

Chapter present.  
when examining the  
present day  
consumer



## Chapter 1

### Introduction

It is rather interesting to note that various theories of consumer decision making processes always seem to assume that consumers pass through distinct stages/steps before, during and after the process of selecting a particular product to buy or service to utilize. On the other hand Van der Merwe (2010) states that this may not necessarily be the case since not all consumers pass through a particular decision making process and in some instances consumers may in fact skip certain stages all together (Van der Merwe, 11 - 16). What must be understood is that an average consumer is influenced by a myriad of different factors that affect the way in which they choose to patronize a particular product or service (Sahoo, 57 - 63).

This can range from various psychological reactions such as the way in which they think and feel about different products (i. e. brand perception) to the way in which the market environment they are currently present in affects the way in which they perceive a particular product or service (i.

e. local culture, their family, local media influences etc.) (Danziger, 5). For example, the 2008 financial crisis and the subsequent financial recession we are currently experiencing have greatly affected the way in which consumers perceive particular products or services at the present.

When examining the present day consumer decision making process what is apparent is that there is not only a decision to resolve a current problem (i. e. buying food when they're hungry or picking a particular insurance policy when it is necessary) rather what also happens is the necessity to fulfill a “

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higher need” in terms of what patronizing a particular product or service means to a customer. This principle can be seen at work in the insurance industry in Riyadh wherein product choice is not governed by just price and quality but rather by the processes that go into it that consumers have increasingly been taking into consideration before patronizing a particular company.

For example, consumer satisfaction regarding health insurance can be seen as being governed not only by the inherent price of a policy but the various medical institutions that are willing to accept it, the convenience by which claims can be made, the ease of use of the process, the way in which the customer support staff handles their request and finally the readiness in which doctors are willing to assist a patient based on the use of that particular type of insurance policy. It is based on this that this study will examine the Tawuniya health insurance company in Riyadh, Saudi Arabia in order to determine the extent of customer satisfaction with the company’s services and to determine if the company has the proper instruments in place to fulfill the “ higher need” that customers look for when patronizing the services of a particular company.

### **Problem Statement**

Though Tawuniya is one of the leading health insurance companies within Riyadh it is unknown whether its clients are satisfied with the product itself or the added services it has. This paper will attempt to examine what drives consumer satisfaction in the case of Tawuniya and will determine whether it is based on the price of health insurance or the added services it has.

## **Research Questions**

Do Tawuniya's current services fulfill the "higher need" of consumers? What affects consumer satisfaction and service patronage? What is necessary in maintaining consumer satisfaction in a modern day era? What tools do businesses need to have in order to stay competitive in today's business environment? Are Tawuniya's consumers satisfied with the company's current product offering? What drives consumer satisfaction in the case of Tawuniya?

## **Chapter 2: Review of Related Literature**

### **Introduction to Literature**

This section reviews and evaluates literature and theories on customer satisfaction, current trends in consumer behavior as well as the evaluation of methods of ensuring product patronage. The literature in this review is drawn from the following EBSCO databases: Academic Search Premier, MasterFILE Premier; as well as Jstore and various internet sources when applicable. Keywords used either individually or in conjunction include: customer satisfaction, consumer behavior, consumer decision making, consumption and patronage.

### **Theoretical Framework**

#### **Theory of Consumer Behavior**

The theory of consumer behavior revolves around the concept of the perceived value or satisfaction that a consumer derives from the consumption/ use of a particular commodity. In terms of actually understanding the demand side of market consumption/utilization the theory of consumer behavior uses two distinct methods of measurement, namely

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Total Utility (TU) and Marginal Utility (MU). Total utility is defined by various experts in the field of consumer behavior as being the equivalent to the total level of satisfaction that a consumer can get from the use/consumption of a particular good or service. In the field of analyzing consumer behavior marginal utility is basically described as an add-on, namely it is the additional form of satisfaction that a consumer /health insurance client can get from the use/consumption of an added portion of a particular good or service. It must be noted though that while total utility increases with the overall level of quality, at some point due to the continuous consumption of a particular product or use of a type of service the overall yield will result in smaller and smaller levels of additional utility towards the consumption.

To illustrate this point one can imagine a person buying a scoop of dark chocolate ice cream at an ice cream store due to the hot and humid weather in Riyadh. While initially the total utility and marginal utility are equal if the person were to go back and kept on buying the same product in order to stay cold the total utility would increase due to the consumption however the marginal utility would decrease over time as a result of the continuous consumption of the same product. This is based on notion that continuous consumption of the same product would eventually cause a person to get tired of consuming it thus the added value continues to decrease over the course of consumption. In order to better understand how such a concept integrates itself into business planning and marketing the four fundamental concepts of consumer choice must be taken into consideration namely: rational behavior, preferences, budget constraints and prices. The concept of rational behavior assumes that all consumers are rational individuals who try

to use their earned income in order to derive the greatest amount of satisfaction/ utility. In other words consumers try to get the most out of their income through rational buying behavior which results in a maximization of total utility from the products or services used. In the case of the this paper this comes in the form of clients choosing a particular health insurance company based on their perception that they would get the most value from patronizing that company.

This rational behavior is based on the fact that consumers will act in an economically competent manner in that they will not spend too much money on irrational purchases or services. This can take the form of stockpiling unneeded products or choosing certain services that are well beyond their budgetary means. As such the concept of rational behavior assumes all consumers engage in rational buying behaviors which becomes the basis for any future analysis of consumer patronage towards a particular type of product or utility. For the health insurance industry this means that customers have a certain “ limit” to the amount they are willing to pay on insurance premiums on a particular insurance package based on the rates that the company has allotted for them (Logie-Maclver and Piacentini, 60 – 76). It must also be noted that the concept of preferences is based on the fact that each individual consumer has his/her own personal preference towards a particular service or product that is currently available in the market from which they are able to derive the greatest amount of total utility/ satisfaction. Consumers are inherently aware of how much in the way of marginal utility they are able to derive from successive use/consumption of a particular product or service. It must be noted though that the amount

of marginal and total utility derived from a particular product or service differs based on each individual consumer group since they all have individual tastes, preferences and ideologies.

In the case of the health insurance industry in Riyadh this comes in the form of various healthcare payment packages that the companies offer customers. If a customer pays a lot into their health insurance package yet regularly uses their health insurance plan on a yearly basis this mean they are able to derive the greatest amount of total utility/satisfaction from patronizing that company's services. On the other hand it must be noted that if a customer is paying a lot into a service yet doesn't use it at all it can be stated that they are not making the most of the service and as such are not able to derive a any total utility/ satisfaction from paying into the service. Under the concept of budget constraints each consumer is assumed to have a fixed and finite income due to the limited amount of work in exchange for income each individual consumer is capable of achieving.

In this case it is assumed that there is unlimited demand for goods and services however this is offset by a limited income. For the insurance industry in Riyadh this takes the form of having specific types of insurance packages available that take into account varying income levels instead of having fixed price packages that neglect to take into account a person's level of income before a particular payment plan is set. Finally, the concept of prices assumes that each individual consumer is part of the total demand in the market. Due to the limited amount of income each consumer is capable of achieving they must choose to obtain the best combination of goods that maximizes their total utility while at the same time remaining

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within a certain price range. In this study the point of view of the consumer, namely consumer preference, plays an important role in determining whether the total utility of the consumer knowing that the health insurance company they are under has beneficial practices (i. e. good customer service, widespread insurance usage, online tracking of claims etc.) actually contributes to consumer patronage of that particular health insurance company.

It must be noted that while the concept of consumer preference plays an important role in the choice of a particular product or service the fact remains that the remaining concepts of rational behavior, budget constraint and price also play roles that can actually override the concept of preference. While a consumer may prefer to use a particular health insurance company that has widespread coverage and great services, barriers to this choice in the form of higher prices which directly conflicts with a consumer's inherent budget constraints would thus change their pattern of behavior to choose a more affordable solution in order to conform to what is rational. On the other hand if a consumer is presented with two choices namely a health insurance company that accommodates their "higher need interests" while the other has not with both prices being similar it is likely that the consumer will choose the former choice rather than the latter. This decision is influenced by all concepts of consumer behavior wherein preference and rational behavior for health insurance companies that have "higher need services" led the consumer to choosing the insurance company that has better services while the similar prices for each insurance company conformed to the consumer's budget constraint thus



letting the choice be left up to preference. It must be noted that the theory of consumer behavior is basically an examination of what influences a consumer's choice in a particular product or service. Should a consumer be presented with the same service with both being within budget constraints and prices, the choice is usually left up to consumer preference. On the other hand if a choice is beyond budget constraints, price level and is considered to be an irrational choice preference is no longer included into the decision making process. Thus in terms of understanding consumer behavior preference should not be considered the sole deciding factor in understanding consumer behavior rather a combination of rational behavior, preference, budget constraints and price must always be taken into consideration in order to understand how consumer behavior towards a particular product or service works.

### **Market Trends**

One of the current marketing trends in the health insurance industry has been to connect special amenities, services and exclusive offers to particular health insurance packages. For example, in the case of Tawuniya this comes in the form of online methods of claim tracking, international insurance for people travelling to other countries, widespread acceptability of Tawuniya online eServices for individuals and corporations as well as professional customer service representatives that will handle your claim with the utmost respect and cordiality. These aspects are the “ higher need” services indicated in the beginning of this paper and as such are often connected to greater levels of customer satisfaction when it comes to using a particular type of health insurance,

## **Tools Necessary in Ensuring Consumer Satisfaction**

### **Information Systems**

Information systems can be described as the interface between people, organizations and technology enabling the business to accomplish a specific task or action. One example of an information system are the various applications and websites utilized by Amazon in selling products, accepting client payments through credit card processing applications, contacting their warehouses and shipping bought products to the correct addresses indicated by their consumers. While this is only a one example of the plethora of information systems out there what must be understood is that information systems act as methods of integration for a company helping to streamline specific processes so that they can be controlled, influenced and improved when necessary. Developing proper information systems is an essential aspect for a company for without it a company will be unable to properly deal with the buying, selling and the utilization of resources across various locations in the country. Due to the varied and often complicated nature of company operations it becomes a necessity to streamline and integrate product delivery processes, methods of operation, customer service and various other operational capacities.

A company cannot just simply develop and market a product without taking into consideration how best to allocate specific resources in determining where a product needs to go, which branch needs it most, how will product returns be processed and how HR services will deal with salaries for the myriad employees within a company. A company requires an efficient and up-to-date information system in order to integrate the factors mentioned

into an efficient and effective operational strategy so as to better serve its clients. The larger a company get the more hectic and haphazard its operations tend to become, especially in instances where its operations are located in different countries. Organizations need to understand how to properly allocate resources to specific international locations, how suppliers can be contacted, what are the limits of production on a daily basis and how will each branch location contact each other.. In other words information systems can be classified as solutions to identified problems or necessary methods of integration. What must be understood is that while managers and CEOs are great at coming up with specific solutions to problems they are lost when it comes to implementing these particular solutions when they require computer programming as one of the factors behind the implementation. Information systems and information system specialists bridge this gap by being able to integrate the ideas of managers and CEOs into viable technological applications that can be implemented on a company wide basis.

For example, if a company is currently having problems with its archaic method of form based ordering in order to get products from the warehouse to consumers a manager or CEO would think to implement a faster and better means of getting orders to warehouses without having to rely on someone physically going there and handing them the orders. They would of course think to apply a computer based system for this particular solution and this is where information systems come in. An information system in this particular situation becomes an applied solution where it is developed in order to help a company resolve a particular problem. On the other hand if

the company was to expand and have a more diverse array of products and factories further development of the initial information systems becomes necessary in order to adapt to the growing needs of the company. It is based on this that it can be seen that information systems act as a necessary method of process integration which enables a company to do its job better and as such it is essential to have it within a company.

### **Turning All Consumer Interactions into an “ experience”**

In a documented interview, entrepreneurs Rob and Pablo, creators of “ Snog”, a U. K. based chain of yogurt outlets, state the following regarding what it takes to become a successful entrepreneur “ now we are in a recession and we see businesses that are successful I think the one thing you see that they all have is the experience which is the most important part in everything so we made sure that there was an experience”.

The “ experience” that Rob and Pablo refer to is not just the quality of the product itself but what customers feel when they enter into a particular establishment. In the case of Snog, all their outlets have a warm and friendly ambiance which is not only family friendly but actually promotes, in their words, “ a happy feeling” for customers. Going back to the example of Apple Inc., it can be seen that all their stores, no matter what country they are present in, have a stylish and ergonomic design that looks “ clean, modern and cutting edge” which has come to exemplify the experience of buying products at an Apple store.

Based on the popularity of not only Snog but of Apple itself, it can be seen that by making their store into an “ experience” rather than just a store; this

helps to encourage buying behavior among their clientele and even repeat visits. As such, for any business that wants to increase their customer base, it is important to develop the experience, the business provides so as to appeal better to consumers and create repeat business.

### **Strategy to maintain balance between competitor and customer orientations**

Businesses don't operate within a vacuum and have to deal with intense competitive environment forces on an almost daily basis. What must be understood is that there are three components to market orientation that dictate how a company acts within a competitive environment, these are: customer orientation, competitor orientation, and inter-functional coordination. In the case of customer orientation a company spends what resources it has in gathering data on the needs and behaviors of various consumers, the same can be said for competitor orientation however it focuses on competitors instead. What must be understood is that either method has a distinct weakness. Focusing too much on consumer orientation can actually blind a company to changes in the market or may actually stifle innovation since the company focuses too much on consumer satisfaction rather than changing based on trends. Focusing too much on competitor orientation on the other hand results in too much time and capital being placed on competitive activities which results in companies at times neglecting their consumer bases and focusing too much on getting ahead of the competition.

On the other hand both methods also have their own respective strengths such as the customer orientation strategy being more effective in uncertain markets whereas competitor oriented strategies become effective in fast

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growing markets. The best way to maintain a balance between the orientations is to first create a market intelligence mechanism that gathers consumer information and disseminates it within the company and secondly is to encourage the free flow of information within the organization. What must be understood is that market orientations tend to become ineffective when organizations are mired in bureaucratic nuances which prevent information from being passed on quickly. By allowing information to freely flow within an organization this increases its ability to respond to changes in the market and enables it to respond to these changes in an effective manner. One company where such strategies are evident can be seen in the case of Whole foods Inc. which combines both competitor and customer orientation strategies in its business model. This is evident by its focus on providing consumers with cheap and healthy selections which change depending on consumer preferences within a particular location while at the same time it utilizes a competitor oriented strategy by having prices which are marginally lower than other competitors in the health food market. It must be noted though that a company's strategies do change over time depending on changes within the market.

For example, as mentioned earlier customer orientation strategy are more effective in uncertain markets whereas competitor oriented strategies become effective in fast growing markets, the inherent problem with this is that markets tend to change over time as seen in the case of Netflix. As such when markets change this necessitates changes in orientations as well with companies at times shifting towards either customer oriented or competitor oriented strategies.

## **Chapter 3: Methodology**

### **Aim**

The aim of this paper is to research the current level of customer satisfaction with Tawuniya

### **Objective**

The main research objectives of this study are the following: To compare the level of income of Tawuniya customers have and compare it to the level of satisfaction they derive from their current insurance plan. To examine whether “ higher need” services are a necessity towards satisfaction in the case of Tawuniya Investigate other factors that contribute towards consumer satisfaction

## **Survey Questions**

### **Consumer Demographic Information**

Q1) your age is ? 15-20 ? 20-25 ? 25-30 ? Above 30 Q2) Social status ?

Married ? Single Q3) Current Level of Income ? Below \$1, 000 ?\$1, 000 to \$3, 000 ? Above \$3, 000

### **Services From the Company**

Statement Strongly agree agree Neutral disagree Strongly disagree Do the services of the company in the form of customer service, ease of use of health insurance as well as online transaction requests factor into your satisfaction with the company? Would you consider Tawuniya’s additional services as a necessity? Do additional services influence your choice of health service provider? Does Tawuniya fulfill your service requirement needs?