The research will look at what drives the perceptions of a sample of managers tasked with deciding how to best serve the target market and how it goes about deciding on strategy and business cases.

It will also look at the physical and cultural or social needs of a sample of the low income population as stated by themselves, concentrating on how they require these needs to be fulfilled.

In so doing, the research is intended to assist corporate managers in determining more meaningful and appropriate ways of serving and understanding the low income market rather than through a set of rational and numerical targets such as those set out by the Financial Sector Charter. Depending on the findings, there is a possibility that a basis for further research will be evidenced.

While it is too soon to make a judgement concerning the success of service providers concerning Charter-related offerings of funeral products, it is hoped that this study can assist providers in developing more focused, innovative and appropriate products for this market and thereby succeed in achieving effective overall market orientation to the low-income market. A natural by-product of this will be an easier attainment of Charter targets in the true spirit of the Charter.

CHAPTER 2

2. Theory Base and Literature Review

The literature review yielded a shortage of academic writings on the needs of the low-income market in South Africa and even less on the funeral insurance market specifically. Much of the available literature, which is mostly non-academic in nature, appeared to be limited, anecdotal and non-empirical. The writer has thus also drawn on learnings from studies related to other financial services aimed at the poor, with the view that these may offer some generic insights into the market which could be applied to the case of funeral insurance. Here the micro-finance industry, amongst others, has offered some useful learnings which is explored in some of the sections below.

The opportunity to probe the underlying socio-psychological needs and habits of both business and the low-income market allowed for a review that could be directed toward the more cognitive aspects and the factors affecting perceptions, as well as the linkages with societal and cultural norms. This approach is envisaged to allow formulation of a theory base for the construction of a semi-structured interview intended to assist an in-depth, qualitative research approach that could yield insights that can be leveraged by businesses wishing to serve the low income market.

2.1 Economics and Human Ecology

Brown (1993) suggests that a new school of economic thought recognizes that all economic activity and behaviour is profoundly influenced by ecological, social and ethical realities and consideration. Attempts to divorce economics from these considerations is likely to be seriously flawed and any resulting recommendations will be questionable.

In addition, Lawrence (2005) says that conventional economic theory uses the concept of rational choice to explain the behaviour of the individual and that the concept of rational choice has been criticized in disciplines such as social psychology and anthropology because it fails to recognize that individual behaviour cannot be detached from attitudes, behaviours, human motivations and preferences.

Drawing from these theories, both the economic activities of the poor (in this case, the purchase decisions and motivations of the low-income market) and the corporates can be examined in a more holistic way that allows for a deeper understanding of both entities based on a realization that individuals live in human communities that have shared meanings, values and norms (Lawrence, 2005). These values and norms are variable and have profound impact on their choice of economic and other activity.

The choice of using burial societies or funeral parlours instead of formal funeral insurance policies can possibly be explained by factors more closely related to attitude, social norms and value systems rather than being a purely rational choice. The societal norms underpinning individualism or collectivism could influence decision making on both the supply side (the corporates) and the

demand side (the market).

In collectivistic cultures, interdependent self-ways prevail and the higher order goals are not self consciousness, but social relationships as well as the identification and confirmation with shared expectations and norms (Hermann and Heitmann, 2006). If corporate managers have a predominant paradigm that is different to the market they wish to serve, it may be very difficult to understand the needs and preferences of their clients and to design products for them.

The understanding that different lifestyles and world views reflect different cultures which may co-exist in a specific society (Lawrence, 2005), is fundamental to understanding the dynamics between corporates and the low income market. Corporate managers may come from a vastly different background and worldview to that of the low income markets that they are tasked to serve either as a Financial Sector Charter imperative or as a seriously considered market segment. The implication of these theories is that the use of a purely rational choice-based model when researching and interpreting the needs of the low-income market may cause the inappropriate projection of a set of unexpressed assumptions by corporate managers onto the target market. The extent to which businesses as represented by corporate managers understand the underlying socio-psychological needs of the market is a matter which requires further probing.

While it can be considered to be widely known that African cultures place a significant emphasis on funerals and spend or save accordingly, this knowledge remains on a rather superficial level if it is not supplemented by actual exposure to the culture itself.

2.2 Culture, culture change and urbanisation

Kauo, Hooimeijer and Hakfoort (2002) provide insights on self-organising models and look at, amongst others, cultural traits. This is useful in exploring the different needs of low income households who live in communities with shared cultural traits. Part of the offerings of burial societies include socially, physically and emotionally supportive activities like the arranging of food preparation and the comforting of the bereaved – services that are not being or cannot be offered by formal providers and yet are an intrinsic part of African culture and collectivistic communities.

This is further supported by Vandernberghe (2003) who examines cultural evolution and the effect this can have on decision making (with application in the low income market when considering the culture change linked to urbanization etc). This is particularly relevant for the intended sample of a township population, most of whom have moved from rural areas and who may experience dissonance in practicing their traditions in an urban setting. Market researchers may be using an outdated set of paradigms to understand a dynamic market.

Since the research will be conducted in an urban township, it will be necessary to probe the underlying reasons for the choices people make between burial society schemes and funeral insurance policies and if these choices are in any way influenced by the habits or social norms prevalent in the rural areas.

The generic theory on consumer behaviour will be explored in the next subsection, as it will assist in the exploration of the factors driving consumer decision making in this market.

2.3 Theory of Consumer Behaviour

Research that has gone into the widely used models of human psychology, consumer behaviour and decision making has spanned nationalities and genders and is accepted as being universally applicable. Traditional theory of consumer behaviour should thus apply equally to the low income market.

Hoyer and McInnis (2004, p.14) offer a useful overview , shown in figure 3, as to the factors influencing consumer behaviour. Consumer behaviour encompasses four inter-related domains, the first being the consumer's culture, the second being the psychological core, the third is the process of making decisions and the fourth is consumer behaviour outcomes.

The consumer's culture is influenced by :

- Regional, ethnic and religious influences
- Social class influences
- Age, gender and household influences
- Social influences
- Values, personality and lifestyle (psychographics)

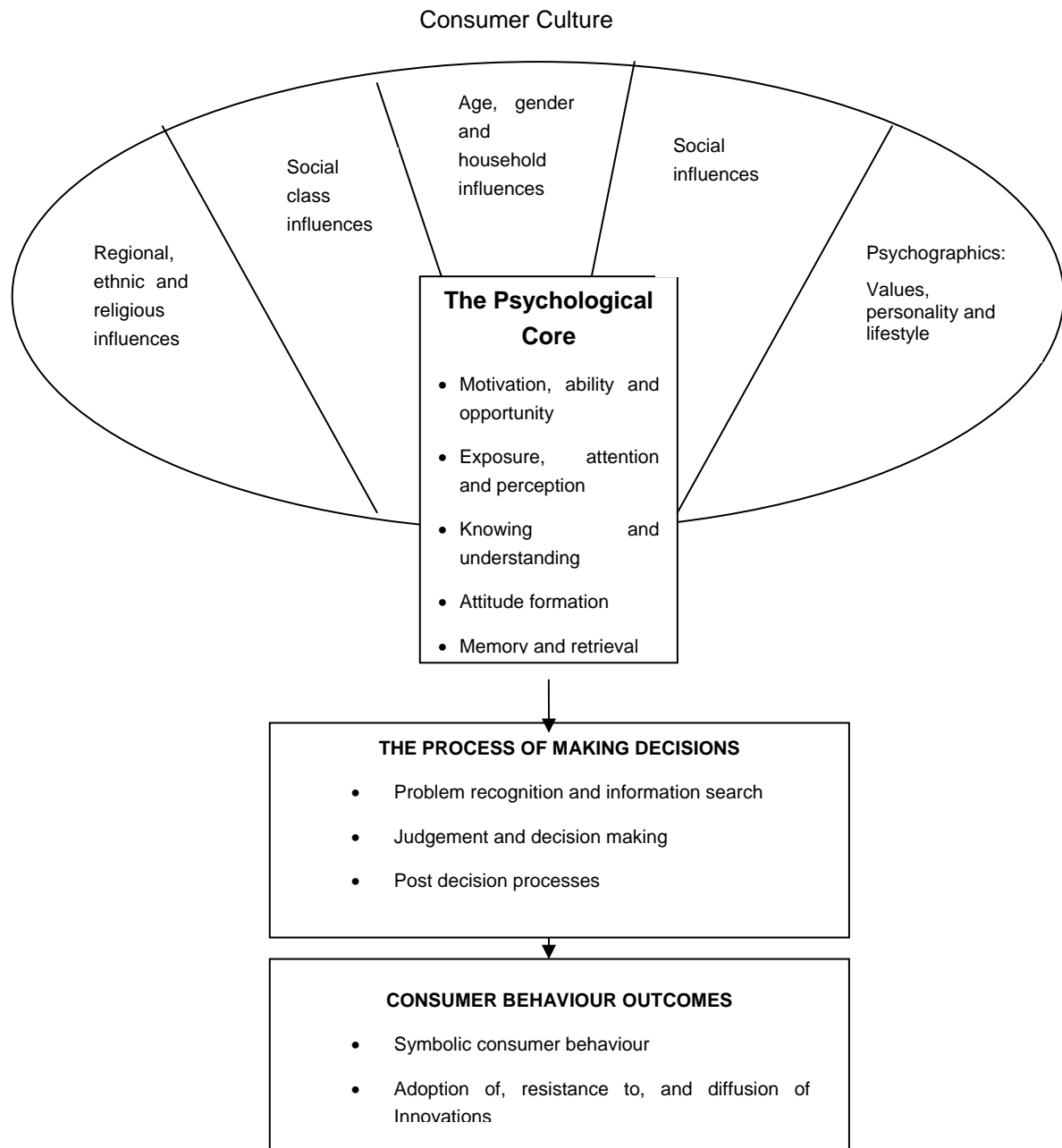


Figure 3 : The Model of Consumer Behaviour (Hoyer and McInnis, 2004)

In order to make decisions that affect outcomes such as purchasing a funeral product or using a burial society for symbolic reasons, the processes that first need to be engaged are those described in the domain referred to as the psychological core. A consumer needs to have the opportunity to be exposed to, perceive and attend to information relevant to the purchase opportunity. Examples would be the types of funeral products available, entry and participation criteria, costs and appropriateness. He/she may obtain this from media advertising, word of mouth or consumer help lines. Further, in order to engage in the process, the consumer needs to be motivated.

The consumers' cultural environment, the focus of this study, will affect what motivates the consumers, the kinds of decisions they will make and the manner in which they process information. The influencers are age, ethnicity, religion, lifestyle, social class, friends and family, etc. This environment may dictate which products are acceptable or even which service providers are acceptable. Relevant and applicable providers may be excluded due to cultural pressures. In the South African context, the historical inequalities can be expected to exacerbate the negative perceptions surrounding companies that may be seen to have progressed under apartheid laws and may thus not be trusted within certain communities.

The attitudes and the manner in which information is processed will have a significant impact on the final purchase decisions. To understand how to tailor product offerings for the low income market, these attitudes need to be probed.

Section 2.1 on human ecology emphasizes the fact that decision-making is seldom purely rational, a view that is supported by Freemantle (1999) in his discussion on the effects of this theory in the corporate and management environment.

He asserts that scientific management and decision-making techniques, still widely applied in the corporate landscape, are largely skewed towards the rational decision making process that systematically remove the emotional and cultural aspects that are inherent to the people these systems aim to manage (Freemantle, 1999).

In a book on customer service for strategic advantage, he urges managers to take a different view to serving customers. He offers a useful model in which he outlines the difference between the scientific (rational) route and the emotional (or “emotionally intelligent”) route to taking decisions on how to serve customers. This is depicted in figure 4.

The figure suggests that the scientific and traditional way in which decisions are arrived at, is by assessing the available data in the light of prior knowledge and thereafter to decide on the best future option.

“Frequently this decision-making process is influenced by how people feel and their values and leads to decisions being made (through the emotionally connected route) based on perception, interpretation and opinion.

Scientific managers are reluctant to acknowledge the left and right sides of this process and thus are reluctant to accept that feelings and added emotional value are critical for delivering the service that customers like. They believe that the central, rational route is one that can be applied in all situations and that feelings and values have little influence on this rational decision-making process. The emotional connection is created when people are emotionally intelligent.” (Freemantle, 1999, p. 162).

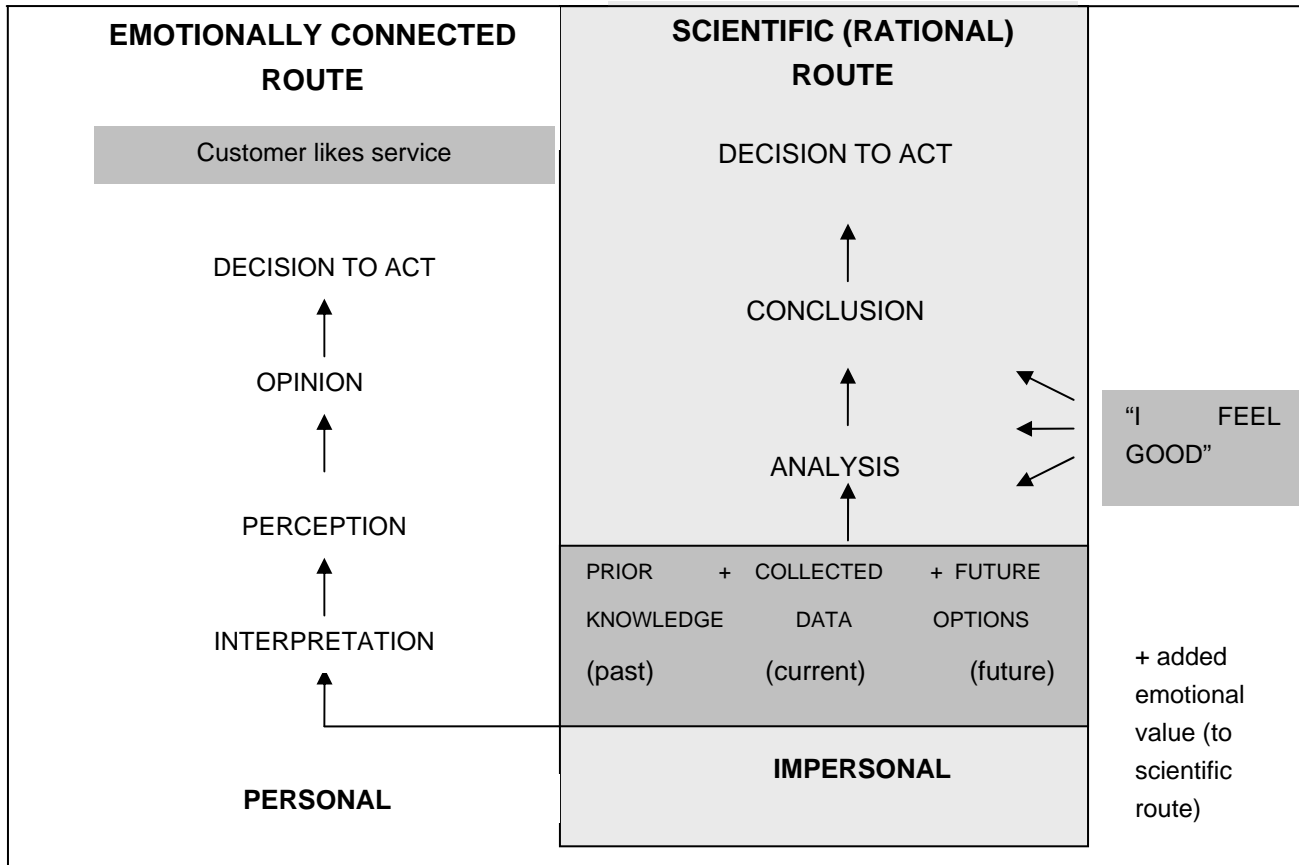


Figure 4 : Managerial decision making (Freemantle, 1999, p. 163))

Often, scientific managers invent rules that are not based on any sense of empathy or feeling for the real situation on which front-line employees and customers form their perceptions. In so doing they are in danger of dismissing the one factor that has a prime influence on customer choice - empathy.

This brief exploration of the theory on consumer behaviour and the decision making processes of consumers and corporates shows that the factors that affect both sides of the equation are complex. Generalisations need to be approached with caution and the researcher needs to be constantly aware of

the dynamic nature of the systems within which consumers operate. The next section on complexity theory allows for an overview of some of the factors that influence complexity.

2.4 Complexity Theory

Cilliers (2000), using “Complexity theory”, provides a useful framework which can be used to examine both the poor communities as well as the corporate organizations, viewing each as a system of sorts. The whole rarely equals the sum of the parts and this kind of non-linearity is typical of complex systems. The difference between “complex” and “complicated” is not easily discernable but there are certain characteristics of complex systems that will allow for a more in-depth understanding of the system/s in question. The most relevant of these are explained below:

1. Complex systems consist of a large number of elements and as the number increases, understanding the system becomes more difficult. The low income population is a large proportion of the population. Geographical and cultural differences make understanding the market difficult and the temptation to make generic assumptions increases.
2. Interactions are fairly rich but do not have to be numerous. A few sparsely connected elements can perform the work of one richly connected element. Low income communities tend to cluster together and a few strong connections such as community leaders can exert a strong influence on the community. Similarly, burial society treasurers, religious leaders and funeral parlour owners who interact with large

numbers of people and whose advice is valued, can have a profound effect, positive or negative. The same can be said for senior executives/influential people at corporates, whose decisions and advice play a role in guiding the organization towards whichever goals it may have. Their influence can change culture, make the unacceptable become acceptable, or could marginalize undesired practices/knowledge. If key managers hold strong views on the low income market, these will be likely to permeate the organization.

3. Interactions are non-linear, which means that a small cause can have large results. The opposite also holds true, i.e. that a large cause can have a small result. An illustration of this concept could be that of a bad experience of one or two members of a close community with poor service from a formal funeral insurance provider and the effect that this will have on the community's perception of that provider as well as of all such providers. On the other hand, a small effort by corporates to educate consumers on the benefits of using formal insurance and simple demonstrations of the processes involved, could result in large increases in consumer acceptance and usage of these products.
4. There are loops in the interactions which mean that the effect of any activity can feed back into itself either directly or after a number of intervening stages. Actions occur and feedback follows. A service may be rendered poorly by a corporate and result in media coverage of the story, bringing the organization into disrepute and possibly resulting in lower turnover.
5. Complex systems do not operate in conditions of equilibrium and are

dependant on the constant flow of energy to maintain their own survival. Communities do not remain stagnant – there is migration, urbanization, births and deaths which result in the expansion and shrinking of communities and contributions to heterogeneity. The shape of corporates as a collective changes similarly, along with the composition of the people who make up the organizations. Keene (2000) states that in such an environment of complexity, a successful leader will be one who creates and facilitates an environment that makes it possible for elements within the system to interact and in so doing create new forms of reality, guided by an overarching vision.

6. Complex systems evolve through time and have a history. The present is as a result of the past. Current beliefs, norms and practices are to some extent shaped by those of the past. In corporates, for example, the way in which market research is done, people are hired or pricing is determined, is influenced by the way it was done previously. Yet, the dynamic nature of the system means that the need for change is a constant one. 'Old rules' do not apply for any length of time.

Complex systems are adaptive and can re-organise themselves without the intervention of an external agent (Cilliers, 2000). The proliferation of burial societies and funeral parlours which aim to mitigate the severe financial shock brought about by death for low income communities, without any formal intervention or central control, as the Financial Sector Charter imperatives seek to provide, can be seen to be an expression of this adaptiveness. However, these adaptations may not be optimal, but can succeed anyway (Goulielmos, 2005).

Similarly, some smaller insurers, who have been dedicated providers of funeral products for decades pre-dating any Charter initiatives, have adapted themselves to the increasing regulatory requirements placed on them and continue to do business successfully.

Corporates have the opportunity to influence the prevailing systems through engagement of the critical “nodes” or well connected parts of the low income system. An understanding of the complexities will allow for a move beyond simply rational choice-based decision making models being applied to market research and understanding.

2.5 Cognitive bias

Cognitive bias is often encountered in organizations in a variety of management decisions and perceptions. Most often, it is used with the best of intentions such as to simplify decision making by applying “short cuts” but could easily be characterized by the misapplication of judgement heuristics, and this misapplication becomes entrenched in, at least, the strategic planning and product development processes (Gary, 1998).

The most applicable of these biases to this study is the confirmation bias which results when managers seek confirming evidence for what they think is true and neglect to search for any evidence that may disconfirm what they want to achieve (Gary, 1998). In so doing they lack a balanced view and this can have disastrous consequences when assessing market potential and needs, as well as when planning and executing strategy. The theory of cognitive style suggests that there are differences in the way people perceive things and make

judgements (Gallen, 1997). When dealing with the low income markets, it will be useful to test for these biases and understand what impact they have on the target market needs, product, and profitability assumptions made by managers in corporations.

Similarly, the low income market may have developed perceptions about the formal insurance providers/policies which have stemmed from their own biases. Complexity theory suggests that the learnings of a few of the connections in the market may be spread throughout the market and thus result in the unexpressed exclusion of formal insurers as accessible or viable providers of funeral cover.

Gallimore and Wolverton (1997) support the postulation that confirmation bias occurs because humans have difficulty thinking of ways to falsify. This means that humans naturally prefer positive, confirming information over negative and disconfirming evidence, and this heuristic therefore provides us with a reason to expect assessments done by managers of the low income market needs and potential, to be biased.

Concurrently, it will be relevant to test the low income market to ascertain if they have certain confirmation biases that negatively prejudice what is being offered by the formal insurers.

2.6 General perceptions about selling to the poor

Following on the confirmation bias, many leaders of companies and of governments have uncritically accepted the notion that the poor have too little money to be considered as serious consumers (Hammond and Prahalad, 2004). Further, they also believe that new products and services are resisted by the poor. However, there is a growing acknowledgement that the poor look for companies that they can trust and are very aware of moral and ethical legitimacy. This has implications for which products, services and brands will be successful in the low income market.

One of the characteristics of financial services today is that of commoditisation, where there is less and less contact with the client, and more and more technological interventions to heighten efficiency and lower costs (O'Loughlin, 2004). However, research shows that financial service providers will be increasingly challenged to provide and promote customer experience opportunities that incorporate a balance between relationship and brand and transactional experience benefits, which are valued and desired by their consumers and profitable to the FSP (O'Loughlin, 2004). In the case of funeral insurance, this seems to concur with the findings of Bester *et al.* (2005) and Roth (2001) who found that clients valued easy transactibility and the ability to have personal contact, ideally with common language speaking agents, who understood their context. Further, these clients even seemed to be relatively insensitive to price in certain cases, if the service they were buying was expected to meet their needs. This is counter to the common belief that products for the low income market have to be very cheap (Bester *et al.*, 2005).

2.7 Perceptions about the poor concerning financial services

In a study within the financial services industry, Robinson (1996), in his study on microfinance in the low income market in India, suggests that a culture shift is required on both sides (i.e. the provider or services, as well as the recipient) from a charitable approach which sees the poor as those in need of handouts (or “finance as charity”), to one of reciprocal contracts where clients buy financial services and pay for them. Little progress is evident in this regard largely due to the perceived inflexibility of regulation and monitoring constraints which are considered a deterrent since the cost of compliance limits profitability. As a result, illegal lenders proliferate and the poor are further marginalised. Poor market information could lead to inappropriate legislation that works against those it aims to protect.

Volschenk and Biepeke (2003) conducted a complementary study of the different segments of the South African lending industry which was aimed at uncovering any differences between commercial lending priorities, aimed at the traditional, middle-income clientele, and micro-lending, aimed at the low income market. Their research also looked at the perceptions of the Micro-finance Industry (MFI) concerning this market and is thus very relevant to this study. Some of the findings were that MFI’s considered lending to groups to be less costly than lending to individuals, that there was no real difference in the quality of the loan book between locations, but that there were significant differences between urban and rural populations. Fraud prevalence and costs increased, and the quality of loan books deteriorated in rural as opposed to urban areas. Further, they found that there is an overarching perception that the lower income groups generally are considered as being more risky and less profitable. As the level of

urbanization increased, this perceived level of riskiness decreased. One of their key recommendations was that regulation, social interventions and products should be developed carefully with due consideration for the fact the market is not, in fact, homogenous.

In 2000, the Ford foundation hosted a Roundtable on microinsurance services in the informal economy, where various examples on the provision of insurance for low income markets from around the world were discussed. In the report on the conference, Del Conte (2000) cited an example of a study conducted by the Social Finance Unit of the International Labour Office, conducted in a township in Grahamstown in the Eastern Cape province of South Africa. The researcher Roth (2001) found that informal insurers proliferated, were highly profitable and preferred to formal insurers. Whilst his findings were well documented and covered very relevant aspects of the market, it also seemed to indicate that the market tended to “take what it could get” simply because the funeral product was so badly needed. What seemed to be implied is that the products offered by formal insurers were not designed with the clients’ needs in mind and it is not clear to what extent he asked the market what it actually needed. He instead conducted research on the basis of what existed.

The Roundtable discussion also found that microinsurance programs in general had not successfully achieved the expected sustainability, coverage and outreach that they intended. However, progress was being made and insurers faced some common challenges such as client understanding of insurance, the high prevalence of fraud, associated moral hazard and adverse selection as well as institutional capability in the design and implementation of these microinsurance products to overcome infrastructural and access barriers.

Further, the discussions indicated that while some types of insurance seemed appropriate at a conceptual level, this may not be the case from the market's point of view. Careful consultation with the market was necessary and proved to be a difficult task to execute.

Why then is there this seeming lack of information on the low income market, especially with regards to the needs of the market as described by the market itself? Surely, when encountering a new or little known market, the logical approach for any potential service provider is to undertake appropriate research on the target market. With the abundance of business and academic literature on market research techniques and product development, this should not be a difficult task to orchestrate in order to develop appropriate products. Yet, despite the nationwide focus on making financial services accessible to the poor, this market seems to be largely under-researched. Studies such as FinScope and the Financial Diaries projects are the only major insights into this market. Thus, it is relevant to delve a little further into the current views on market orientation.

2.8 Market Orientation

As will be elaborated on below, market orientation encompasses virtually all the individual aspects covered under the various sections of this literature review. Therefore a more detailed look at this concept and its implications in the goal of serving the low income market meaningfully, is vital.

2.8.1 Understanding the concept of market orientation

Market orientation is far more than the cliché “getting closer to the customer” (Shapiro, 1998). Research has shown critical relationships between market orientation and business performance.

Jaworski and Kohli (1993) found that there was a strongly positive correlation between market orientation and judgemental measures of performance (i.e. aspects such as customer satisfaction, service quality and employee satisfaction).

Han, Kim and Srivastava (1998) found a positive relationship between market orientation and innovation which is widely held to be a critical success factor in service industries since services are almost impossible to patent and thus constant innovation underpins long-term sustainability. Further they found a positive relationship between innovation and objective performance in firms (i.e. profitability, revenue etc.).

In order to demystify and operationalise the concept of market orientation, Shapiro suggests that the term represents a set of processes which touch all aspects of the company.

Three characteristics contribute to making a firm market-driven or market oriented:

- “Information on all important buying influences permeates every corporate function (Shapiro, 1998).” Market orientation will occur only when a firm completely understands its markets, that is, it understands the people who decide whether to buy its products or services. At every level of the organization, effort needs to be made to understand the customer. This includes high-level executives who should make visits to important clients and see them using the relevant services or product offerings and thus gain an appreciation for customer needs in terms of quality and utility.
- “Strategic and tactical decisions are made interfunctionally and interdivisionally (Shapiro, 1998)”. Within a company, the various functions and divisions will have differing opinions and objectives and it is vital that the varying points of view come out into the open and are reconciled by each area having the ear of the others and recognizing these differences. This way, important trade-offs can be made and the organisation can focus on the customer primarily.
- “Divisions and functions make well-coordinated decisions and execute them with a sense of commitment (Shapiro, 1998)”. Open dialogue between areas (such as Sales, Research and Development, and possibly Human Resources Management) assists in obtaining commitment to meeting goals. Having the

implementers be part of the planning process assists with ensuring strong and clear commitment. Poor coordination will lead to misapplication of resources and could result in the failure to make the most of market opportunities.

Megicks, Misra and Lean (2005) cite a plethora of empirical studies spanning cultural and national contexts, providing a strong theoretical platform to support the notion that “market orientation facilitates the attainment of organizational goals through acquiring a deeper understanding of customer requirements and competitive conditions, and the implementation of integrated marketing effort to deliver value-based propositions to the market.”

Further, Agarwal, Erramilli and Dev (2003) make a clear distinction between the concept of selling and the concept of marketing. The selling concept is based on the surmise that an organization needs to undertake an aggressive selling effort because consumers are not buying enough of the product. This approach tends to yield a short-term effect.

Targets such as those set by the FSC seem to favour the concept of selling even though this may not be the intention.

The concept of marketing on the other hand assumes that consumers will buy products that satisfy their needs, and consumers will not have to be coerced into buying the product. This is vital for long-term profitability and sustainability.

The characteristics mentioned above seem quite simple and it is difficult to imagine why firms have difficulty in achieving market orientation in whichever market offerings they develop. Research has offered valuable generic insights into the barriers to market orientation, as well as some that are specific to the low income market.

2.8.2 Consequences of market orientation

Woller (2002) in a study of the reasons for low participation and retention of the low income participants at microfinance institutions (MFIs), a segment of financial services that offers key insights into the low income market, found that a major reason was the lack of market orientation on the part of the supplying organizations. This very relevant study which focused on the regional rural banks (RRBs) in India who had a government-led imperative to offer products to the poor, also showed that the MFIs were product-led and not customer-led. This was evidenced through the offering of standardized products to a market they perceived as homogeneous but which was actually highly variable in its constituency.

Megicks *et al.* (2005) further found that institutional parameters as well as the attitudes of the managers working at RRB's, coupled with unclear strategies for product development which arose as a result of a conflict between social and commercial objectives, were instrumental in aggravating the situation. Further, it was a failure in the marketing of MFI's and lack of market orientation that lead to the

high default rates and minimal uptake.

Lessons abound for South African businesses and government efforts in similar initiatives. Of particular relevance is the high take-on and lapse rates of funeral policies (Bester *et al.*, 2004), an indicator that could be interpreted to mean that the market does indeed want the product but there are factors, possibly the lack of market orientation, that are preventing a higher success rate.

2.8.3 People and management behaviours supporting market orientation

Of particular interest to this study, since it is aimed at assisting corporate managers cater for the low income market, is the finding of Harris and Piercy (1999) that the attitudes and behaviour of people in an organisation, particularly management, can have a significant effect on market orientation.

Their research revealed four key behavioural factors that affect market orientation. For each factor the correlation co-efficient with the market orientation of that firm was significant. This is depicted in figure 5 below, which is a path-analysis diagram showing the direct and indirect relationships of the factors with market orientation.

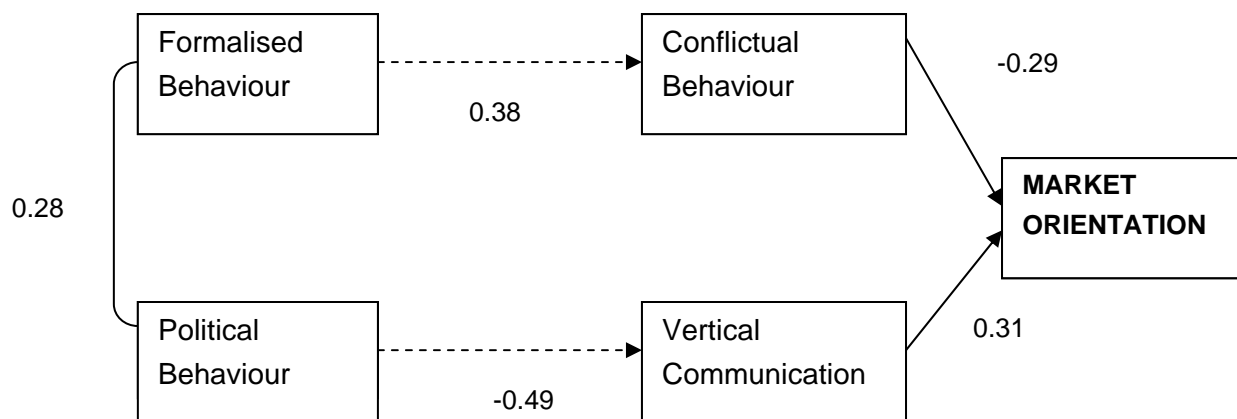


Figure 5. Path analysis of behavioural factors associated with market orientation (Harris and Piercy, 1999)

Levels above 0.01 show significant correlations. Conflictual behaviour and vertical communication have a direct effect on market orientation. Formalised behaviour and political behaviour have an indirect effect on market orientation through the effect that they have on conflictual behaviour and vertical communication respectively. The conclusions that can be drawn, as well as an explanation of the correlations, are listed below:

- Conflictual behaviour has a strong negative influence on market orientation by impeding the ability of the organization to co-ordinate activities and pay more attention to, or concentrate on, market dynamics. This finding concurs with the findings of Jaworski and Kohli (1993).

- Greater amounts of vertical organisational communication has a positive effect on the extent of market orientation. This is almost intuitive since one would expect more frequent communication to assist in the quicker dissemination of critical information i.e. market intelligence, and trigger quicker organizational response toward fulfilling the market need. When considered in light of Freemantle's (1999) assertions that organisations where employees are well taken care of and treated with respect and value for their contributions and ability to find innovative solutions, are the ones who eventually serve the customer better, it is evident that open communication from the front-line employees right up to the highest levels in an organization is vital for competitive advantage. This in effect leverages the collective knowledge of those closest to the customer.
- High levels of formalized behaviour and political maneuvering have a negative indirect effect on market orientation, and are strongly correlated with each other. That is, the higher the level of formalized behaviour in an organization, the higher will be the level of political behaviour, and vice versa. The implication is that organizations that exhibit high levels of conflict and that are inwardly focused, are very likely to neglect the target market and may induce the erosion of market orientation.

Harris *et al.* (1999) advise organizations to be aware of these behaviours and their effect on market orientation. Further, the

implication for strategy is that in organizations where such negative behaviour is observed, it will be very difficult to operationalise market-oriented goals. Efforts will first need to be made to correct such behaviour since organisations and structures are ultimately dependant on the behaviours of the people forming them, for their success.

2.9 Summary of the literature review

The literature review has attempted to provide theoretical underpinnings for further probing when understanding the quality and depth of understanding displayed by corporate managers in their dealings with the low income market for funeral products.

A lack of conclusive academic writings on the funeral insurance market is evident.

However, the generic theory base covered lends itself to application in the investigation of the seeming lack of market-orientatedness of the potential suppliers of funeral insurance products. The current funeral policy offerings on the market do not vary significantly from each other – an aspect that the theory suggests could be as a result of a lack of market orientation on the part of the providers.

On the demand side, the relatedness of human ecology and economics is useful in understanding consumer behaviour and needs in the low income market.

Theory of consumer behaviour provides a framework to understand the inter-

relatedness of sections 2.1. and 2.2, and a basis on which the actual needs of the market can be tested.

Complexity theory asserts that complex systems are not simply rational and linear, and certainly, one could consider human communities to be complex systems. In a market widely held to be very community orientated, the interconnectedness of it's members and the influence of nodes in the system are matters that facilitate critical insights into understanding the market.

On the supply side, the behaviour and beliefs of corporate decision makers in tailoring offerings for the market is a vital link in determining their depth and quality of understanding of the market. A market orientation will lead to higher levels of objective and subjective performance, and an emotionally connected approach to market orientation can facilitate innovation and competitive advantage. Whether or not corporates are acting accordingly, is a matter for investigation.

CHAPTER 3

3. Specific research propositions

The specific research propositions that emerge, given the literature review and motivation for research, are:

- **Proposition 1** : Corporate managers do not understand the consumers culture and needs related to funerals
- **Proposition 2**: Corporate managers failure to understand the market needs contributes to poor market orientation, inappropriate strategy, product and distribution design
- **Proposition 3**: The poor do want formal policies but perceptions arising from the consumers' culture and exposure about what is accessible by them prevent them from purchasing these policies

CHAPTER 4

4. Research Methodology

4.1 The Research Method

The phenomena being researched in the first sample was the perceptions of marketing/product/strategy decision makers at insurance companies and banks who are involved with developing funeral product offerings and identifying opportunities for the low income market, and how they go about understanding the market and it's requirements whether voluntarily or as a Financial Sector Charter initiative.

Due to the exploratory nature of the study, a qualitative approach was deemed appropriate in that it is designed to produce insight rather than to test theory (Easterby-Smith, Thorpe and Lowe, 1991). Gummesson (2000) suggests that semi-structured, in-depth interviews are held to be the one of the best methods to study process and decision making within companies. The use of a semi-structured interview for exploratory research is further supported by Welman and Kruger (2001).

One-to-one conversations were held in the respondent's own setting. The semi-structured interview was used as a prompt to spur discussion on the propositions.

For the second sample, the research incorporated a similar exploratory approach with the aim of gaining insights into what the lower income market values in funeral cover, and how it prefers to be served and understood in this context. A semi-structured one-on-one interview conducted in the respondents'

own setting was once again used.

The interview guides which were used are included in this report as appendices 1 and 2.

4.2 The population

The population for sample one comprised registered companies in South Africa that fall under the industries covered by the Financial Sector Charter (2004), and who are required to comply with the “access” targets set out by the Charter (exempted entities were excluded). The population was specific to those companies that have launched or are launching products meeting the criteria for first order funeral insurance intended for sale directly to the public and not those designed to be sold to other companies for onward sales to customers.

Due to the current trend for banks to offer funeral products to the public, which they tend to develop and distribute themselves while outsourcing the underwriting aspect, they were also included in the population.

Marketing, strategy or product specialists (or general managers, depending on the structure and decision making process within the said company) who were influential in deciding and investigating which markets to pursue and in defining the business case for low income products, were included. This is in line with propositions 1 and 2 listed in chapter 3 above.

The population for the second sample comprised adult individuals belonging to the African race group. This was due to the majority of funeral-type products being purchased by this segment (Bester *et al.*, 2005). Further, the sample was limited to urban township residents and who belong to the LSM 1-5 category. This LSM group was chosen as it is in line with the target population for first

order products as set out by the Financial Sector Charter. Estimates of the average income for this group vary up to a maximum of R3000 per month. The townships of Evaton and Sebokeng, which are in the district of Sedibeng approximately 40 kilometres outside of Johannesburg in the Gauteng province, were used. There are just over five hundred thousand residents in these areas.

4.3 Sampling

The sampling used for the first group was non-probability, snowball sampling due to the fact that it was difficult to guarantee access to exactly the correct person/s in a company who were responsible for assessing the low income market and developing products for it. This was considered appropriate since, according to Welman *et al* (2001), non-probability sampling is appropriate when certain members of the population have no chance at all of being included in the sample.

For group one, three banks and three insurance companies were interviewed.

The first interview was conducted with one of the insurance companies, and who assisted with providing access to other insurers. Since there are relatively few banks offering funeral policies, the larger banks were approached upon referral from the insurance companies.

The same technique was used for the second group, the township population, and seven interviews were conducted. The nature of the population meant that access could not be arranged to all respondents at once. The researcher arranged the initial interview through the general secretary of the local branch of The South African National Civics Organisation (SANCO). The SANCO members at the various local offices in Evaton and Sebokeng assisted the

researcher in approaching possible respondents in the targeted areas. They also assisted with judging which households would fall within the required LSM classification by highlighting the areas within the township that were most likely to contain such households. During the interviews, their assistance was restricted to the purpose of translation where the respondent was not able to speak English and the researcher was unable to converse in the local languages. Care was taken not to allow the SANCO officials to pre-empt the findings. SANCO officials were not privy to the interview questionnaire beforehand. This method further supports the exploratory aspect as it allowed for more flowing interactions that lend themselves to a narrative reporting methodology to supplement the research.

Given the time constraints and the exploratory nature of the study, for both groups it was felt that a larger sample for in-depth qualitative interviews would be difficult to manage and detract from the insights that may be gained from a smaller number of more thoroughly conducted interviews.

4.4 Data collection

4.4.1 For group one, data was gathered from the interviews conducted with the identified managers/decision makers within each of the companies. The interview guide that was used was tested with representatives of the relevant management sample beforehand. In accordance with the feedback received, the guide was adjusted for relevance, length and clarity before being used for the actual interviews. The themes that were looked at were the terms and definitions used to describe/ segment the low income market, awareness of the cultural and contextual existence of the low income market, understanding of

own organisation's relevance to the market, market research techniques/data sources, market orientation and factual data awareness, and the influence of own paradigms and experience on market understanding.

A copy of the semi-structured interview guide is attached as Appendix 1.

4.4.2 Similarly, for the second group, data was obtained primarily from the semi structured interview on a one-on-one basis. The interview guide was developed in conjunction with the literature review and then tested with a small sample of the population for appropriateness, understanding and relevance. Changes were then made accordingly and a final guide was developed. A copy of this guide is attached as appendix 2.

Areas and themes covered were more probing into the factors affecting decision making as well as the funeral needs of the market. Specifically, the areas of the significance of funerals, the cultural context and evolution, nature of community and society norms, factors driving purchase choice (formal policies and burial societies) and interaction with corporates were looked at.

Both sets of interviews contained limited demographic criteria such as age and gender. The purpose was to provide a basic description of the actual respondents and to ensure that they represented the chosen population adequately.

4.5 Data analysis

The primary data was subjected to content analysis where dominant themes were extracted and presented using the narrative reporting technique especially

for the low income market sample. Linde (2001) asserts that narrative is a central and powerful mechanism by which important social knowledge is conveyed, and is thus more appropriate for this sample where the interviews were directed at understanding the social context.

For the corporate sample, dominant themes were also extracted and rank ordered according to the number of respondents that mentioned them. They were unitised and any significant relationships within and across each set were explored to test for support of the propositions (Penman, 2006).

Common themes were also then compared with the relevant theoretical assertions. Conclusions and recommendations were then drawn.

4.6 Potential limitations

The research is exploratory in nature and not intended to be conclusive in any way.

The sample of corporates surveyed was limited to a product category in the low income market and broader application of the findings to other industries may be limited.

Further, due to the fact that there are many companies, including banks, which offer these products, some as dedicated (i.e. where funeral products are their only offering) and some simply due to market demand for funeral insurance as a “rider product” as on pension and provident funds, the degree of involvement of the marketing manager may differ. The researcher was aware of this and avoided, where possible, using a sample where the managers have interests that are too varied in respect of funeral insurance products.

The sample of low income households is limited to Gauteng and to a specific township, and thus generalizations should be avoided. It is a growing perception that townships cannot be classified under one broad banner in terms of the behaviour of its residents, and thus broader application will need to be mindful of the cultural and behavioural differences of seemingly similar populations. Whilst this is a limitation, the value it adds is in heightening awareness of the dangers of thinking of the low income market as one “mass market” that can be understood by impersonal indicators and segmentation tools such as LSM categories.

This type of research is subjective to a large extent and researcher bias needs to be monitored at all times. However, an opportunity exists for the researcher to gain a deeper understanding of the subjects being studied through noting his/her own emotions and discomforts when interviews may be contrary to his/her own paradigms. Herein lies an opportunity for narrative reporting that adds richness to management science.

CHAPTER 5

5. Results

Two samples were researched, as indicated in chapter four. The results will be reported according to the samples. The first sample will be referred to as the low income market, denoting the respondents from Sebokeng and Evaton.

The second sample will be referred to as the corporate manager sample and will include the corporate managers involved in product development, design or strategy for the low income market.

5.1 Group 1: The low income market

5.1.1 Background information on the respondents

The respondents were mainly women (six out of the seven interviewed), a factor largely influenced by the fact that the interviews were conducted mostly on weekdays during hours when most men were at work.

One of the respondents was employed in the formal sector on a temporary basis in an entry-level administrative job in the financial services industry. Two were unemployed and the rest were self-employed and ran businesses that allowed for a very basic income. None of these were thriving businesses and were clearly for subsistence purposes.

Two respondents were between 18 and 35 years old, two more were over 55 and the rest were between 36 and 55.

All respondents had had some experience with funeral products (i.e. either burial societies or formal policies). Of those that recently left schemes and are thus currently not insured in any way, all were due to not being able to pay the premiums any longer.

One respondent's husband died recently and she has only a very basic income from selling vegetables with which to support her children. Another, was recently retrenched, and yet another, a self-employed person, could also no longer afford the premiums.

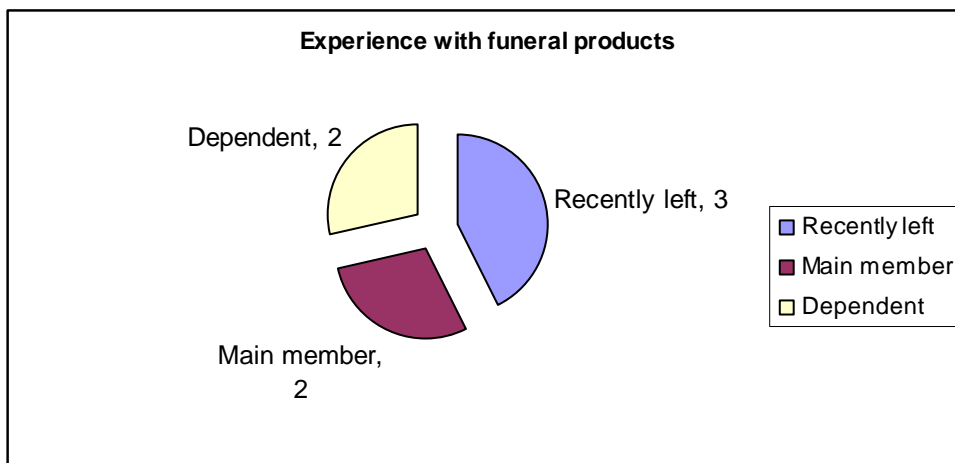


Figure 6: Respondents' experience with funeral products

All respondents had experience with burial societies, and one was a member on both a burial society policy and a formal insurance policy.

Because many were the breadwinners in their respective households, most respondents were solely responsible for financially supporting the other family members, or instrumental in supporting their parents/husbands support the other dependants. Dependents ranged from 3 to 10 per respondent.

5.2 Dominant themes

The remaining results of the interviews have been grouped into the themes that emerged during the research process. These are reported on using mainly the narrative reporting form to convey the essence of the context in which the conversations and themes emerged. Where possible, an attempt was made to probe the issues that would have an impact on understanding the market better and to convey possible developmental areas to corporates.

Whilst most respondents endeavoured to respond in English, there were some cases where they could not and it is in these cases that the SANCO officials translated the replies into English. English was not the first language for any of the respondents, and some of the direct quotes used in this chapter are not grammatically correct. To preserve the authenticity of the interviews, no alterations to grammar have been made. Where absolutely necessary, words have been added in, always shown in parentheses within the direct quotes in order to assist the reader in understanding what the respondent meant.

The first theme to emerge was my own experience as a researcher who had never spent any significant time in a township setting, other than to attend two funerals, and having been myself a product of segregated education and living conditions under the apartheid system. My own perceptions and assumptions confronted me each time I went back to the townships to conduct the interviews.

Theme 1 : Research in the township – uncomfortable and eye-opening

Once we left the main road, the drive into the townships was along typically dusty, semi-tarred roads in poor condition. Vast and dry with almost no greening, it was difficult to imagine living here in the growing summer heat, or the bitter winter cold. I travelled with two students who were interested in the research and who offered me the opportunity to share the experience and to document the findings. As we entered the township, conversation stopped and there was a growing sense of uneasiness in the car. We were very aware that we felt out of place here - a product of all the perceptions we had of townships and the danger we could be in. We had arranged to meet a SANCO official at the local filling station, and we sat there very nervously, knowing that people were staring at us. Twenty minutes later he arrived. The relief was indescribable. In contrast, he looked completely at ease with us, enthusiastically offering advice on where we should go. Gradually we became more comfortable, encouraged by his total involvement in getting the best and most representative sample for us to use. Each time we went back, we became more at ease. After two visits we could find locations based purely on landmarks – a necessary ability considering that often there were no visible street names to use as guides.

The townships of Evaton and Sebokeng span a large area in a district of the Gauteng province that is characterized by agricultural activities, coupled with a few large factories. These townships have a spread of income groups that span the very poor, living in informal, usually “slum” type dwellings, to the more thriving suburbs where development is evident in the small-scale housing improvements that were being carried out here and there. The townships

themselves were full of activity and people had a sense of purpose much like the energy prevalent in the Johannesburg city centre. Small-scale economic activity was evident everywhere from roadside hawkers to informal repair shops. At one end of Evaton, construction work on a large mall was almost completed. Seemingly as common as the roadside hawkers were the funeral parlours and businesses offering funeral-related services. Almost invariably, they were a dominant feature in whichever area they were set up, and within easy reach of any home. Unlike many of the other small businesses that were low-key in appearance, these businesses were very noticeable. This was starkly in contrast to the more affluent suburbs where a funeral parlour is a rather uncommon sight.

We conducted our first interviews in the area near the makeshift offices of the Evaton Extension 5, Zone 6 branch of SANCO. With slight trepidation we walked with two SANCO officials to the first house on the street. We waited outside while they explained the purpose of our visit and we were then invited into the kitchen of the house to speak to a woman who was approximately 65 years old. After a brief interruption to answer her mobile phone, we began the interview. As I noticed on each trip, it seemed that almost everybody owned a mobile phone, much the same as in any other suburb.

Upon referral, we approached other members of the community and repeated this process on three separate occasions in different areas until seven interviews were conducted.

Between home visits, we had the opportunity to speak at length with community development representatives and SANCO officials in each area.

As the process of interviewing progressed, I found that I developed a better understanding of how to communicate with respondents in a manner that made them comfortable and more willing to share their experiences. At virtually every interview, an initial discomfort was conveyed by respondents, but this was alleviated by the presence of the SANCO officials who explained the purpose of the interview on our behalf. Invariably, we were invited into the homes of respondents and I could not resist asking myself whether I would receive such a welcome on a similar mission in middle-class suburbia.

People were never unfriendly, even though it was obvious that it was curious for them to see us walking around the various neighbourhoods. Children played freely and we had the experience of them following us and greeting us almost everywhere we went. Taking in the surroundings and absorbing the sense of what it felt like to live here, even from an outsider's perspective, allowed me to take a much more involved, contextually aware approach to asking the questions that were prepared. It was gradually becoming difficult to imagine obtaining meaningful insights in any way other than by actually being here and listening to people within the context that represents their daily reality. Nuances and subtleties emerged that allowed me to realize just how little I knew about this segment of our population, yet also how many possibilities for both commercial growth and social development existed. The social dialogue that often followed these interviews was a more crucial learning than the research itself.

Theme 2 : “I want a dignified funeral ”

The question most critical to this study was that of what the market’s actual needs were regarding funerals. Questions 4 and 6 on the questionnaire were designed to assist in getting respondents to articulate these needs.

Interviewees responded by listing the actual items that they felt were needed to conduct what they described as a “dignified funeral”. These items have been presented in table 2 below. Where the respondent indicated an approximate cost, this has also been indicated.

All respondents indicated the need for immediate cash when a death occurred. This was to purchase certain items that were needed prior to the funeral. This is indicated in the second column as “cash”. Where the necessary item was part of another offering, such as the services of the funeral parlour, this is shown as “service”.

Additional questions were asked to explore the underlying needs that manifested in these physical items in instances where the items mentioned were not the types of items one normally associates with funerals. Comments made by respondents in this regard are noted in the last column, and may help to explain these needs.



Table 2 : Funeral

Item	Cash or service item	Approx. Cost	No. of respondents mentioning this item	Notable comments by respondents (respondents comments are in shown within quotation marks. All other comments are those of the researcher)
Casket	Service	R2000 to R7000	7	"It all depends on what we can afford ... and the quality" "I just want a simple, basic, respectable funeral"
Hearse	Service		7	
Family car (for travel from home to grave)	Service		7	
Cow	Cash	R2000 to R8000	7	"A small cow will be ok" "Sometimes these days people don't slaughter a cow... they buy meat at the butchery and serve that" "The skin (hide) of the cow is used for the burial in our tradition. The person is buried with the cow skin" "It depends on the culture of the family if they want to buy a cow or buy the meat" "The whole cow thing was only if you can't afford a coffin so this whole "I need a cow" thing is really just a new self-made tradition!"
Tent	Service	R400	7	
Busses	Service		5	
Tables and chairs	Service		7	
Sorghum beer	Cash		1	The respondent explained that it is a tradition to brew beer at home at the time of a funeral. The ingredients for the beer would need to be purchased.
Groceries	Cash	R300 to R1000	7	"We need vegetables and things to cook for the funeral"
Burial plot	Service		5	
Cakes and cold drinks	Cash	R300	2	"People come in all the time before the funeral and you have to give them food or cakes ... "
Mortuary (storage)	Service		4	
Death certificate	Service		4	
Church/religious services	Cash	R0-R60	3	
Pastor (officiating priest)	Cash	R0 to R100	4	"If they (the deceased and his/her family) don't go to church then they must pay for the pastor and the religious ceremony as well"
Flowers	Cash	R200	1	"It depends on the family ...some want flowers and some don't"

In some cases, respondents did not explicitly state some of the obvious needs associated with funerals, such as a burial plot and mortuary services, but these can be accepted as standard. However, for the purposes of maintaining the purity of the data, the researcher has not given these items a “full” score.

Respondents were asked to imagine finding themselves in the position of having just lost a loved one and what they considered they would need and what they would do in such a situation.

Each time these questions were asked, responses were unhesitant and conveyed a sense that the respondents knew exactly what they wanted. A sense of urgency was very evident – almost as if this was a reality that was ever-present; a reality that one had to be prepared for.

In what was subsequently discovered to be a common sentiment, a respondent commented that she didn’t mind what kind of funeral was held, as long as “everything is alright”; a comment she further explained as meaning that all the necessary items for the funeral should be included, but not at a very high cost.

They knew what items would be needed but the process of deciding how the funeral would be held and the final decision regarding what would be purchased was taken by the family as a whole, largely influenced by the elder members of the family. This very dominant theme is explored next.

Theme 3: “It is generally the older people that decide everything.”

In most cases, all decisions pertaining to the funeral arrangements were made by the elders in the family and specifically by the oldest male. Even in cases where the breadwinner was a female, the elders were consulted and their decisions were acted upon. Where there were no elders, the oldest of the male figures would preside over decisions. In a case where the breadwinner was a female, and was the eldest in the home, then she would make the decisions.

The role of the wider family was also notable. In almost all the cases, the wider family would be consulted although the final decision rested with the elders.

A respondent described the process immediately following the death of a family member as follows:

“Firstly you will go to the family and get them all together to discuss the matter and then secondly you will go to the funeral parlour to make the arrangements with them, then you need to discuss the times of the funeral and then you will go to church. The undertakers need to provide the hole and the plot. You also need to consult the other relatives before you go to the church.”

“Normally the elders of the family would decide the type of funeral because they are the head of the family and it might be very difficult for the person who lost someone to cope with having to arrange the funeral, so the elders would call all of us together to make all the decisions and also to decide what type of funeral we will have, and also if the money is enough. Elders also help with the religious things like to prepare the skin of the cow and consulting with the ancestors and also to make sure that all the necessary precautions are taken not to insult the ancestors.”

He further elaborated on the family ranking as follows:

“It is always the eldest male first and then it will be according to the age of all the other family members, but there is more focus towards the male figure in the family.”

These comments concur with the responses of other respondents when asked about the decision-making order in a family.

A SANCO official later pointed out that it was in the absence of elders, who may still be living far away from the township, or who may be deceased, that “new” practices tended to proliferate. He said that the younger generation felt lost and turned to “other” ways, often characterized by lavish funerals. He mentioned that typically, elders would advise their families not to “bury the money”, indicating that they felt strongly that an extravagant funeral was a waste of money. They would advise that this money be used for the education of children instead, but these values were becoming eroded very quickly.

The importance of a family council was elaborated on by the following example given by a woman with a large extended family:

“Sometimes I got a (burial) society (policy), my mother got society, my sister got formal policy and my brother also got. We sit down and decide what we going to do – who wants to get cash, who wants to use which funeral parlour.”

She explained that family members may have preferences for certain funeral parlours and agreement must be reached as to who would cash in their burial society policy (in instances where this was allowed by the burial society), and who would use their benefits at the designated funeral parlour.

She also made it very clear that when the option to cash in a burial society

policy was chosen and the cash used to purchase the services of a funeral parlour not associated with that burial society, the cash amount would be much less than the value of the services originally stipulated by the burial society.

The partnering of burial societies with specific funeral parlours, and specifying the value of the package of benefits/services that would be provided upon death of an insured person, is one that was mentioned often.

The presence and influence of a burial society was something that was mentioned by every respondent in some way or other and is explored in theme 4.

Theme 4: The role of the burial society

To reiterate, the respondent last mentioned in theme 3 above, made it very clear that when the option to cash in a burial society policy was chosen and the cash used to purchase the services of a funeral parlour not associated with the burial society, the cash value would be much less than the value of the services originally stipulated by the burial society.

An awareness exists of the partnering of burial societies with specific funeral parlours.

More specifically, it emerged that the burial society played the role of an intermediary, arranging the packages with the funeral parlour and then acting as a liaison in the event of any deaths, ensuring that the necessary arrangements were made and that the policy holder did not have to deal with the funeral parlour directly.

In certain instances, a clear sense of displeasure concerning funeral parlours

was evident. Respondents spoke of the role of the burial society more as a buffer between themselves and the funeral parlour - one that removed the unpleasantness of having to face the funeral parlour.

The following comments encapsulate this :

“...if you owe the funeral parlour you don’t get the death certificate at all. Sometimes people will help you but most of the time you must do it yourself. When you got (burial) society, there’s no problem. You pay them every month and they take care of the parlour. ”

This theme was explored further with the respondents in order to gain an understanding of what it was about the services provided by burial societies that prompted people to use them. Some of the services cited are listed in table 3 below.

Table 3 : Reasons for using burial societies

<u>Service offered by burial society</u>	<u>Number of Respondents</u>
Assist with arrangements with the funeral parlour	6
Pay a cash amount immediately	3
Assist with food preparation	1
Source the cow	1

Apart from making the necessary arrangements with the funeral parlour, an important service that the burial society officials assisted with was that of obtaining the death certificate.

A certain portion of cash was also paid immediately, some without a death certificate, this laxity due to the fact that the deceased was usually known to the members of the burial society. This is becoming very uncommon though, with burial societies now insisting on a death certificate before paying out most of the

benefits. However, respondents commented that burial societies were quite strict with the payment of premiums and would not pay out if premiums were in arrears.

Another restriction cited by a respondent is where the society would not pay out any cash if the total of the member's contributions to date did not match the benefit amount at the time of death of a member.

Despite these very strict conditions, respondents were not unhappy with burial societies, or rather, had accepted that these were the rules and that they had to abide by them in exchange for the convenient access to these benefits. Ever-present amongst respondents was a sense of resignation to the conditions provided to them.

The paying of premiums, too, was convenient for the members since the treasurer was usually a community member to whom they could pay cash at almost any time. This was not stated as a "service", but was commented on by three out of the seven respondents. A respondent mentioned that members get a book which was stamped each time a premium was paid, and this was an easy way of keeping a record of payments. She stated that people found it difficult to understand statements from formal insurers. The "book" was simple and understandable, and clear proof of their membership and current premium status.

A respondent who was very involved in community help initiatives, including arranging help for people who were destitute and had no way of providing for themselves or arranging a funeral, said that her local burial society was very helpful. Repeatedly, she mentioned the aspect of trust. Her words were "there is

lots of trust. They put everything on the table. We know them. They are active in the community.”

She knew the treasurer and chairperson personally and each month a meeting of the society was held where the treasurer presented the bank statement for the account of the burial society, and explained all the inflows and outflows. Thus, almost all members were known to each other and the financial status of their burial society was regularly discussed and understood by them.

Assistance with food preparation and the sourcing of the cow was ranked very low and respondents often commented that the family members and neighbours usually assisted with these matters.

Differences in perceptions between generations is not discernable in such a small sample, especially since only 1 respondent was under 34, but this one respondent often referred to her parents as “not being aware of the benefits” of a formal policy, and “only knowing the burial society”. She herself would prefer to have a formal policy and would get one once she was formally employed, but would still have a burial society policy to please her parents. She commented on this type of family value as being one that was instilled in her while she was growing up in a semi-rural area.

Respondents explained some of the origins of certain practices as being born from needs stemming from the frugal and subsistence levels of existence that were experienced by them in the rural areas. Some of these practices have fallen away and others take on a symbolic role in the township. These are explored in theme 5 below.

Theme 5: Differences between cultures as a factor of location

Most respondents had moved to the township from rural/semi-rural areas and had a clear recollection of life and funeral-related practices in the rural areas. In each case, the respondents said that there was some form of difference between the Evaton/Sebokeng practices and that of their previous neighbourhoods.

Table 4 lists some of these differences.

Table 4 : Aspects around which there were differences between neighbourhoods

<u>Areas where differences were experienced</u>
Burial time
Respect for funerals
Type of food served
Dress code
Use of cow skins as burial shrouds
Community orientation
Role of elders

Respondents commented that funerals in the rural areas were almost always held in the early morning, whereas in the township they were held at any time of day and usually on a Saturday. Reasons cited were around economic factors where one respondent went to far as to say that it “was all about money” and that the funeral parlours had no respect for the dead. A corpse would be held until the outstanding money was paid in full and only then be released. Another reason was the time taken for relatives to travel from other parts of the country to the home of the deceased.

The following comment highlights some concerns of respondents:

“There is a difference in timing. In the rural area they do the funeral at five in the

morning and in the afternoon they do other things, but here (in the township) they don't worry. For them anytime is the right time because of the undertakers. They don't have respect for their traditions and cultures. That is why most of the time us as the older generation must teach them about their culture and that with all that comes a responsibility. Also, there are more people for the undertakers ... (referring to the high rate of deaths in the township)"

Respondents felt that people in the township did not "respect" funerals. An indicator of this was the dress code, especially for women, where the rural culture required greater modesty and where women did not wear trousers and where new and fancy clothing was not necessary.

Another indicator was the type of food served. Respondents mentioned that traditionally food was meant to be simple, usually "pap" and some meat or vegetables, but in the townships there was an emphasis on preparing a variety of food and sometimes having this catered as well, which in turn drove up costs. The term "after tears party" was mentioned by two respondents when referring to the food. One respondent with a particularly strong viewpoint commented as follows:

"The other thing is that immediately after the funeral you find some people who they will go to and buy the drinks and call it the "after tears" for the person that has just been buried. In the past that didn't happen and that is not a culture. It is really a new nonsense!"

Of the possible influencers of the "new" cultures, one respondent had the following to say:

"It's the people that have influence on the community and some of them are in

the church and the community and don't really believe in the rules set in the past. These are people who call themselves "abazalwane", meaning influencers of pious people, who believe in other cultures. They are pirates."

The respondent was referring to people within the community that were of strong standing , including religious leaders, who set new trends and often had an influence on various matters. They could also mean "born again" people – people who practiced altered versions of religion.

What was very evident was that respondents felt that non-township or non-urban funerals were simpler and less costly. They were far more traditional.

Community involvement was strong, but this is also true for the township. In cases where respondents had no immediate funeral cover, they all said that they would depend on the community and relatives to collect the money to carry out a funeral. Street collections and church collections were common. A respondent said that "financially in our culture, the people will know that they will bring some money or food or something. Normally the community will collect the money from home to home and this also depends on how well they know you. So if you are an active community member who helps others, they will always come and help you when there is a problem in the family."

Theme 6 : Experiences/perceptions concerning corporate providers – “I want them to take care of everything”

Two respondents had usage experience with formal policies either as a main member or dependent. All respondents were aware of the existence of formal policies and thus were able to answer the questions about what they would want a formal insurer to provide.

One of the questions asked of respondents was if they would buy a formal policy from some of the well-known insurers if an office were to open within easy reach of their homes. During the test interviews (prior to the finalization of the interview guide) it became evident that respondents considered large, formal companies to be distant from them and so could not easily conceptualise having access to these policies. The question “Would you buy a policy from a large company such as Sanlam or Old Mutual?” was thus amended to emphasise the aspect of the presence of a local office (i.e. within a few kilometers of respondents’ residences). Once this aspect was emphasized, five of the seven respondents unhesitatingly answered in the affirmative – that they would purchase a policy from a formal insurer that had an easily accessible office.

The person who answered “no” said that he preferred a burial society policy because he just wanted a simple and traditional funeral. He valued the services they offered and knew burial societies that could offer almost all the funeral-related services. He would rather have two burial society policies instead of a cash payout from a formal insurer. The reason he cited for having two policies

was that some burial societies offered some of the services (such as the arrangements with the funeral parlour) and other burial societies offered different services, such as assistance with food preparation, purchasing of groceries etc. He wanted all the services, and felt that the only way to get them was to have policies for each desired service until all were covered.

One of the respondents had indicated that she “did not know” if she would buy a policy from anyone, referring to either a burial society or a formal insurer. There was deep sadness and despondency in the answer of this well-built, thirty-six year old woman who had moved to Evaton West from Transkei six years ago, after she married a man who was resident in Evaton.

Of all the respondents, her circumstances seemed the least favourable.

What unfolded as we spoke to her, was a story that conveys some of the realities faced by the poor and poorly educated, and is one which deserves telling.

Her home was a one-roomed dwelling of approximately twenty five square metres, with no visible ablution facilities, a makeshift sink, bare floors and a two-plate stove which stood on a little table. She was barefoot and wore old, tattered clothing. In one corner of the room stood a box of tomatoes, and half a pocket of potatoes which she explained as being the vegetables she sold out of her kitchen in order to eek out a living to support her two children, both of whom were infants. She went on to explain in a very timid manner that her husband had passed away in January 2006. He was employed in the city for a cleaning services company and earned a low salary. They could barely survive on that

salary, but her husband insisted that they purchase a funeral policy from a local burial society consisting of members of a church group. This policy was paid for religiously on a monthly basis and often they went without food in order to meet the premium obligations. She proceeded to show us copies of the membership application form which she had carefully stored in an old attaché case hidden under the table. The form bore the name of a church group and was a burial society policy underwritten by a well-known insurer. Together with this was the original proof of deposit for every premium ever paid into a bank account, seemingly in the name of the church.

At the time of her husband's death, she attempted to contact the agent who had sold the policy to them in order to begin claim proceedings. Her feeling was that the agent was the natural person to refer to as he had sold the policy to them. Attempts to trace the agent failed. Someone within the community assisted her and accompanied her to the address of the administration company that was indicated in fine print on the form. This was in the Johannesburg city centre. The company told her that there was nothing they could do because the agent could not be traced and there was no account/policy for her. She went there twice, each time at considerable cost, only to be turned away. When we asked if she had gone to the underwriter (whose name was also included in the fine print on the form) she responded in the negative, clearly unaware of this avenue or recourse that was available to her. Seemingly, none of her family or friends was aware of this recourse either. She relied on distant relatives, the community and her late husband's employer to assist with funeral arrangements, and was left destitute afterwards. The utter dejection and sense of hopelessness she projected was almost tangible. Her dismay and disillusionment made it difficult

for her to answer many of the questions we went on to ask, and it became clear why she simply answered “I don’t know” when asked if she could purchase a funeral policy from a burial society or formal insurer. She had done nothing wrong and her trust was shattered. Both systems had failed her – someone who portrayed the very image of the type of person that these policies are supposedly designed to protect at such times.

The local SANCO official expressed his dismay later that there were many such cases in the community and that corporates did not do enough to educate the policy holders about the advantages and disadvantages of their products. He explained that structures existed in such communities through which consumer education could be carried out, but that it was only when corporates were afraid of getting “negative press” that they came to community leaders or local development organizations. He mentioned that people usually went to their local community development or civic organizations to seek help with virtually any problem, and often these organizations were not sufficiently geared, either with the knowledge or with the equipment to assist these people.

The five respondents that were not currently/recently on a formal policy were asked if they had ever approached an insurer. Three said no because they were not formally employed and two said that they had approached insurers and were turned down as they had no formal employment. The following two comments highlight some experiences and perceptions :

“It’s not that I have not approached the larger companies, it’s that they ask for proof of employment and if one is unemployed or a pensioner they don’t even want to listen to the rest of our story. This is even worse if you earn less than R1000. At the (named) bank branch they asked me if I work and when I said

no , the person in the office said no they won't be able to help me.”

“No, they (the formal insurers) are not helping and they don't worry. They just want to know if you are working.”

Respondents were also asked what they would want from a corporate, i.e. if it were made possible for them to design their own product and benefits (refer to question 16 in appendix 2). This question required careful prompting of the respondents and almost always took them a while to think over. They were encouraged to imagine a representative of an insurer coming to them and asking what it was they wanted from a funeral policy in terms of benefits of any sort. The results are tabulated below :

Table 5: What I want in a formal policy

<u>What I want in a formal policy</u>	<u>Total</u>
Burial services (hearse, mortuary, equipment hire etc)	7
Money for groceries (immediate payment)	7
Sourcing of the cow	6
Slaughtering of the cow	2
Catering	2
Money for children's education	2
Child support	1

The need for the funeral arrangements to be taken care of came through very strongly with all respondents saying that they would want these matters handled on their behalf. The item “burial services” includes tents, chairs, tables, catering equipment and transport hire.

A pressing need for cash for the purchase of groceries was often expressed. With a high level of community involvement, people would visit the home of the deceased on a daily basis leading up to the funeral and the family would be

obliged to provide food, snacks and drinks for the visitors. Further, the food preparation for the meal to be served after the funeral was begun prior to the funeral and money would be needed for these substantial purchases. This was an immediate and pressing need - respondents expressed an inability to wait out the duration of the claims procedures from formal companies.

The next highest ranking item was that of the sourcing of a cow for the funeral proceedings. Respondents wanted the provider of the policy to also take care of sourcing and delivering the cow, although they did indicate a preference for choosing the cow themselves. Whilst most also wanted to slaughter it themselves, a few wanted the slaughtering done for them.

The need for catering was brought up, and for those that mentioned it, it was in addition to the need for money for groceries. They stipulated an immediate need for cash to purchase cakes, tea, etc. but would prefer that the main meal on the day of the funeral be catered for by professional caterers.

The lower ranking items were that of a stream of cash to pay for the education/maintenance of dependant children. The respondents required a monthly payout until the children had completed their schooling.

5.2 Group 2: The Corporate Managers

Three banks and three insurers (who sold “individual” policies to the market) were interviewed.

The banks and insurance companies in South Africa have strong relationships, and it is common for them to have significant shareholding in one another, especially amongst the larger players.

Basic demographic information is provided in figures 7 and 8 below.

Whilst only 6 companies in total were interviewed, one interview was with 2 people from a given company, and this is shown in the figure concerning racial breakdown. All other figures are for the company as a whole. Any opinions expressed will be indicated as the opinion of that company, and not of each individual person in order to eliminate the “double-counting” error.

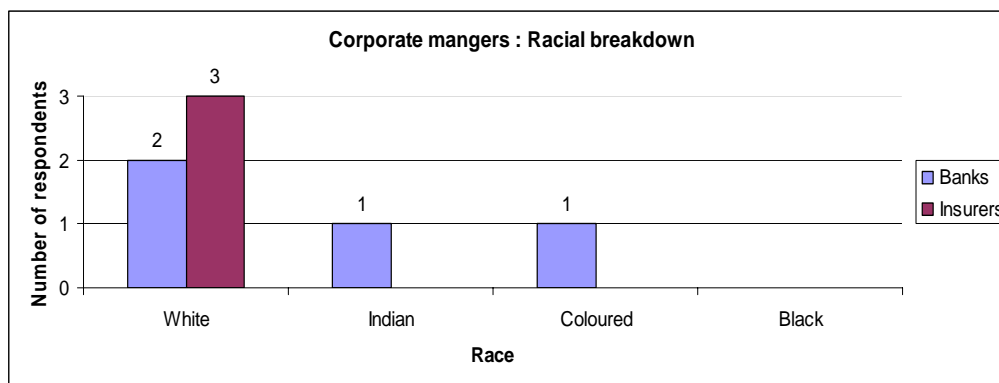


Figure 7: Racial breakdown of corporate managers

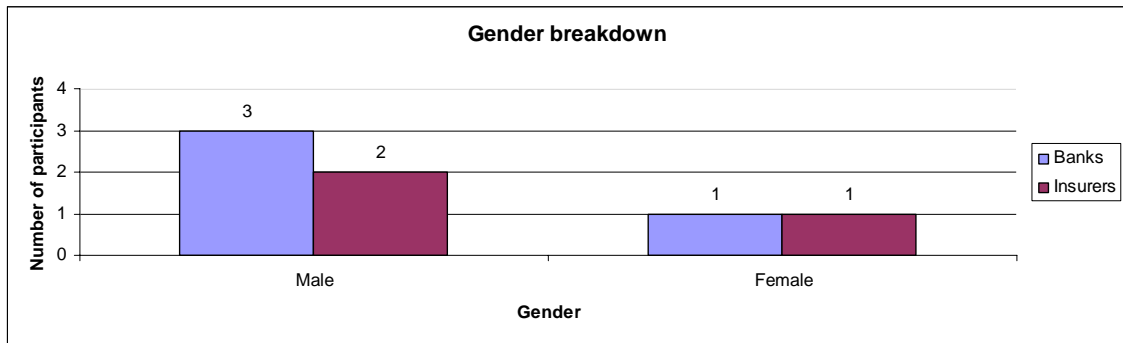


Figure 8: Gender breakdown of corporate managers

In the sample of insurers, all respondents were in the 30 to 45 year age category except for one who was 25 years old.

In the bank sample, all respondents were in the 30 to 45 year age category, except for one who was in the 50 to 60 year age category.

Insurance respondents were mostly senior managerial, except for one who was at a middle manager level but fully responsible for funeral product research and development.

From the banks, all respondents were at a senior managerial level, and one was a senior executive.

The interview process resulted in certain themes emerging strongly. These have been expanded on below. For purposes of structure and convenience some of the supporting information per theme has been tabulated and rank ordered according to the number of respondents mentioning the respective items. However, the aim of such representation is merely to highlight the areas that the corporate sample was concerned with.

Theme 1: Characteristics of the low income market

Corporates were asked to explain their understanding of who made up the low income market, and to describe it using whichever descriptors they preferred. Specifically, they were asked to expand on demographic, psychographic and cultural aspects, as well as any dominant religious or other influences.

Their responses are tabulated below.

Table 6 : Characteristics of the low income market

<u>Characteristics of the low income market</u>	<u>Total</u>
Income : less than R40 000 per annum	4
Located in rural areas and townships	4
Many dependants	4
Significant dependence on social grants	2
High AIDS prevalence	2
Strong family influence	2
Blue collar workers and subsistence agriculture	2
1 salary per household	2
Death a constant concern (violence and AIDS)	2
Largely unbanked	1
Community orientated	1
Mainly followers of Christianity	1
Predominantly black	1
Often self-employed (not highly productive)	1
Brand conscious (e.g. soap = Lifebuoy)	1
"Take what they can get" (lack of choice)	1
Use public transport	1
Historically disadvantaged	1

Items concerning income, sources of income, occupation and location were the most commonly used descriptors.

Theme 2: Needs of the low income market (around funerals/funeral products)

Corporates were prompted to explain what they thought the needs of the market were regarding funeral policies and why it was that they believed that the market needed the product at all. These reasons are listed below:

Table 7: Funeral-associated needs of the market

Needs of the low income market (w.r.t. funeral products)	Total
Need a policy to lessen financial shock	4
Death occurs more frequently than in other LSM's	2
Culture and tradition (importance of dignified funeral)	2
Huge attrition through AIDS	2
Is part of how they engage with the community	1
Need financial education	1

Corporates had a strong awareness that the market needs some form of funeral cover to cope with the financial shock that accompanies the death of a member of the household. Most corporates said that the households were just too poor to be able to cater for these needs in any other way.

The following comment encapsulates the feeling of most of the respondents:

“... it (the market) cannot afford funerals. Funerals cost anything between R5000 and R25000 and for a person earning between R2000 and R3000 a month. It makes sense to be able to pay R50 a month and get enough money to comfortably have a funeral without having to sacrifice their own daily needs. The market is just too poor not to have it.”

On the question of why the market needs this product, the banks were very concerned about the HIV/AIDS prevalence but the insurers almost never mentioned it.

Theme 3: Why the preference for burial societies?

Managers were aware of the prevalence of burial societies and their attention was drawn to the research that showed the high penetration of burial societies in the LSM 1 to 5 grouping. The reasons they cited for this phenomenon are listed below:

Table 8: Why are burial societies preferred?

<u>Why the preference/support for burial societies?</u>	<u>Total</u>
Ease of access	3
Influence of parents and community (do what parents did)	2
Lack of understanding of insurance (the "pure risk" model)	2
Trust (people trust their community members and not the insurers)	2
Not supporting is showing lack of trust	1
Influence of the church (if the church promotes it, people do it)	1
Simplicity (no complications and difficulty to understand)	1

A strong community influence was perceived amongst corporates in explaining why the market preferred/used burial societies. Further, they perceived burial society products to be more easily accessible than their own, formal, products. When prompted about the trends concerning burial societies, one of the insurers commented as follows:

“I don’t think we’ll ever be able to replace the burial society, especially in the rural areas, but I feel that in the urban areas, people are generally more educated and so they begin to see the benefits of a formal policy as opposed to a burial society policy. I feel that burial society policies should be regulated in some way, just so that people can have some kind of guarantee that they will get their money.”

Managers also alluded to the market not understanding the “pure risk” model

where people would not get anything out if they cancelled the policy or allowed it to lapse. This lack of understanding, they asserted, meant that the market thought corporates were “stealing” from them.

The next theme that highlighted some of the corporate perceptions about the market, was that of the key success and failure factors in selling to the market. These are expanded on in themes 4 and 5 below.

Theme 4: Success factors in selling to the market

The biggest concern for corporates was the need to attain economies of scale (large volumes) in order to make selling to this market worthwhile.

Table 9: Key success factors for selling to the market

<u>Key success factors in selling to the market</u>	<u>Total</u>
Volume (need large volumes to be viable)	4
Affordability - must be cheap	2
Reliable collection mechanisms	2
Loyalty from the market (patience in building your brand)	2
Understand the needs	2
Carefully constructed product based on correctly defined needs	2
Simple products, easy to understand and acquire (access)	2
Speed to pay out claims (else huge reputational damage)	2
Integrity of agents (providing correct information to clients)	2
Supporting the consumer through education	1
Health of policy holders (i.e. need to be selling to a market which is predominantly healthy)	1

Another concern was reliable collection mechanisms. Corporates felt that it was difficult to collect premiums and they felt constrained by the inability of the market to fit in with existing mechanisms, i.e debit orders and other traditional channels. They felt products needed to be cheap and simple, easy to acquire and quick to pay out.

Theme 5: Failure factors in selling to the market

Table 10: Key failure factors in selling to the market

<u>Failure factors in selling to the market</u>	<u>Total</u>
Poor administrative systems (paying claims, processing applications etc.)	3
A price war on premiums (margins already thin)	2
Failure to pay claims	2
Agents mis-representing the company/giving false information	2
Too much product complexity (clauses and exclusions)	1
Funeral parlours (exacerbating fraud)	1
Use of inappropriate technology	1
Short-term vision	1
Not engaging the community	1
No client education	1
High churn rates (lapsing of policies)	1

A major factor that would precipitate failure would be poor administration. This was both from the selling perspective (speed to process applications) and the claims administration perspective. The insurers particularly stressed this point – that if the market felt that you were too slow or inefficient on claims payments, they would defect.

Corporates felt that margins were very thin on this product and that any kind of price war would be detrimental to the industry. The aspect of low profit margins was offered as a reason for the lack of innovation and a respondent commented that it was not feasible to spend money developing the product.

Respondents also said that the “opposite of the success factors” would result in failure. These have not been explicitly stated in table 13 above but can be deduced from theme 4.

Despite the obstacles, one of the banks stated that their funeral product was the biggest revenue generator from their low income suite of products. It generated approximately 30% of this portion of their revenue, is considered their “flagship”

low income product, and is profitable.

Theme 6: Research methods or techniques aiding market understanding

Managers tended to have very specific methods which they used to research the market in the cases where any research was undertaken. These are listed in table 11 below.

Table 11: Market research techniques

<u>Market research/market exposure</u>	<u>Total</u>
Focus groups (where participants are paid for their involvement)	4
Market research reports (FinScope and Eighty20)	3
Feedback from frontline staff	3
Time spent interacting with market (townships and rural areas)	2
Quantitative research (census, AMPS, Actuarial Society reports)	1

Respondents placed significant emphasis on focus groups and commercially available research reports. In most cases, they deemed these sources fully adequate for the purposes of gaining market understanding, and to meet the goals of their respective organisations. Two respondents indicated that they were not satisfied with the current information sources and research techniques.

A respondent (from an insurer) questioned the value of focus groups, stating that they often felt contrived and she got the feeling that respondents were trying to give answers they felt the co-ordinators wanted to hear. She further commented that the most widely used market research reports often seemed flavoured by the report-writer's own opinions and she therefore preferred to undertake/commission her own research.

A senior banker also had a concern that focus groups "will not give the same answers and insights as observing people and talking to them within the

townships and other settings”. He further commented that the existing paradigms in institutions serving this market were “well-developed, white institutional paradigms ... the people you want to provide these services to don’t want to be squeezed into this paradigm. Get out of the paradigm and go and spend time understanding the other paradigm! “

It was notable that of the respondents that spent time interacting with the market, the banks were the most active. No insurers indicated that their product development or strategy area spent any focused time with the market obtaining “first-hand” experience although one did rely heavily on their sales representatives for feedback from the market.

Whilst a rather extreme example, a respondent had the following to say when asked about his interaction with the market and any sensitization training given to employees involved in market research and development:

“A lot of people involved in the decision making have not been out into the field. I got this picture in my mind of some guy sitting in a shack, cooking miele pap, with 5 kids, earning R1500 a month. I don’t know if that’s correct or not, I don’t know what his job includes. Just the stereotypes.”

The insurer that relied on feedback from front-line staff (field agents within the townships and rural areas) found this feedback to be crucial to their success, as is evident in the quote below:

“Our reps are also a large contribution to the reason why we are doing so well and also to that of the understanding of the product (and it’s importance) to the

community.”

This insurer said that they commanded a premium on their offering (premiums were on average significantly higher than that other insurers) but it was because they offered a full service option, from mortuary to funeral services, and had an extensive network, especially in townships to support the offering. To supplement this, they also found a 30% growth in the past year from the rural client base who came to the company because of its reputation and focus on service offerings.

Theme 7: Orientating the organization to the market

The literature yielded certain constructs that were useful in testing for evidence of market orientation. These have been listed in the table below along with the number of organizations in which these items were evident.

Table 12: Market orientation indicators

<u>Orientating the organisation to the market</u>	<u>Total</u>
Support at senior levels	5
Innovation in product design/distribution	4
Widely circulated and clearly articulated strategy	2
Investment in research and development	2
Staff incentivised (to sell to LSM 1 to 5)	2
Focused, co-ordinated effort in the whole organisation	0

While it may seem that most do not have a completely focused and coordinated effort in orientating themselves for the market, it should be noted that two organizations were in the process of making significant efforts in obtaining this goal. This is evidenced in the investment they have made in research and development and in internal restructuring to achieve coordination. Almost all managers felt that the efforts to develop the market had support from senior

levels. One of the banks had two executives dedicated to developing this segment.

A respondent commented that a “new way of looking at the market is needed, and the methodology currently being used for research is suited to a perfectly literate market where it may yield accurate results. These methods largely cannot be applied to areas (people) that have been seriously disadvantaged and torn apart historically. Literacy is low. Researchers will not get perfect answers and, indeed, may not be asking the right questions due to their own lack of understanding. Product development and market understanding will only be gained on a trial and error basis.” He emphasized that organisations need to be aware of this.

The bank that considered their funeral product to be a flagship product had a team dedicated to looking after this market and also had structured ways of getting feedback from front-line staff with regards to needs of the market.

They considered their product to be the cheapest in the market and cited their ability to design and develop products quickly, as a result of feedback, to be their advantage over competitors.

However, whereas most sales were done through branches, branch staff were not incentivised to sell funeral products. They were service agents remunerated on a fixed salary basis. Call centre staff were remunerated for sales, and usually were engaged in cross-selling activities to existing bank/insurance clients. Insurance company agents were paid commissions, and they were the two respondents who replied that their staff (agents) were given incentives to sell to the low income market specifically.

Theme 8: The product decision-making process

Both banks and insurers had very structured processes concerning product development and decision making for the low income market. Mostly, these were the same processes that were used for any other products that the respective organizations sold.

Various levels of assessments were done concerning the business cases and what would or would not be profitable.

Typically, products would go through the development phase, and then be assessed by various other areas for aspects such as regulatory compliance, profitability and “fit” with existing products and delivery or distribution channels. This was done either by committee or individually by each area.

Additionally, with insurers this process included actuarial evaluations based on actuarial models.

As the decisions moved away from the areas where the products were developed (which usually were the areas that had some form of exposure to the market), the decision-makers had less and less direct experience with the market and were more reliant on rational, mathematical and actuarial evaluations. Flexibility was more evident in organizations that were currently restructuring or focusing on developing the low income market.

CHAPTER 6

6. Discussion of Results

The results will be discussed in the context of the propositions that were stated in chapter 3.

6.1 Proposition 1

Corporate managers do not understand the consumer's culture and needs related to funerals

Corporate managers were asked to describe the low income market, and were specifically asked to describe psychographic and other characteristics in accordance with their experience.

As table 6 shows, most of the descriptors used were centred on very impersonal and largely demographic factors. Many of the factors could have described a low income population in virtually any part of the world. While this may bode well for a wider understanding of generic characteristics, the South African market has very specific and unique characteristics which require deeper understanding given the historical divides and inequalities.

The reasons for the seemingly high emphasis placed on funerals and the contexts in which funerals occur was not expanded on by respondents. Many times, the matter of affordability was mentioned i.e. that the market was too poor to afford the cost of a funeral, and that is why they needed funeral cover. Aspects such as the traditional involvement of the community and wider family, as well as the very prominent role of elders (who acted as counsel to the family) were rarely mentioned, even though these were matters of high importance to the market and gave valuable insights into the influencers of certain

communities.

However, it is very evident that there is a rising awareness of the needs and potential of the market which is highlighted by the focus on primary research and experiential learning being undertaken by at least 2 of the respondent companies. Although there was no indication of efforts to improve this shortcoming, two other companies were aware of the fact that they had very limited interaction with the market (from a management/decision-making perspective). One of these was a market-leading insurer with a significant low income client base. This company had traditionally not spent money on marketing efforts and relied on “word of mouth” for sales. The respondent advised that their sales continued to increase and they have always been profitable. He indicated that the reason was that the need was just so great that the market would “take whatever was offered” to them. The only feedback that they got from the market was via field agents who sold policies in the townships and rural areas. There was no formal collection of this feedback, which meant that the learnings were not kept on record. Product development was done in isolation of these representatives, and primary importance was placed on the client record database where trends for payment and new business were used as the indicators to inform product development.

From the terms used by corporates to describe the market, three areas emerged which showed a level of congruence with the market itself.

These were the aspects of family influence, the prevalence of a large extended family, and the high ratio of dependents to the breadwinner. These aspects begin to yield an understanding of the market, but the awareness of the actual impact on decision-making and funeral-related needs is limited. Deeper insights

are needed to expand on this knowledge and leverage it.

Within corporates, the decision making processes as to what products will be offered to market, and which ones will not, show evidence of being highly formalized – a factor that Harris and Piercy (1999) found to be a constraining factor to market orientation. However, organizations do need a certain level of formality to achieve their aims and to ensure the soundness of ideas and business ventures. What organizations need to be aware of, is the validity of their assumptions given the high reliance on standardized market reports and traditional sources of information as evident in table 14. It is very likely that using the same, possibly unsuitable sources of information is resulting in a confirmation bias. Managers may be caught in a cycle where certain perceptions of the market are held, and then further confirmed by reports from these possibly unsuitable sources. As the decisions move up the organisational hierarchy, they may be less likely to be seriously considered if those taking the decisions are not themselves au fait with the market through first-hand exposure. Freemantle (1999) warns that the lack of direct exposure of employees to clients, observing them and understanding them, even by senior executives will seriously impede the organisation's ability to gain strategic advantage borne out of truly being connected to customer needs.

What is of significance to note is the evidence of some corporates being dissatisfied with current research techniques, a sentiment that bodes well for possible focus on experimentation with new methods in this regard.

The understanding that products needed to be easily accessible (in the way that burial societies are, due to the presence of the society in the community) is evident, but perhaps not sufficient and will be expanded on in the discussion on

proposition two.

There is a perception that products have to be cheap, and so service must be limited, since traditional models associate “high-touch” with high costs. The concern with using traditional collection mechanisms for example, offers support for this concern. O’Laughlin (2004), Roth (2001) and Bester *et al.* (2005) all indicated that the market values face-to-face contact and ease of transactibility within their circumstances. With a large proportion of the market being unbanked, reliance on debit orders and stop orders (such as required by most formal funeral policies) may prove to be highly constraining. The opportunity exists for innovation in developing an appropriate, cost-effective service model.

Whilst fraud and theft are matters of national concern and importance currently, and may be cited as reasons in support of using bank accounts to transact (rather than cash), when it came to the immediate needs of families faced with having to arrange a funeral there was an overwhelming request for cash payouts to take care of food purchases. This is evident in table 4, table 6 and table 8 in chapter 5. In due course, the FSC targets for access, if met, may result in the presence of payout points within quick and easy reach of the market, but currently the market requires easier access to cash. The burial societies, within their structures, take care of this need so that the bereaved do not need to travel out to obtain the cash.

Proposition 1 can this be held to be partially valid. Some of the corporate managers understand some of the market needs, more specifically the needs that they can infer from the more demographic characteristics. Context and culture are not however, widely understood.

6.2 Proposition 2

Corporate managers failure to understand the market needs contributes to poor market orientation, inappropriate strategy, product and distribution design

When the market was asked what it required of a policy if it could advise the formal insurers of their needs, the overwhelming response was around services, and not a lump sum cash payout.

Table 5 indicates that respondents overwhelmingly wanted the funeral services taken care of, and a small sum of money to be made available immediately for grocery purchases.

Further, they also indicated that they would prefer for the cow (one of the single most costly items necessary for funeral proceedings) to be sourced and delivered to them.

From the FSP's surveyed, only one offered services related to funerals.

All the other FSP's offered cash payouts only. Some offered other benefits such as counseling especially for HIV/AIDS patients, and staggered payouts (i.e. a monthly amount paid to beneficiaries for a certain period after the death of a family member). However, little or no other innovation in products was evident.

These FSP's also tended to be concerned with low profit margins and thus constrained their efforts in innovation. In most of these cases, the FSP's retailed their product through existing channels that were not dedicated to this product or market. The study did not go further into probing the focus of the sales agents, but especially in banks, it was branch staff that sold the policies, and had a range of other responsibilities to carry out and other products to sell. This

may not be optimal in achieving market orientation.

However, the insurer that offered a service option, offered undertaking and repatriation services which they delivered through a network of funeral parlours around the country. A portion of the benefit was also paid in cash. Members had the option to choose the benefits they wanted (i.e. they could opt for services or cash, or a combination of both). Through setting up contracts with funeral parlours whereby standard prices were agreed on, members of this insurer were not subjected to receiving a lower value option if they chose a cash payout. They could buy a lower value item from the parlour and use the remaining cash as they pleased.

Their agents (sales representatives) were well-trained, and were regularly consulted by management for market feedback. This team of agents sold only the funeral product, and was paid a commission on these sales. They were trusted members of the communities in which they sold. The company had branches in, or close to, the township areas where clients could pay premiums easily. The company is also attempting innovation in their premium collection efforts, an innovation that is not unique in the market, but that they were quick to adopt. This is the model of partnering with retailers for distribution and collection purposes, leveraging off the wide networks that large retailers have.

This FSP maintained high margins and high growth figures consistently – evidence of objective performance criteria. Whilst Jaworski and Kohli (1993) found that there was a positive relationship between market orientation and judgemental measures of performance, this company seems to indicate that there is also a link between market orientation and objective measures of performance.

A clearer example of the benefits of understanding and catering for the market's needs would be difficult to find.

Another insurer, the innovator of the retail-partnering model gained market share rapidly when they began this new venture. Their products were easily accessible at the points of sale at retailers, and anyone who had an account with the retailer could purchase a policy. Premium payments were done easily since they could be deducted from the members' retail accounts, which the members paid monthly. Retailers accept various methods of payment, including cash, which suited the market well, although the ownership of retail accounts tends to be more evident in the higher LSM categories and in effect allows the insurer access to a captive market, and does not necessarily broaden access to the non-account-holding population. Nonetheless, this is an innovation with aspects that indicate a growing awareness of customer needs.

Concerning the aspect of distribution , the market seemed to indicate that formal products were not accessible enough, evident in the findings when respondents answered that they would buy formal products if they were readily accessible and supported (i.e. via the presence of a local branch of the FSP).

FSP's themselves have highlighted the matter of access as being a key factor in success when selling to this market. Table 8 ,which ranks FSP's perceptions about why burial societies are so much more popular in the market, lists the factor of 'access' as being the most important as mentioned by three of the respondents. Table 9 which looks at the factors that FSP's deem to be the critical success factors when selling to the market, shows 'access' as being

mentioned by two of the respondents, and 'volume' as being the most important factor mentioned by four of the respondents. To some extent these findings suggest that corporates may not be learning as much as they can from the popularity of burial societies, with only two of the corporates mentioning this factor of 'access' at all when asked about critical success factors, coupled with a host of other items that no conclusions could be drawn from.

It can then be asserted that due to their insufficient understanding of the market, corporates may be underestimating the importance of access for this market.

Following on the discussion above, this proposition can be held to be valid: corporate managers failure to understand the market needs does contribute to poor market orientation, inappropriate strategy, product and distribution design. However, one of the companies sampled displays characteristics of a strong market orientation as well as high objective measures of performance. If their historically high growth rates are a trend that can be expected to continue, then there is an opportunity for other providers to also be profitable if they serve the market appropriately.

6.3 Proposition 3

The poor do want formal policies but perceptions about what is accessible by them prevent them from purchasing these policies

The market sample clearly indicated that they do want formal policies and despite a low level of ownership, there is a high level of awareness of formal policies.

Some of the reasons for why the market has not shown a higher take-up rate of formal policies (despite the fact that formal providers have been selling to the market for decades) point to a lack of appropriate consumer education and awareness.

As some of the respondents mentioned, they did not know that they could purchase formal policies without being formally employed or having a certain minimum income. If such perceptions are widely held and no effort is made to dispel them from the minds of consumers, then it will remain a challenge to get the market to purchase formal products even though the benefit to the consumer in terms of regulatory protection is far greater.

Many of the existing providers are dependant on traditional distribution networks to sell their products, and these networks have not typically reached the low income areas.

Considering the very strong network effects in the community that was researched, such bad experiences as the respondents have had being turned away from insurers due to having no formal employment, are likely to have a ripple effect. In the cases where people had such experiences, they were members of the older generation (older than forty five). Elders still play a

dominant role in families, and their collective “learning’s” can be expected to have an influence on the younger generation. Such experiences are shared and may contribute to a reluctance to approach formal insurers, even though in reality such exclusions do not exist for most funeral products. The applicability of the theory on complex systems especially with regards to non-linearity, and to complex systems having a history which affects their current state, is very evident.

In this regard, banks may be more successful in selling these products as they are relatively new to selling funeral policies and may not have the same perceptions surrounding them. Here, technological advances can be very instrumental in increasing access. As observed by the researcher, cellular phones were widely used. The banking industry has for a long time been refining mobile technology and sufficient innovation can no doubt contribute to using this and related technological advances to serve the market.

As the researcher experienced, there are significant distances between the township and the nearest towns. There are few shops or business centres within the township so residents are required to travel out in order to visit most insurers or banks for purposes of purchasing formal policies. Given the obvious income limitations and costs of transport, this matter is a deterrent. Those companies that employ field agents who sell products within the communities and who are well-known, seem to enjoy a higher member base in the market. Similarly, burial societies are accessible within the community, premium payment and record keeping is easy and face to face interaction evident. These factors were highlighted in this study and concur with the findings of Roth (2001). Cash payments are common, and when people have limited and

haphazard cash-flow, the need to pay premiums at the same time every month, via debit order, becomes constraining. This is another reason that burial societies are more attractive: they allow for cash payments.

A notable finding was that burial societies could be very stringent in their rules and conditions, even more so than formal insurers in some instances. Evidence of exploitation surfaced in the partnerships with funeral parlours and the obvious disdain that some respondents had for funeral parlours. Yet, due to the easy accessibility of these parlours which can be seen from their proliferation in the area in which the research was undertaken, they offer a critical convenience. Their services are needed with or without burial societies or formal insurers, much the same as in any other community.

Seemingly, an inconsistency was evident between responses to the question of the market's needs concerning a funeral, and what they wanted from a formal insurer if they could design their own product offering. To the first question, the market clearly indicated their needs as specific items that would have to be sourced and purchased, which is shown in table 2. They indicated obtaining these from existing providers in their existing forms and offerings.

Yet, when prompted to design an offering for themselves, they strongly indicated a preference for having all of this done on their behalf. Some supporting evidence for this need for a "one stop" service could be seen in one respondent's comment that he would purchase two or three burial society policies in order to have access to all the service options.

It is likely that the reason for the inconsistency is indeed that they "take what they can get" and have resigned themselves to the fact that what is available is

all they can get, and hence answered the question on their needs with this mindset.

An opportunity to prepare the market for wider acceptance of formal products is evident.

Whilst the results indicate that the market does indeed want the formal products and thus render this proposition valid, it is not only their perceptions about the products (and requirements) that prevent them from purchasing their products. If the market is to be believed, then easily accessible packages offering a range of funeral related services is what the surveyed segment of the market wants. As found in proposition 2, it is also the *appropriateness* of the products from formal insurers that is lacking.

This “appropriateness” is the likely key to serving the market, and additional discussion in this regard, is outlined below:

- Cultural contexts and norms are still important when considering the market. The effort to understand these could yield insights into how to tailor products appropriately, similar to case of the development of Islamic banking products, which are compliant with religious and cultural pre-conditions. In this regard, the effects of family decision making and the ability of elders to influence purchase decisions are matters worth exploring. FSP’s that support and understand such processes can develop service offerings accordingly. As an example, transportation facilities could be offered to bring immediate family members from the rural areas to the townships. Members could purchase bus (coach) tickets, or options to purchase tickets in advance where such services

are within reach of their families. Building such an option in to the funeral policy is relatively easy and may allow for greater peace of mind for both the rural and township family members, conveying a sense of respecting the elders.

- The notion that low cost has to be characterised by “low touch” is one that requires revisiting. Current management practices and paradigms perpetuate this belief, yet the market indicates a willingness to pay more for a level of flexibility and face-to-face interaction. Paying more attention to understanding the nuances of the respective contexts of the market segments will provide insights into how these needs can be fulfilled.
- Service packages with a degree of individualization seem important. The ability to choose and not be subjected to whatever was available was a need that emerged. As an example, respondents projected a need to have all funeral-related services and items provided to them by the insurer when they were asked to tailor their own offering. However, they wanted the option to choose the cow, and most likely the types of tables and chairs and food items as well, even though the FSP should source it. Arranging such a package with a range of options that made the customer feel like he/she had a choice could be done profitably given the networking ability of the larger service providers. The choices needn't be unlimited, but should be reasonable and worthwhile. This concurs with the assertions of Hamel and Prahalad (2004) that the market wants more choices that are tailored to their specific needs.

CHAPTER 7

7. Conclusion

The research has yielded findings that concur with the literature review and in addition has found that FSP's are not adequately market orientated with regards to funeral products and the funeral needs of the low income market.

Gaps in the two sets of perception are evident.

Understanding of the market amongst corporates tends to centre around one-dimensional demographic factors which constrain their ability to be innovative. Innovation is essential for sustainability in a service business where almost any uniqueness in a service can be quickly replicated by competitors.

Some organizations are attempting to change the way in which they research and understand the market, and it is likely that new insights and innovations will soon emerge as they attempt to increase their market orientation through a better understanding of the market. Most of the corporate managers surveyed had had very little personal interaction with the market, a factor that limits their understanding of the market and entrenches an overly rational approach to decision making concerning this under-researched market.

Whilst the market indicates a strong need for services such as the funeral arrangements, equipment hire and sourcing and delivery of the ceremonial cow, the FSP's are instead concentrating their efforts on affordability and on mechanisms to ensure premium collection. The learnings from burial societies, a phenomenon that has existed in the market for decades with the

purpose of minimizing the financial shock experienced by a household when a death occurs, seems to have been overlooked. Yet, this is a rather obvious source of information.

Although this research was exploratory in nature, key learnings are evident and allow for ideas for future research and for recommendations for corporates. These matters will be further discussed in the sections that follow.

7.1 Recommendations

7.1.1 Recommendations for management

As the data revealed, managers are focused on acquiring economies of scale when developing this market. The example of one of the smaller insurers who has enjoyed decades of success in this market proves that scale is not the only concern. Scale will follow once the market needs have been met by the products on offer.

- Understanding this market requires a paradigm shift away from traditional, text book research methodology that hopes to yield perfect answers. As one of the respondents suggested, a “trial and error” approach is what is needed.
- Managers and other employees involved in the process of product development should undergo ongoing market sensitization training – this extends from the frontline staff all the way up to actuaries and executives. Direct market interaction should be encouraged and

rewarded. New models for understanding are unlikely to come from old practices. In a country still growing accustomed to democracy and racial integration, much effort needs to be focused on bridging the divide between the needs of the low income and middle income markets.

- A short-term view may not be appropriate for this market since the trial and error methods will take time and most likely considerable capital investment. Further, the market shows signs of rapid change and this dynamism needs to be monitored.
- The burial societies have flourished over many years and possibly hold some key insights into the market. There may be a possibility to partner with them as sales and collections agents for formal products, which could create employment for people within the market, and help to alleviate the problem of collections that plagues the FSP's. This is an opportunity for innovation in expanding access.
- The lack of education in the market is an opportunity for corporates to enhance the awareness of their brands through focused consumer literacy campaigns. The Financial sector charter provides for consumer education as one of the categories where participants can improve their scores on the balanced scorecard. Working with the government and recognized community development agencies will not only contribute to education, but if done correctly, will allow companies to gain the favour of community leaders who will then endorse the products within communities. The true spirit of the FSC is then more likely to be achieved, as companies become much

more involved with their market and understand their responsibility to the communities they serve. This in turn allows for a reciprocal understanding of rights and responsibilities which may in fact allow for the improvement of the standing of the industry in the eyes of the consumer.

7.1.2 Recommended model for corporate managers

The results and findings of this study have to a large extent supported the findings of researchers whose works were explored in the literature review in chapter 2, while offering insights into the unique needs of this segment of the South African low income market. The researchers referred to in the literature review have offered useful and very applicable models and recommendations for understanding and influencing consumer, market and management behaviour. While they often explored unrelated aspects, each aspect was found to be relevant in this study. The combining of these elements has yielded a simple model that can assist corporates in their attempts to research and understand the low income market and its various segments. It has been constructed to allow for generic applicability in new or relatively unknown market segments. As a test example, some of the findings from this study have then been imposed onto the model as a demonstration of what it could look like in practice. Strategic advantage for corporates can be gained from the level of creativity they use to interrogate each suggested aspect.

The generic model is represented in figure 9 and the demonstration model is represented in figure 10.

TOWARDS ACHIEVING MARKET ORIENTATION

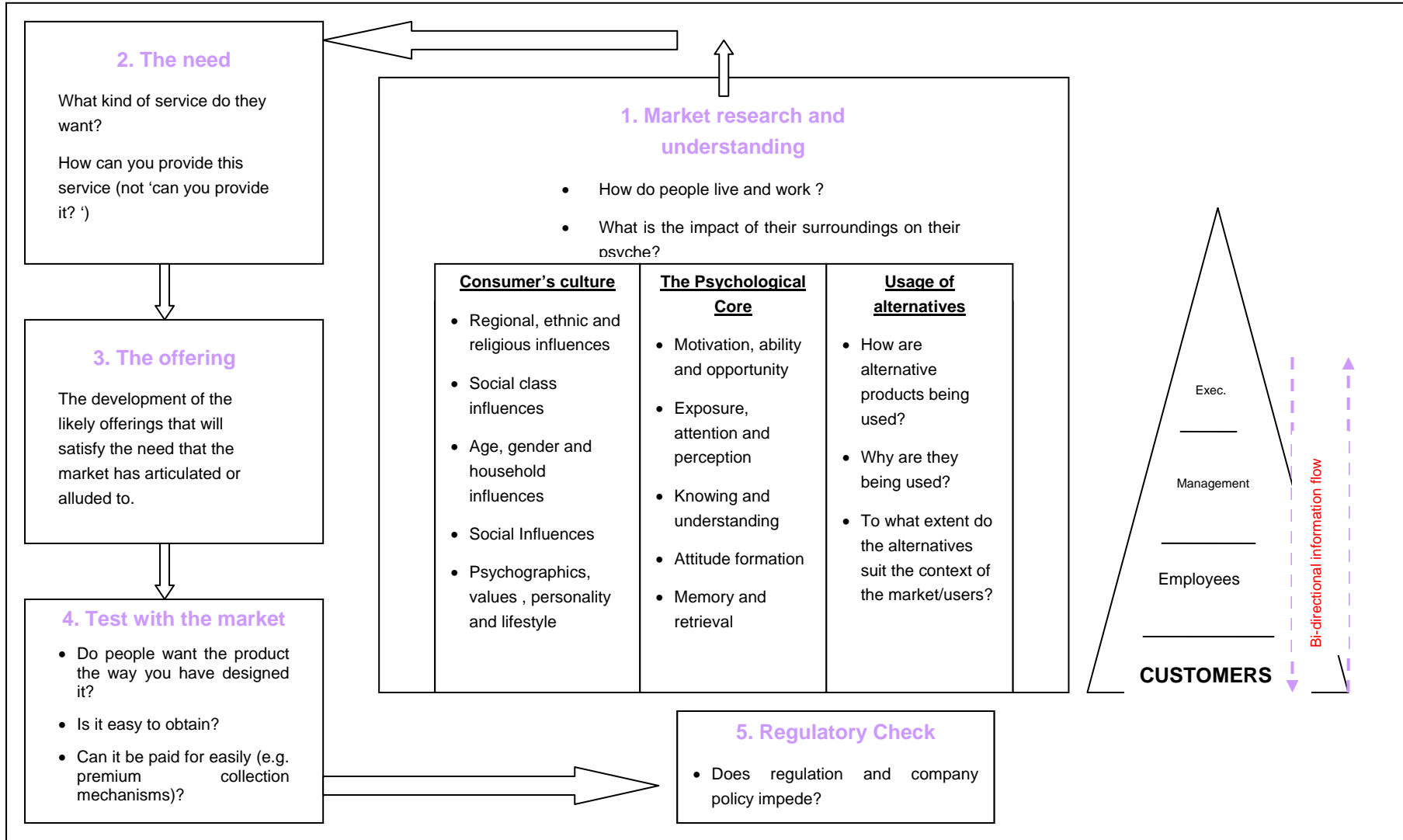


Figure 9 : Market understanding and product development



DEMONSTRATION MODEL

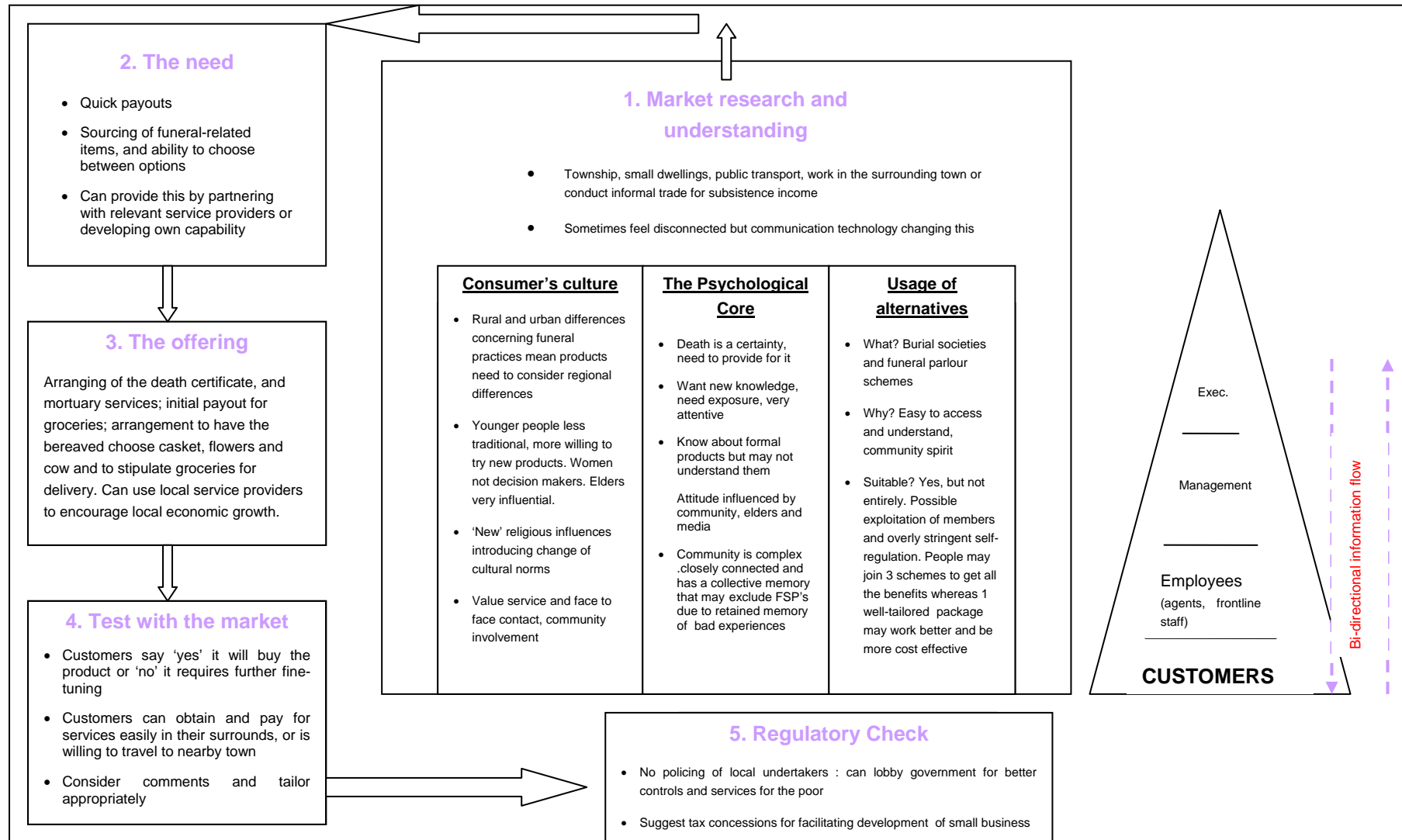


Figure 10 : Market understanding and product development : A demonstration model using the funeral insurance product

7.1.2.1 Explanation of model on market understanding and product development

The model suggests five main areas that a researcher or management practitioner would need to consider when entering a relatively unfamiliar market that there is little known about, or, when researching a known market but wanting to introduce a new product. Each area is explained below, and while not explicitly shown on the model, the overarching macro-economic and social considerations should be factored in.

1. Market Research and Understanding

Visiting a township and spending time there immediately allows a researcher to have a better appreciation for the realities that its inhabitants face. Interacting with them begins to uncover some of the latent needs that are difficult to extract from structured questionnaires delivered impersonally. Thus research that is conducted in the context of the market could yield insights that provide strategic advantage. As discussed in chapter two, Hoyer and McInnis (2004) presented a model on the aspects affecting consumer behaviour. The aspects that offered the greatest insights were those of the consumers' culture and the psychological core. These two areas are thus included as guides for what to concentrate on when researching and understanding the market. The third area on the usage of alternatives is a dimension that has been added in based on complexity theory; a

theory that asserts that complex systems are adaptive and self regulating, which often means that they will find ways of providing for what is lacking. Especially when assessing underprivileged or disadvantaged markets/communities, it is important to be aware of the possible existence of alternatives and observe how the adaptations have taken place.

2. The need

Following on the process of research, certain needs, preferences and trends are likely to emerge. An understanding of the relevant contexts will begin to present an idea of how it is that the market wants to be served, and just as importantly, what it does not want. The process of conversing with the potential consumer and testing the ideas that have emerged is very important. This section of the model is born out of the findings of this study and the researcher's own experience when conversing with the market and observing the emergence of various nuances.

3. The offering

The critical issue here is how these offerings can be developed to suit market needs. The corporate decision making processes are often structured in such a way that the paradigm is to use existing mechanisms as a limiter to what can be offered. Especially for new or relatively unknown markets, innovation and creativity should be encouraged. This is where managers need

to be especially mindful of existing paradigms. Senior managers and executives can be particularly effective in encouraging new ideas or can stifle the process. The possible offering can be developed at a theoretical level momentarily excluding any organisational or other barriers. This is to encourage “out of the box” thinking.

4. Test with the market

This step is where the testing of the prototype occurs. Even a theoretical model can be discussed with the potential consumers, once again in their own context. Note should be taken of the concerns or compliments offered, and where possible, these should be probed to uncover the paradigms behind them. A ‘walk-through’ can be done taking the market from purchase, to payment, to usage and then to any additional features and services. It is likely that other latent needs, previously unidentified hindrances and misunderstood needs will be surfaced at this stage. Additional product or service enhancements can then be done.

5. Regulatory check

Once an offering has been conceptualised and the market has indicated that the product adds value and is suitable for their needs, the regulatory checks can be done. The reason that this is done as a last stage, is because regulation should not be considered a hindrance to developing and serving a market with

necessary products. Regulators could be included in the process of developing the market by being advised on some of the research findings undertaken by corporates, which will allow for meaningful regulation to be developed. The debates on how much regulation is too much, and when does regulation become a hindrance, are debates likely to be on-going in a rapidly changing world where globalisation is a reality, and the challenge of overcoming poverty and bringing services to the poor is ever-present. Corporates can take an active role in developing appropriate regulation. This mindset change could be instrumental in encouraging an overall shift towards greater market orientation especially in the low income markets.

Finally, on the right hand side of the model, is a pyramid structure depicting the corporate hierarchy. By being placed alongside part 1 of the model, what it conveys is that a research process should engage the organization at all levels. Freemantle (1999) suggested that this was one of the most effective ways to ensure that managers did not just follow the scientific decision making route. In this regard, formal structures can be used to good effect to ensure that information sharing and discussions are given a platform on which to occur, thereby promoting market orientation (Harris and Piercy, 1999). Customers are an intrinsic part of this process and information about them should be collected and disseminated wherever possible. Frontline

employees at all levels are a crucial connector as demonstrated by one of the insurers in this study. The research process engages customers, seeks to understand their needs and finds ways to meet the needs profitably. Constant flow of communication about customers will also make it easier to advocate for longer term visions, as this communication may sensitise decision-makers to the potential of the market.

7.1.3 Recommendations for policy-makers and the industry

- The Financial Sector Charter aims to assist in correcting historical injustices and divides and to bring marginalized people into the main stream. The setting of numerical targets inadvertently forces corporates to adopt a selling rather than a marketing outlook in order to attempt to meet the targets for access. Corporates may be enticed to put in place interventions that merely aim to please the regulators and then blame market forces when these fail. Government has access to many social development organizations that it can engage in the consultation process with corporates to facilitate development and could put in place the structures that leverage these relationships.
- Tax concessions could be used as an incentive for corporates to engage in research and development of the low income market.
- Forums for discussion of regulatory developments between corporates and regulators, especially concerning the low income

market, should be encouraged. Possibly, a pre-condition for participation should be an amount of time spent being sensitised to market via direct exposure.

7.2 Ideas for future research

Due to the exploratory nature of the research, results are not statistically significant. They have however yielded some themes worth further exploration.

- The feasibility of involving community leaders and civic organizations in product design and what this may entail from a corporate perspective.
- The applicability/validity of focus groups in researching this market.
- The development of qualitative research models that are suited to researching markets where literacy is low.
- A quantitative test of the corporate managers, with reference to the themes uncovered in chapter 5, on what they perceive to be success factors in selling to this market. Since this research was exploratory, the respondents were asked to give their opinions and may thus have omitted mentioning aspects that are important. A structured questionnaire with specific options may yield a different perspective.
- A field study on the differences between rural and urban or between the urban and semi-urban funeral practices and needs in the

market.

- An assessment of the approaches used in business case development for products aimed at the low income market, perhaps yielding examples and recommendations to assist corporates in finding new ways of assessing the market.
- A study on the possible existence of generational differences in funeral needs, preferences and practices.

7.3 Final Words

Perhaps the most dominant theme that arose from this study was that of the need to change the way in which we look at the market, how we research it and the role that corporates can play beyond the pursuit of purely economic gain. Complexity theory suggests that hoping to find definite answers will not be a very satisfying pursuit. The role of leadership and communication is critical in organizations wanting to achieve market orientation, and in so doing, a higher degree of performance. The words of Albert Einstein (date unknown) provide a fitting conclusion:

“No problem can be solved from the same consciousness that created it. We must learn to see the world anew.”

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APPENDICES

APPENDIX 1 : Questions for corporate managers : Interview guide

(This guide is to be used with consideration of literacy levels and levels of comfort with respondents. Where feasible, prompting to understand paradigms on each level should be done.)

SECTION 1 : BACKGROUND INFORMATION

Name :

Company name:

Banking or Insurance?

Gender:

Age:

Race:

Proportion of revenue from funeral products:

SECTION 2 : INTERVIEW QUESTIONS (QUALITATIVE ASSESSMENT)

1. Who do you consider to be the low income market as stipulated by the Financial Sector Charter ? (Prompt interviewee to describe main characteristics of the population)
2. Are the clients people with a need for individual security, or for family security?
3. What are some of the norms and behaviours typical of this target market , and how are they relevant to your business?
(Psychographics, household influences, social class, ethnic and regional influences, religious influence etc)

4. Have you had any interaction with persons representing this market in the last year ? What type of interaction (describe level and duration) have you had ? (Testing for first hand experience with the market)
5. Why would this market need your product ?
6. Recent research has shown that the LSM 1-5 market has a relatively high membership/usage of burial societies despite the inherent risks. Why do you think this is the case?
7. What are the key factors (name about 4) that determine success in selling to this market ?
8. Why do you consider these specific factors to be the key success factors?
9. What are the factors that may precipitate failure?
10. Would you describe your market offering as similar to, or different from the available products? (If similar, why would anyone choose your product over others, and if different, how is it different?)
11. Would you say that there are any clear market leaders in offering this product ? (Who are they and why do you think they are leaders ?)
12. Does your company have a clearly articulated and widely circulated strategic intent concerning this market, and funeral insurance specifically?
13. If yes, then are there clear and compelling incentives for the achievement of the targets related to this intent? (Examples?)

14. When understanding this market, how do you go about assessing it and deciding what to offer and how? (Prompt for description of the strategic decision making process, the people involved, the personality differences etc.)
15. What are the typical organisational (or other) obstacles faced in orientating yourself for this market?
16. What sources of information do you use for this market assessment process? (Prompt for usage of primary or secondary research, or commercially available reports)
17. Do you deem your sources to be adequate and balanced?
18. Do you have a team dedicated to the development and distribution of funeral products? (Or, how is the organisation structure used to fulfil these functions?)
19. What kind of training/sensitisation has the team undergone in order to orientate itself to the target market?
20. Describe the team/those involved in the research and development process (demographics and experience)

Optional questions:

21. Do you foresee any market disruptions in the near future ?
(Describe)
22. Will the financial services industry meet the penetration targets of the FSC in terms of funeral products ?

APPENDIX 2 : Questions for low income households: Interview guide

(This guide is to be used in consideration of literacy levels and levels of comfort with respondents. Where feasible, prompting to understand paradigms on each level should be done.)

SECTION 1 : DEMOGRAPHIC INFORMATION

Name:

Surname:

Male/Female

Age:

Income (approximate)

Which of the following products do you own/have owned?

1. Formal policy : _____
 2. Burial Society: _____
 3. Funeral Parlour: _____
 4. Other (related to funeral): _____
-

SECTION 2 : QUALITATIVE ASSESSMENT

1. In your family, how many people are you responsible for looking after ?
2. Will you be responsible for their funeral if something happens to them ? If not, who will be responsible ?
3. Why are you responsible?
4. What kind of funeral do you expect to have for each person ?

5. Who decides what kind of funeral is to be held (the type of casket, the hiring of equipment etc.) ? (Looking at social structure and norms).
6. What will you need ?
7. Where will you get it from ?
8. Do you expect that anyone will assist you to prepare for the funerals ? In what way ?
9. How long have you lived in the township ? (and where did you live before that?)
10. What kind of differences do you experience in the township versus your original home? (people, customs, norms)
11. How did you or your family get money for a funeral at your original home?
12. Do you own a funeral policy, and if yes, who is it from (burial society, funeral parlour, or insurance company?)
13. Are you happy with the service you get and is it easy to pay premiums etc. ?
14. If not from a formal entity, then ask " have you ever considered buying a policy from an insurance company ? Why or why not ?"
15. Do you have friends that have policies from corporates, and what do they feel about it ?
16. If you wanted to tell an insurance company what your needs are, what would you tell them?
17. If Sanlam or Old Mutual were to open an office near you, will you buy a policy there ?(And what kind of policy)

If the candidate has indicated a preference for burial society products, then the following should be asked :

18. Which do you prefer from a burial society, funeral policy from a funeral parlour (Doves, Poonnees etc) , or a policy from an insurance company?

19. Why ? (and why not the other ones?)

20. Do you think you get good value for your money ?