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Influencing customer retention for low-consumption
credence goods through social norms

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Abstract

Social norms have been claimed to influence customer retention when the social network the customer engages with is well aware of a customer's use of the product or service. This research investigates whether social norms will also influence customer retention for services that are used so infrequently that the social network the customer engages with is not aware that the customer has the product or service. The specific services investigated are also impacted by the fact that the customers themselves are not entirely certain as to their individual need of the product, namely credence goods. The aim of this research is to provide a profile of a customer that would be more influenced by social norms; which knowledge would allow organisations to target specific customers.

Using the Mann-Whitney and Kruskal-Wallis tests, hypotheses were tested by analysing questionnaire feedback data on 100 active insurance customers and 100 inactive insurance customers from within the South African financial services market.

Empirical support for the effect of social norms on customer retention of credence goods is found.

Empirical proof that females are more influenced by social norms than males was found as well as the link between culture value orientation to social norms.

In this research a link between a customer's age to social norm influence was not found.

Keywords

Customer Retention, Social Norms, Credence Goods, Culture Value Orientation, Theory of Planned Behaviour, Idiocentric, Allocentric

Declaration

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

I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Trent Ryan Lockstone

11 November 2013

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Chapter 1: Definition of Problem and Purpose

1.1 Research Title

Influencing customer retention for low-consumption credence goods through social norms

1.2 Background to Research Problem

Clare (2007) believes that a business' purpose is to make profit; but he further stated that the second and third priority for any business was customer acquisition and customer retention. Customer retention has become a major focus of service providers (Evans, 2002). A primary reason for this focus has been the highly competitive nature of the services industry and the ethical requirements expected from that industry. Because of the ethical requirements, institutions like insurers have found it increasingly difficult to compete on price (Alrubaiee, 2012). The price for their financial service offerings has been directly impacted by the costs of acquiring and retaining clients. This has in turn been exacerbated by the fact that many of these services are credence goods, for which the consumer is unable to evaluate the appropriateness of the service being offered even after use.

Van den Poel and Larivière (2004) show that increasing the retention rate of existing customers by one percentage point would result in a substantial increase in profitability. As stated in Benoit and Van den Poel (2012), most financial services organisations consider customer retention their highest

priority, as the longer the customer stays with the organisation the more profitable it is. Based on this type of research and the high level of competitive pressure, companies have recognised that their most valuable asset is their existing customer base. Even with this focus on retention, service providers are struggling to keep their customers. According to statistics for 2011 released by ASISA, the representative body of the life insurance industry within South Africa, customer retention rates of insurance products decreased by 12% compared with the previous year; and that trend has perpetuated (ASISA, 2012).

1.3 Research Problem

A main aspect of customer retention is customer satisfaction; an aspect that has been prolifically researched (Gustafsson, Johnson, & Roos, 2005; Johnson & Fornell, 1991; Mittal & Kamakura, 2001). However, Keaveney & Parthasarathy (2001) reported that there was a need to consider causes affecting retention beyond just dissatisfaction.

Evans (2002) highlights the need for further research on retention by identifying the sparseness of churn management programmes and how powerful they would be if implemented. Evans (2002) stresses the need to identify actual and potential reasons for defection and take specific action on these.

Bansal, Taylor, and St. James (2005) found social influence, or subjective norms, could play a significant role in customer retention, but only limited research on the impact of subjective norms in customer-switching was found in

the literature. Nitzan & Libai (2011) agree with Bansal et al. (2005), in finding an absence of research focussed on the social influence of customer retention and highlighted the need for additional research in this field. Based on this, it is imperative to further this area of study.

Lee, Murphy, and Neale (2009) found that when researching the link between norms and customer retention one needs to include the manner in which the service is being consumed. They postulated that people were likely to consume products differently and one could be misguided if one did not take account of consumption characteristics. Lee et al. (2009) studied the interactions of high consumption characteristics on social norms and they stated that future research should be done on other moderating consumption characteristics. In their 2009 study they found that there had been no other studies conducted on the interaction between norms and consumption.

1.4 Research Aims

This research is designed to add to the body of literature on customer retention by focussing on the fundamental question, 'If a consumer has an important service such as insurance, which is not overtly known by his social network, is he still influenced by social norms?' This will be done by investigating whether there may be a relationship between social norms and customer retention for credence goods. According to White, Smith, Terry, Greenslade and McKimmie (2009), one is not able to investigate social norms without understanding how culture value orientation interacts with norms; therefore, the aim in this research

is also to provide understanding of this aspect. A further aim is to address questions raised by Lee et al. (2009), on how personal characteristics such as age and gender impact the norm-loyalty association of clients. These aspects have been included as research shows the link to social norms. In order to understand how customer retention can be influenced by social norms, it is important to understand how one can maximise this social norm influence.

Studies have been conducted on customer retention for experiential goods which are high-consumption, enjoyable services such as cellular airtime (Bansal et al., 2005; Lee et al., 2009; Nitzan & Libai, 2011) but none have been found on credence goods which are low-consumption, low enjoyment but important services, such as insurance.

For insurance service providers, the findings of this study would assist managers recognise the role of social influences in customer loyalty. As illustrated, customer retention in the insurance industry is a primary concern. Understanding how consumers are influenced by norms and which customer characteristics strengthen social norm influence would help these service providers create marketing strategies to target existing and new customers.

1.5 Research Objectives

Objectives formulated to provide form to this study include the assessment of whether:

- Social norms impact customer retention in credence services;

- The level of influence changes based on personal characteristics, such as age and gender;
- Allocentric individuals are more likely to be influenced by social norms for credence services than idiocentric individuals.

1.6 Research Scope

The general focus of this study is the financial services sector and, more specifically, the short-term insurance industry. The scope of this study is how one can influence customer retention for low-consumption credence goods through social norms; since the industry's success depends on the customer viewing the industry offerings as being important to them.

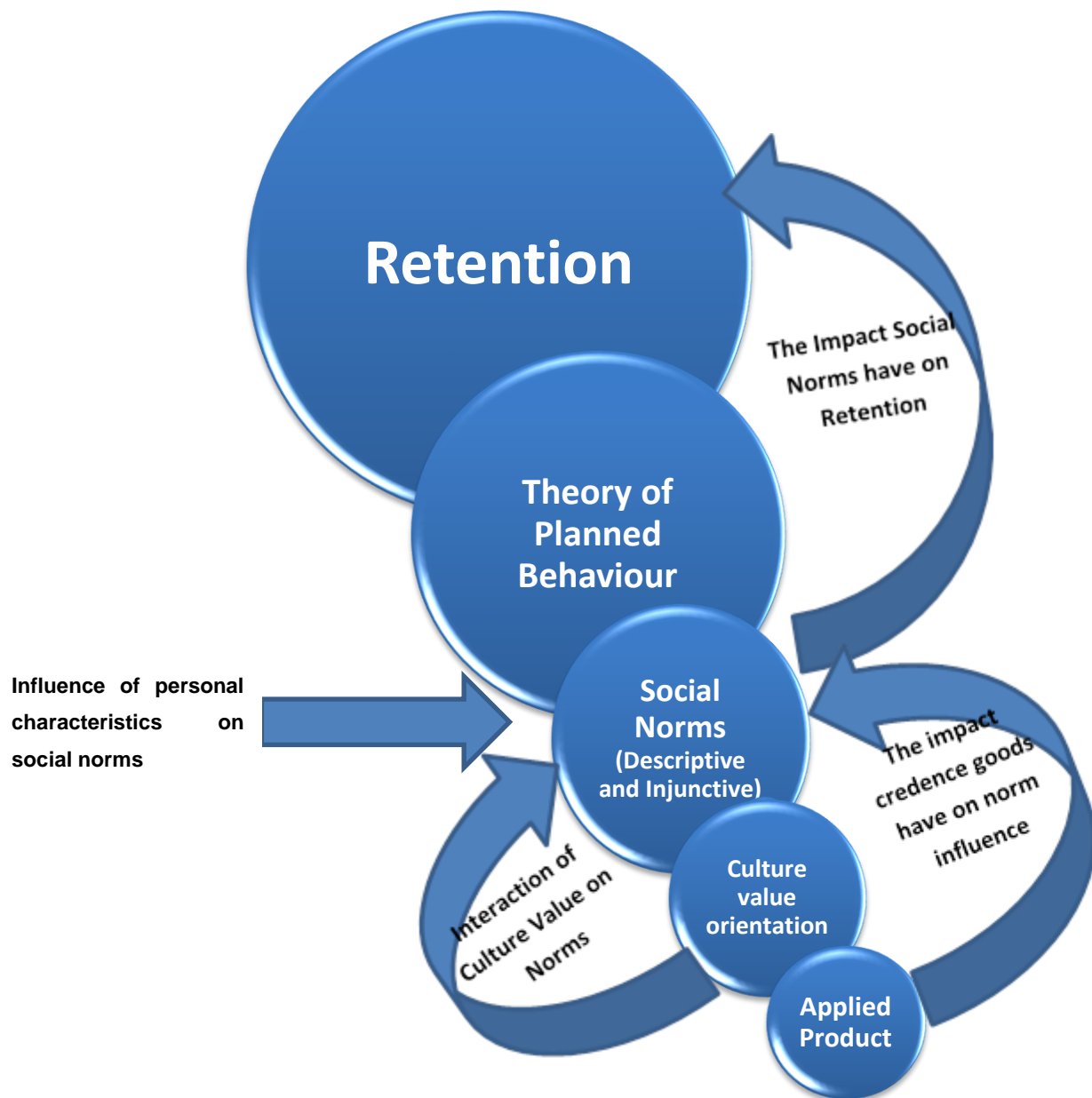
Chapter 2: Theory and Literature Review

2.1 Introduction

Research has been conducted on how social norms impact customer retention and how consumption relates to this, but the focus of this research is on experience goods. However, as mentioned above, the researcher found no study focussed on credence goods.

This Chapter provides an overview of the literature applicable to customer retention and social norms. Initially addressed is the underlying theory to which this research will be contributing, namely customer retention. The concept of customer retention, as it is defined by different authors, is presented to show its importance and the manner in which it relates to customer behaviour. The Theory of Planned Behaviour (TPB), which is the primary framework associated with predicting customer behaviour, is then described. That is followed by a review on what various authors believe to be a weakness of the TPB, specifically in connection with subjective norms. The area of subjective norms is then considered in its own right. Following this, an understanding of social norms, of which subjective norms is an element, is given and the manner in which aspects raised in the literature impact social norms, namely personal characteristics and culture value orientation. Finally, the researcher reviews literature with regard to applied products, specifically credence goods with low-consumption. A diagrammatic overview of this review is presented in Figure 1.

Figure 1: Diagrammatic Overview.



2.2 Customer Retention

2.2.1 What is Customer Retention?

Customer retention is the future propensity of a customer to stay with the service provider (Ranaweera & Prabhu, 2003).

As stated in Gerpott, Rams, and Schindler (2001), customer retention is primarily about maintaining a business relationship that had been established between a service provider and a customer. This retention could be achieved by future purchases or by the customer extending their contract with the supplier. As there were no clear threshold values as to the duration that the customer would need to extend the contract or continue with future purchases in order to be considered retained, retention was seen as a continuous variable which could consist of different variables over time (Gerpott et al., 2001).

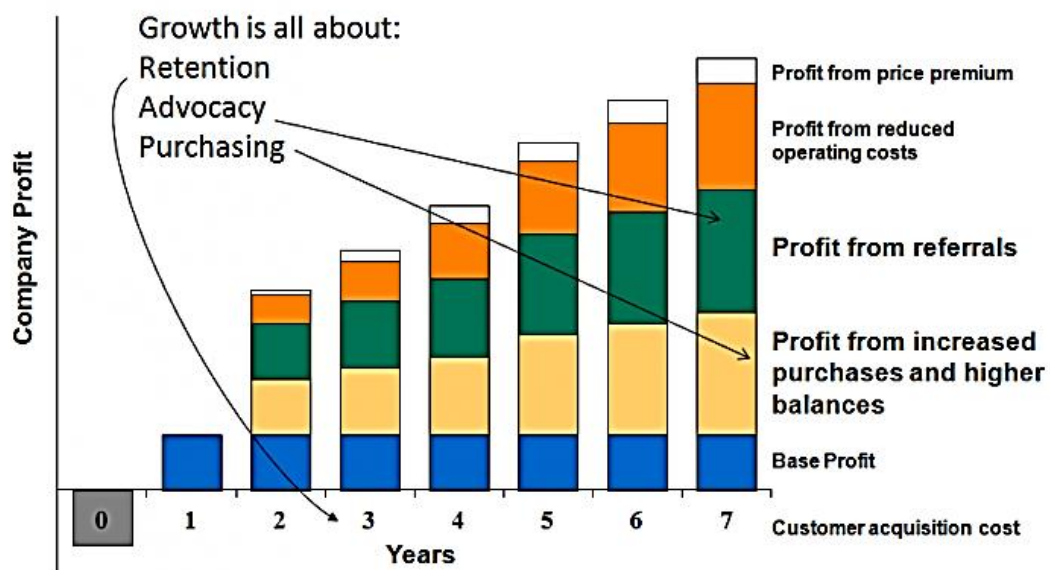
Nitzan and Libai (2011) identified several drivers of customer retention, namely: customer satisfaction, usage patterns, customer tenure, personal characteristics, such as age and gender, and social influence.

2.2.2. The Importance of Customer Retention

Research by Reichheld and Sasser Jr. (1990) indicated that customer defection rates were a lead indicator regarding a company's profitability. They further illustrated that by increasing customer retention by 5% a company's profits could increase by up to 85%. The reasoning behind this increase in profitability was due to five factors: (1) The high costs of acquiring a new customer was

reduced by retaining customers; (2) The longer the customer was with the company, the greater the revenues generated would be; (3) Established customers required less employee attention as they were more familiar with the company's process; (4) Long-term customers provided more referrals than new customers; (5) Long-term customers were less price sensitive as they were more loyal and were prepared to pay a premium (Reichheld & Sasser, 1990). These five factors are illustrated in Figure 2.

Figure 2: Impact on Profits When Increasing Customer Retention.



Source: Reichheld (1996).

Similarly to that of Reichheld and Sasser (1990), Zeithaml (2000) proposed that customer retention leads to an organisation increasing profits in the following ways: reducing costs to service customers, having the ability to charge higher prices, increasing sales through word of mouth, and increasing the volume of purchases. Beatty, Mayer, Coleman, Reynolds, and Lee (1996) found that

companies that formed a good relationship with their customers enjoyed higher sales, lower cost-per-transaction, and greater word-of-mouth recommendation. The link between customer retention and increasing profits had been shown in many other research papers (Reichheld & Markey Jr., 2000; Van den Poel & Larivière, 2004). However, East, Hammond, and Gendall (2006) disagreed with that commonly held belief. They were of the opinion that increased tenure did not necessarily translate into increased profits and focus should rather be on the correct acquisition of customers. In their paper East et al. (2006) commented negatively on the findings of Reichheld and Sasser (1990), and this they did mainly through illustrating how specific industries did not benefit as much as was believed. One may question whether the rationale provided by East et al. (2006) was not comprehensive enough. In their attempt to shift focus from retention to acquisition, the East et al. (2006) failed to address a fundamental aspect of retention, that of advocacy. Samson (2006) suggested that the correlation between consumer advocacy and business growth was becoming a well-established fact. Similarly to East et al. (2006), Sharp (2008) also questioned this view of Reichheld and Sasser (1990) by illustrating that when the authors mentioned a 5% increase in customer retention they were in fact referring to a 5% reduction in the customer attrition rate, which sat at 10% in their specific example. This meant that the company would need to halve its attrition rate (Sharp, 2008), which was extremely difficult to do. However, whilst reducing attrition rates by this level is not easy, one cannot ignore the influence

customer retention has on profits. It is therefore important to understand why customers switch between businesses. Reinartz, Thomas, and Kumar (2005) showed that inadequate provision of resources into retaining existing customers would have a greater impact on long-term customer profitability as compared to inadequate provision of resources into customer acquisition efforts.

2.2.3. How can Customer Retention be Achieved?

Gerpott, Rams, and Schindler (2001) postulated that customer retention could be achieved in two ways: Firstly, the customer may have continued the relationship involuntarily because they were prevented, for various reasons, from terminating it. Secondly, the customer may have continued the relationship because they had a favourable attitude towards the service provider and because they wanted to keep the business relationship going for their common benefit.

As highlighted earlier, the largest body of research into customer retention has focussed on customer satisfaction. While a customer's satisfaction with regard to a physical product can be measured by matching the physical attributes and specifications of the physical product, the suitability of a service could only be measured through the customer's perception of that service (Rust & Tuck Siong Chung, 2006). The authors explained that, based on the Theory of Expectancy Disconfirmation, the main determinant of satisfaction was the difference between what the customer expected and what the customer received. It may be argued that the Theory of Expectancy Disconfirmation was suitable for

experience and search goods but did not describe what influences customer satisfaction for credence goods. This meant when managing customer satisfaction for credence goods compared with managing customer satisfaction for product providers, there was a greater need to manage customer's behaviour and perceptions.

2.3 Theory of Planned Behaviour

Based on the previous paragraph reflecting on the need to manage customer's behaviour and perceptions in order to manage customer retention when looking at credence goods, it is important to understand what influences an individual's behaviour.

2.3.1 What is the Theory of Planned Behaviour

Research regarding social influence when in the context of the connection between individual's attitudes and their behaviour has been conducted primarily within the frameworks of the theories of reasoned action (Fishbein & Ajzen, 1975) and planned behaviour (Ajzen, 1991). In both of these models, the concept of subjective norms denotes social influence. The Theory of Planned Behaviour stresses the important influence that normative perceptions have on behavioural intentions and behaviour, this reaffirms previous literature linking norms and customer retention.

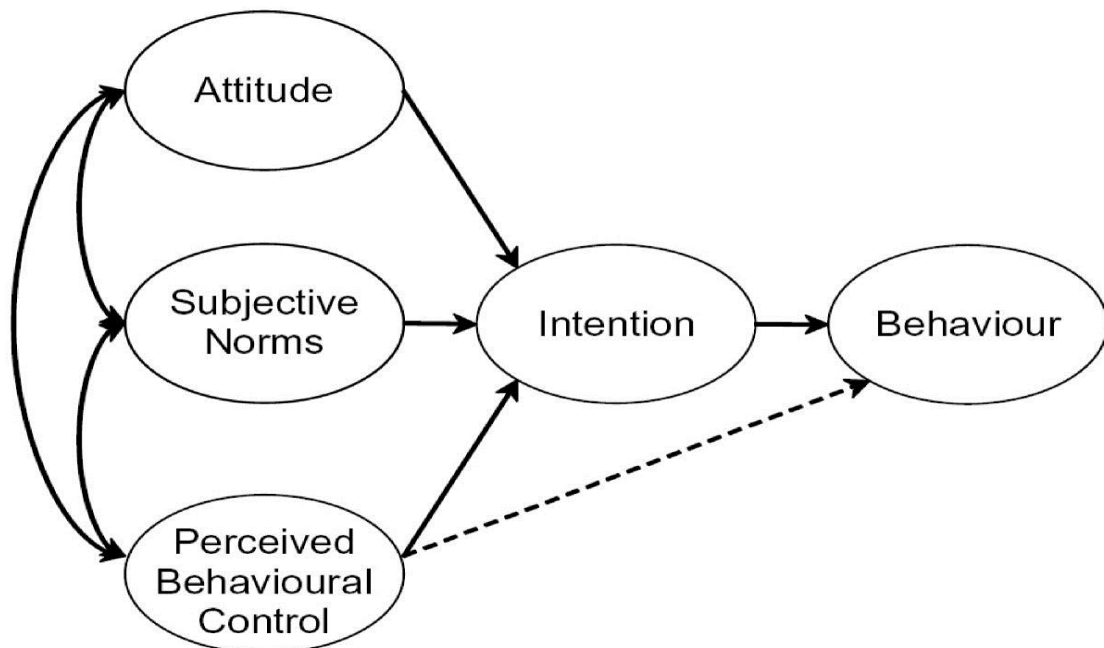
The Theory of Planned Behaviour (TPB) is one of the most frequently cited models applied for predicting social behaviour (Ajzen, 2011). Manning (2011)

reiterates that the TPB is one of the most widely used models incorporating the influence of normative perceptions on behaviour.

The concept of the TPB is to understand what drives one's behaviour. Ajzen (1991) stated that an individual's intention to perform a behaviour is a vital factor in the Theory of Planned Behaviour. By understanding intentions, one is able to get an indication of how hard an individual is willing to try in order to perform a behaviour.

A finding of Ajzen (1991) was that the proximal determinant of one's behaviour is one's intention to perform the behaviour. The stronger the intention, the more likely an individual is to be motivated to perform the behaviour. Simply put, behavioural intention predicts behaviour. Ajzen (1991) posited that intention is determined by three constructs: one's attitude toward the behaviour, one's sense of subjective norms, and one's perception of the control one has over performing the behaviour (PBC) – which includes the influence of both internal and external areas of control. The TPB is illustrated in Figure 3.

Figure 3: Theory of Planned Behaviour (Source: Ajzen 1991, p. 182).

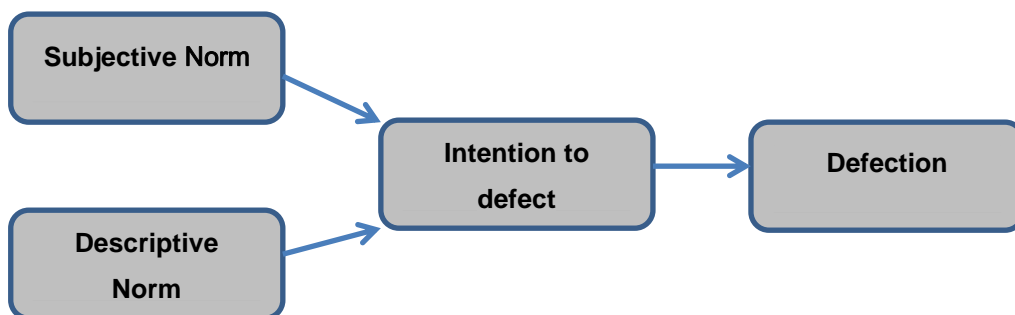


2.3.2 TPB and Normative Behaviour

Cialdini, Reno, and Kaligren (1990) showed that perceived norms had a substantial impact on human action. However, the impact could only be properly recognised by separating two types of norms: injunctive norms and descriptive norms. This has been seen as a weakness in the TPB, in which only injunctive norms are accounted. This weakness was highlighted by Norman, Clark, and Walker (2005), who argued that the average correlation between subjective norm and intention was considerably weaker than the average correlations achieved by the attitude and perceived behavioural constructs; however this was dependent on the behaviour and the population being studied. Norman et al. (2005) postulated that the weak correlation could be caused by too much reliance on a single normative pressure, with that being

subjective norms. They proposed that by including descriptive norms into the TPB one would be able to strengthen the correlation of normative behaviour and intention. Lee et al. (2009) identified that by adding descriptive norms to the TPB one is able to improve the TPB's predicative ability. They found that "a combined subjective and descriptive norm was about twice as strong as attitude and thrice as strong as PBC in relating to intended loyalty" (Lee et al., 2009, p 279). Lee et al. (2009) also found conflicting influences in the addition of descriptive norms into the TPB, stating that the inclusion of both norms should be done dependent on the type of consumption and the service being used. Figure 4 illustrates the inclusion of descriptive norms into the TPB. Based on this finding, this research included both subjective and descriptive norms when attempting to ascertain a link between norms and retention.

Figure 4: Normative Impact on Intention to Defect.



The TPB illustrates how norms influence social behaviour; Lee et al. (2009) postulated that subjective and descriptive norms could similarly influence consumer behaviour, particularly customer loyalty.

2.4 Social Norms

As determined by Manning (2011), social psychological research has demonstrated that people behave in line with normative expectations and observations. This view was supported by White et al. (2009), who suggested that one of social psychology's central subjects was the study of the impact of social norms upon behaviour.

2.4.1 Defining Social Norms

Berkowitz (2004) highlighted two different types of norms. The first type referred to attitudes or what a person felt was correct based on morals or beliefs. These were injunctive norms. A subjective norm was a social injunctive norm which involved perceptions of what significant others approved of or thought one should have done. Manning (2011, p. 352) defined subjective norms as, 'perceptions of the extent to which relevant others want you to engage in the behaviour weighted by the extent to which you are motivated to comply with the injunctions of those relevant referents'. White et al. (2009) explained that social injunctive norms encouraged one to take action by emphasising the potential rewards and punishments within ones social environment for taking or not taking the action.

A second type of norm was concerned with the actual behaviour of a person. These were descriptive norms. Descriptive norms were based on what one observed others doing. White et al. (2009, p.137) defined descriptive norms as,

to 'reflect the perception of whether other people perform the behaviour in question.'

2.5 Linking Social Norms and Customer Retention

The finding of Bansal et al. (2005) was that subjective norms have played an important role in people migration and that migration literature can be used to understand customers migrating between service providers. Tsuda (1999), as cited in Bansal et al. (2005), found that significant others played an significant role in decisions to migrate, whether this is physical migration, or service migration. For these reasons, when researching customer retention, it is important to understand social norms.

The following hypothesis will test if there is a link between social norms and customer retention:

H1₀: Social norms do not influence customer retention of important low-consumption services

H1_A: Social norms have an influence on customer retention of important low-consumption services

2.6 Personal Characteristics Impacting Normative Influence

According to Baumann, Burton, and Elliott (2005), personal characteristics such as age and gender had an impact on customer retention, with older female clients being more loyal.

2.6.1 How Age Influences Social Norms

Martin & Bush (2000) explained younger consumers were particularly susceptible to social pressure when consumption of a service was done through a group, such as mobile services. Lee et al. (2009) agreed that younger consumers were especially susceptible to social influences.

Milner & Rosenstreich (2013) conducted research on financial services, and they found that older consumers were more likely to use credence goods, especially those of financial services. As such, it is possible that older customers are more comfortable with using a service in which they rely on the expertise of others and will not be as influenced by social norms as younger customer.

The hypothesis below was used to test these findings;

H2o: Younger consumers and older consumers show no or little difference on being influenced by social norms

H2A: Younger consumers are significantly more influenced by social norms than older consumers

2.6.2 How Gender Influences Social Norms

Putrevu (2001) identified gender as being one of the most utilised forms of segmentation in marketing practice. Nysveen, Pedersen, and Thorbjørnsen (2005) established three reasons why gender is frequently used to segment within marketing strategy. Firstly, gender was easy to identify and was

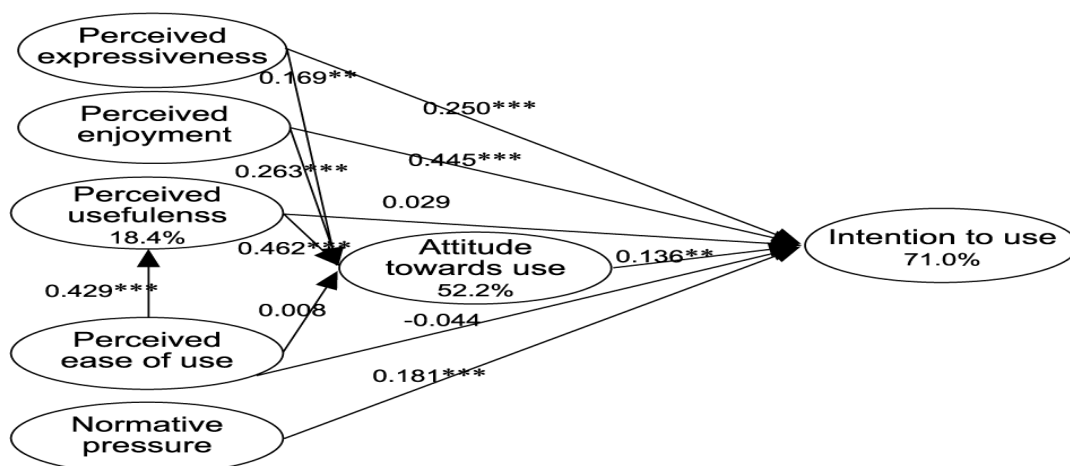
accessible. Secondly, gender segments could be measured and were responsive to the elements of the marketing mix.

Lastly, gender segments were large and profitable.

In their research, Nysveen et al. (2005) found that while male respondents perceive little social pressure towards using mobile services, they still considered social and personal identity when using these services. Female users were influenced by normative pressure, resulting in it being a significant driver of intention to use these services.

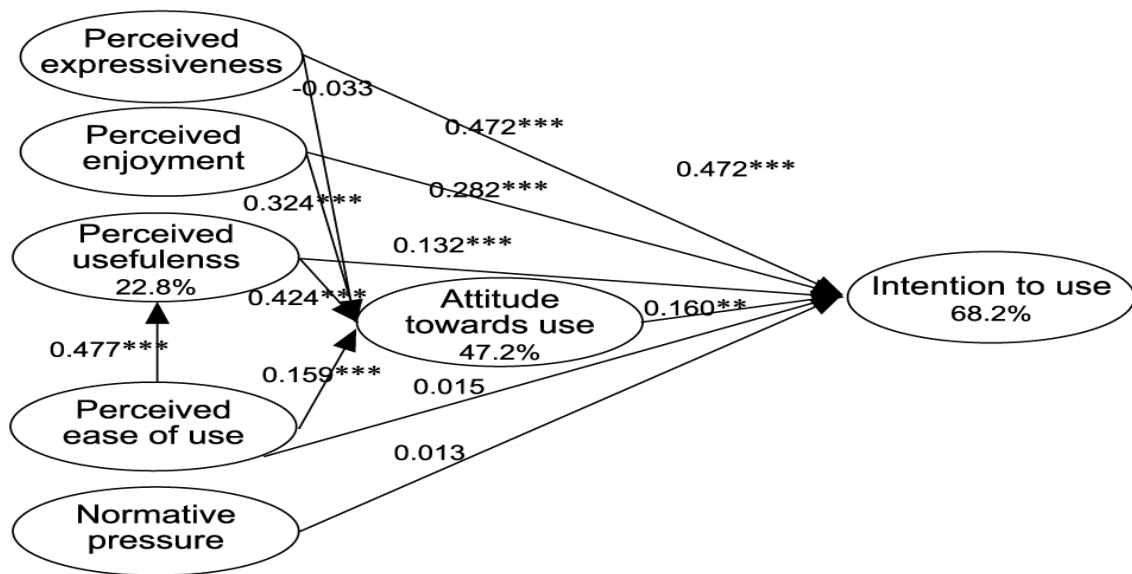
Figure 5 and Figure 6 illustrate the findings of Nysveen et al. (2005) on the differences between gender; specifically looking at cellular services. As one can see, females are significantly more impacted by social norms compared with males.

Figure 5: Moderating Effects of Gender - Structural Model for Females



Source: Nysveen et al. (2005, p. 252).

Figure 6: Moderating Effects of Gender - Structural Model for Males



Source: Nysveen et al. (2005, p. 252).

In order to test this, the following hypotheses will be tested:

H3₀: Female consumers and male consumers show no or little difference on being influenced by social norms

H3_A: Female consumers are significantly more influenced by social norms than male consumers

The aim in this study is to ascertain whether older consumers are also susceptible to social influences and to understand whether this differs based on the consumer's gender.

2.7 Culture Orientation Value and Normative Behaviour

White et al. (2009) found that the stronger one's collective self, was the greater it would influence the relationship between the social injunctive norm–intention and the personal injunctive norm–intention. They stated that individuals with a strong sense of collective self would be more influenced by subjective norms. Fischer et al. (2009) also stated that the link between the individualism and collectivism constructs and normative behaviour was strong. Based on this finding, it is valuable to understand what collectivism is and how it differs from individualism.

2.7.1 Individualism vs Collectivism

Triandis (2001) identified *collective societies* as those societies that emphasised the views, needs and goals of the multitude rather than the self. He also found that collectivist cultures are particularly concerned with relationships. He proposed that individualists place less importance on their in-groups and prioritise their personal goals over that of their in-group.

Triandis (1989) as cited in White et al. (2009) argued that *individualistic people* are generally influenced by personal goals, whereas collectivists have a greater likelihood of being predisposed to the norms and values of the in-group

The four defining attributes of the constructs of individualism and collectivism are: definition of self; how an individual relates to others; structure of the goals the individual follows; and the concerns that drive their behaviour (Singelis & Triandis, 1995). First, individuals could define themselves based on their

individual attributes or they could define themselves as interdependent with the in-group. Second, individuals relate to others in either an emotional and social manner or in a rational manner. Third, individualistic cultures have goals that are less based on the goals of the community and more based on the goals of the individual. Fourth, collectivistic cultures have individuals who are generally guided by group norms (Fischer et al., 2009).

2.7.2 Idiocentrics and Allocentrics

The constructs of collectivism and individualism refer to societies. The terms *idiocentrism* and *allocentrism* are used to describe individuals within society (Triandis, Bontempo, Villareal, Asai, & Lucca, 1988). Idiocentrics see themselves as separate from others and prioritise their personal goals, whereas allocentrics see themselves as part of society and prioritise the collectives' goals (Chen, Arzu Wasti, & Triandis, 2007). According to Triandis et al. (1988), idiocentric people would do things that suited themselves with disregard for their communities and families, whereas allocentric people were more concerned about their communities and families.

Allocentric people would find their behaviour governed more by social norms. It is therefore important to identify whether an individual is allocentric or idiocentric, as this will have an impact on the strength of the social norm influence on customer retention. Triandis (2001) agreed that social norms are important to allocentrics; he stated that allocentrics enjoyed doing what their in-groups expected them to do, which strongly correlated with injunctive norms.

Based on this, the following hypothesis will be tested:

H4₀: Allocentric consumers and idiocentric consumers show no or little difference on being influenced by social norms.

H4_A: Allocentric consumers are significantly more influenced by social norms than idiocentrics

2.8 Credence Goods

In their seminal paper Darby and Karni (1973) introduced the term *credence goods*, adding it to Phillip Nelson's classification of *search and experience goods* (Nelson, 1970). Darby and Karni (1973) postulated that credence goods were goods that could not be evaluated in normal use, compared with search goods, which had the qualities that could be ascertained prior to the purchase of the service, during the search process. Experience goods had the qualities that could be ascertained only during product use. Howden and Pressey (2008) expanded on this description by establishing that, due to the technical complexity of certain services, the need existed for them to be sold within relationships where the seller determined the customer's requirements. Professional services such as accounting, legal and insurance were examples of credence goods.

2.8.1 Consumption Characteristics

Considering that the focus of this paper is on low-consumption services, it is befitting that literature on consumption characteristics is reviewed.

Product and service consumption has been seen as a key indicator in the prediction of customer retention. Nitzan and Libai (2011) illustrated that a decrease in customer consumption of a service typically served as a key signal of their eventual defection.

The consumption characteristics of a service or product impact the manner in which normative behaviour impacts the continuation or discontinuation of the product or service. Lee et al. (2009) stated that consumption characteristics must be taken into account when analysing the impacts of normative behaviour on customer retention. In their 2009 study, Lee et al. investigated two consumption characteristics, namely perceived product enjoyment and product importance.

2.9 Chapter Conclusion

This review commenced by considering the topic of customer retention. While scholars do differ in their views on the importance of this element, the majority of studies do reveal a benefit in improving this aspect of an organisation. The main body of literature on customer retention is focussed on customer satisfaction and - more specifically - on search and experience goods and services. However, there is a growing need to study credence goods. As organisations continue to create complex services, specifically within the financial service industry, credence goods will become more important to organisation sustainability. In order to understand customer retention for credence goods, one needs to understand consumer behaviour as this is often

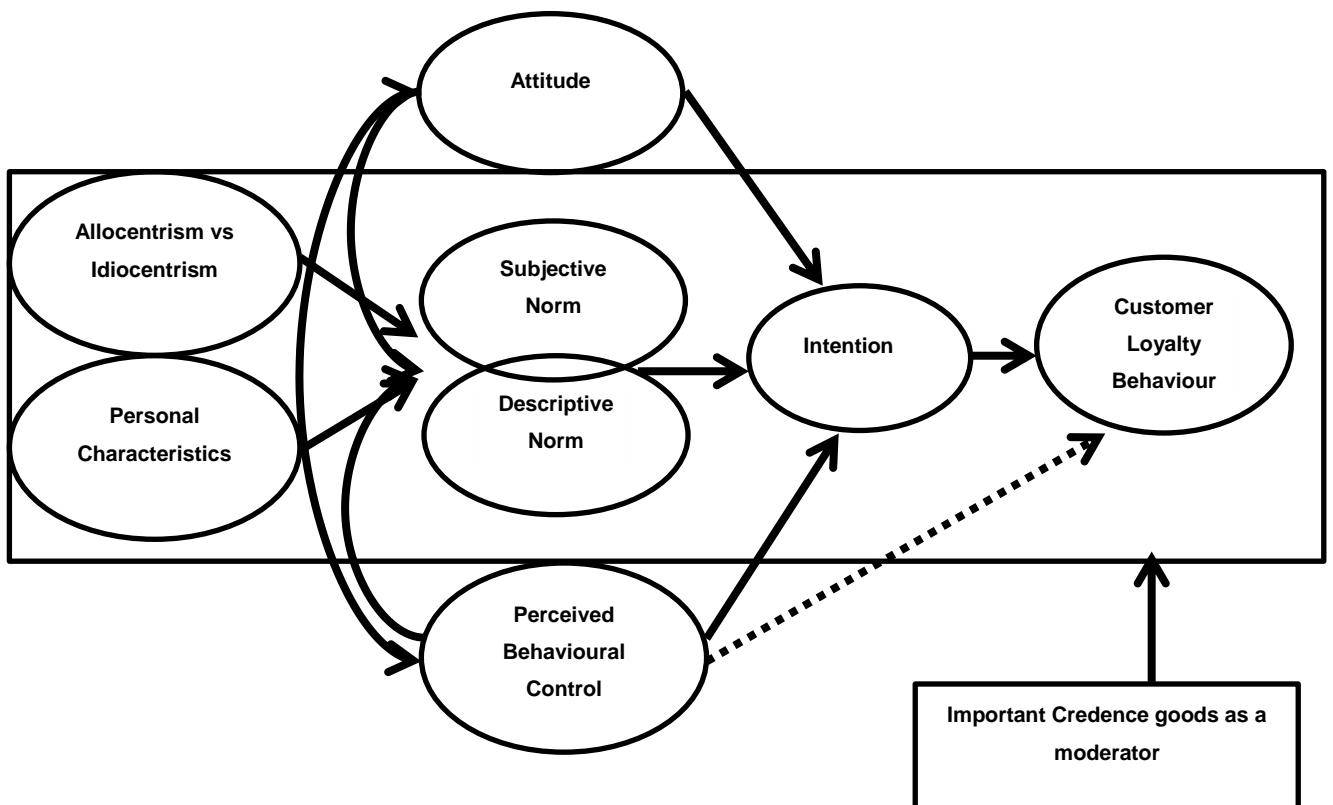
the only indicator of customer satisfaction for a service offering where the customer does not know if it met their expectations.

Consumer behaviour literature including the Theory of Planned Behaviour (TPB) highlights that one of the key aspects guiding behaviour is social norms. Many studies were found that questioned the predictive power of the normative aspect of the TPB and illustrated that descriptive norms needed to be added to the original subjective norm within the theory. The review then looked at what social norms are and what influences them. Two key influences were identified, culture orientation and personal characteristics. Studies showed that allocentric consumers should be more susceptible to social norms than idiocentric consumers. It was also postulated that younger consumers were also influenced more by social norms than older consumers; however tests for this were not found in any of the literature. While literature was found on studies of the impact of social norms on search and experience goods, none was found on credence goods. The importance of researching credence goods was highlighted by illustrating the impact the product enjoyment, importance and tenure had on customer retention.

The model presented in Figure 7 diagrammatically shows the purpose of this research. Based on the TPB, we understand that subjective norms influence ones intentions which in turn influences ones behaviour. Following literature presented in Chapter 2, this research attempts to ascertain if subjective and descriptive norms influence customer loyalty when an important credence good

is involved. It then investigates if Culture Value Orientation and personal characteristics influence these norms. This model can be used by organisations in predicting and influencing customer retention.

Figure 7: Expanded Research Conceptual Model Adapted from Ajzen (1991).



Chapter 3: Research Hypotheses

Zikmund (2003 p. 44) describes a hypothesis as, “a proposition that is empirically testable. It is an empirical statement concerned with the relationship among variables’. In order to explore the influence of social norms on retention the following hypotheses, which have were from the literature, were formulated:

Hypothesis 1:

H1₀: Social norms do not influence customer retention of important low-consumption services

H1_A: Social norms have an influence on customer retention of important low-consumption services

Considering that the service that this research is investigating are generally unknown to the social network of the customer, the null hypothesis states that there is no significant link between social norms and customer retention for important low-consumption services. The alternative hypothesis states that a significant link exists between social norms and customer retention for important low-consumption services.

Table 1 below provides a link between the literature review and the hypothesis being tested.

Table 1: Hypothesis 1 Link to Literature

	Authors
Link to literature review	Ajzen (1991) Bansal et al., (2005) Cialdini et al., (1990) Lee et al., (2009) Manning (2011) Norman et al., (2005) Nitzan & Libai (2011)

Hypothesis 2:

H2₀: Younger consumers and older consumers show no or little difference on being influenced by social norms

H2_A: Younger consumers are significantly more influenced by social norms than older consumers

The null hypothesis stated that there is little or no difference between age groups when looking at the influence of social norms. The alternative hypothesis stated that there is a significant difference between age groups when looking at the influence of social norms.

Table 2 below provides a link between the literature review and hypothesis 2.

Table 2: Hypothesis 2 Link to Literature

	Authors
Link to literature review	Baumann et al., (2005)
	Lee et al., (2009)
	Milner & Rosenstreich (2013)

Hypothesis 3:

H3₀: Female consumers and male consumers show no or little difference on being influenced by social norms

H3_A: Female consumers are significantly more influenced by social norms than male consumers

The null hypothesis stated that there is little or no difference between gender groups when looking at the influence of social norms. The alternative hypothesis stated that there is a significant difference between gender groups when looking at the influence of social norms.

Table 3 below provides a link between the literature review and hypothesis 3.

Table 3: Hypothesis 3 Link to Literature

Link to literature review	Authors
	Baumann et al., (2005) Nysveen et al. (2005)

Hypothesis 4:

H4₀: Allocentric consumers and idiocentric consumers show no or little difference on being influenced by social norms.

H4_A: Allocentric consumers are significantly more influenced by social norms than idiocentrics

The null hypothesis stated that there is little or no difference between allocentrics and idiocentrics when looking at the influence of social norms.

The alternative hypothesis stated that there is a significant difference between allocentrics and idiocentrics when looking at the influence of social norms.

Table 4 below provides a link between the literature review and hypothesis 4.

Table 4: Hypothesis 4 Link to Literature

Link to literature review	Authors
	Bansal et al., (2005) Fischer et al., (2009) Triandis (2001) White et al., (2009)

The hypotheses provided above have been chosen on the basis that they allow for deeper exploration of the influence of social norms on retention of insurance customers. They will also allow for comparisons on the influence of the two areas also being tested in this study, that being personal characteristics and cultural value orientation. This will allow one to ascertain if social norms impact customer retention and, if so, can one identify customers who would be more susceptible to social norms.

Chapter 4: Research Methodology and Design

4.1 Introduction

This Chapter presents a discussion of the research methodology used in this study. The research design is outlined and the reasons for the proposed methods being chosen explained. The data collection methodology, population and sample size are considered. Discussion of the limitations of the research concludes the Chapter.

4.2 Population

Saunders and Lewis (2012) defined a *population* as, the complete set of group members. For this study there were two population groups. The first population group was defined as, any client of Bank A who had at least one transactional banking account and from whom they had previously purchased an accident and health insurance product. The insurance product was however not active, and it must have been active for at least 6 months prior to it being made inactive and the customer must have specifically cancelled the product. (The cancellation must have been the customer's choice, not an automatic cancellation or an insufficient funds cancellation). The total population size was 48,598. This population and related sample was referred to as the *inactive* group. The second population group was defined as; any client of Bank A who had at least one transactional banking account and had previously purchased an accident and health insurance product. The insurance product must still have been active; it must have been active for at least six months. The total

population size was 72,010. This population and related sample was referred to as the *active* group.

4.3 Sampling Frame

Saunders and Lewis (2012) defined a sampling frame as, the complete list of all members of the total population. In this case one of the sample frames consisted of the population who had an active accident and health insurance policy and the other sample frame consisted of the population who no longer had an active policy.

4.4 Sampling and Size of Sample

Saunders and Lewis (2012) defined a sample as a subgroup of the whole population. For the purpose of this research, the *systematic sampling* method was used for both sampling frames, i.e. for active policyholders and for inactive policyholders. Systematic sampling is defined by Lewis and Saunders (2012, p. 136) as, “a type of probability sampling in which the first sample member is selected from a sampling frame at random, using a random number”. The balance of the sample members were selected at regular intervals from the sampling frame.

Aspects to take account of in the selection of an appropriate sample size include cost, timeous collection of data, and non-sampling error (Albright, Winston, & Zappe, 2009, p. 417). Due to the population size being between 50,000 and 100,000, it was originally planned to create a sample size of 397 customers per population group. This would have provided a sampling error of

5% (Israel, 1992). In order to obtain a sample size of 794 and allowing for non-responders and customers who could not be contacted, 1000 customers were selected (500 active and 500 inactive policyholders). However, after two weeks of calling, agents were only able to obtain a sample size of 100 customers from the first population group and 100 customers from the second population group. The reason for not obtaining additional respondents was due to the agents not being able to contact the remaining sample members, even after multiple attempts.

4.5 Rationale for the Proposed Methods

The aim of this study was to determine the link, if any, that social norms have on customer retention for important low-consumption services. Many studies have been conducted focused on customer retention and therefore a qualitative study was not required. Based on this, this study was quantitative in design.

A cross-sectional study which allows data to be collected at a single point in time (Zikmund, 2003) was used to address the research objective.

The relationship between social norms (independent variable) and customer retention (dependent variable) was investigated. Following this, the relationship between social norms and the respondents' personal characteristics such as age, gender and culture value orientation was investigated. The research was purely descriptive and did not determine causality.

4.6 Questionnaire Design

The tool used to collect data was a questionnaire. Lewis and Saunders (2012, p. 141) define a questionnaire as, “all methods of data collection in which each potential respondent is asked to answer the same set of questions in the same order”. In this study the questionnaire presented a number of closed questions that were designed to test the propositions outlined in Chapter 3. To reduce order effects, questions were ordered randomly.

Likert scales were used to gather responses. They were chosen as they are commonly applied to measure attitude (Jamieson, 2004), and also allow for a numerical value to be assigned to a respondent’s opinion.

The questionnaire contains three sections, namely, Demographic Profile, Culture Value Orientation (CVO), and Normative Effects (Details of these sections can be found in Appendix 1. The actual questionnaire can be found in Appendix 2). The questions included in the CVO section were taken from Triandis and Gelfand (1998). The normative questions were adapted from Norman et al. (2005).

The design of the questionnaire allowed for the calculation of both a CVO score and a social norm score. The scores obtained were used to group respondents by the relevant areas.

4.7 Data Collection

A *structured interview* was conducted over the telephone by a team of specialist call centre agents. The agents were provided with both samples, which totalled 1,000 customers. A telephone interview was conducted as the surveying tool based on Díaz de Rada (2011), who highlighted the numerous advantages of this technique in comparison to other alternatives. The advantages included: ease of accessibility to the target market, greater sample distribution without additional cost, and improved quality of information as the respondents feel that this approach is more anonymous.

4.8 Quality Controls

In order to ensure the quality of the data collection, all calls were recorded and listened to by a separate team of call centre quality control agents.

4.9 Validity and Reliability

Validity

Validity has been defined as, the extent to which a test measures what it claims to measure (Woods & West, 2010). Saunders and Lewis (2012) emphasised the importance of piloting a test questionnaire before its formal release. They stated that a pilot test checked that the statements would be understood and the responses could be accurately recorded (Saunders & Lewis, 2012 p.148-149). Face validity was ensured by the researcher. This was done by reading the relevant literature and extracting the dimensions applicable to the research questions.

The questionnaire used the measurement scales designed by Triandis, who is regarded as an authority on culture value orientation and Ajzen, who is regarded as an expert at consumer behaviour and norms.

A pilot was conducted in order to further test the order of the questions, as well as to avoid response errors. The piloted questionnaire was circulated to five people, who were requested to give feedback on the clarity and sense of the questionnaire. The feedback from the pilot survey was positive; therefore, no changes were made to the original questionnaire.

The researcher ensured construct validity by formulating suitable items that appropriately measured the constructs being studied and which directly related to the objectives of the research study.

Reliability

Reliability refers to how the data collection methods and analysis were employed to produce consistent findings (Saunders & Lewis, 2012, p. 128).

Reliability Analysis (Cronbach's alpha)

Ensuring the reliability of this research was done through careful planning, which was done regarding the data collection method; and the Cronbach's alpha analysis technique was used to test internal consistency estimate of reliability of the hypotheses presented in Chapter 3.

4.11 Data Processing

The data was captured in MS Excel and exported to IBM's Statistical Package for the Social Sciences (SPSS) for detailed analysis.

4.12 Data Analysis

The analysis was descriptive in nature. Non-parametric tests were chosen for this research for two reasons. Firstly, the data obtained through a Likert scale was ordinal; meaning the response categories had a rank order, but one could not presume that the intervals between values are equal (Jamieson, 2004). Jamieson (2004, p 1217) stated that, 'the appropriate inferential statistics for ordinal data are those employing non-parametric tests, such as chi square, Spearman's Rho, or the Mann-Whitney U-test'.

Secondly, as the original sample size of 397 participants per population group proved to be unobtainable, and that eventuated in the relatively small sample size of 100 respondents participating in this study, non-parametric tests were applied to the data obtained. Weiers (2010) identified that non-parametric testing should be applied when sample sizes are small.

For this study the following techniques for data analysis were adopted:

Descriptive Statistics Analysis

The descriptive data collected with the aid of the questionnaire was coded based on different variables and captured into Microsoft Excel. This data was then analysed using statistical analysis software. Frequencies, percentages, and means were used to summarise the information collected. Zikmund (2003) shows how frequency distribution is used to condense demographic profiles, to ascertain the number of times a particular value of a variable occurred.

In addition to the descriptive and frequency statistics mentioned, two statistical tests (Kruskal-Wallis and two-tailed Mann-Whitney) were used in this research. These are described below, indicating their application to specific hypotheses.

Mann-Whitney U Test

The Mann-Whitney U test is used to compare differences between two independent groups when the dependent variable is either ordinal or continuous. This test was used to analyse the means of the datasets within each hypothesis, to see if there was a statistical difference.

The Mann-Whitney U test was used for Hypotheses 1, 2 and 3.

Kruskal-Wallis Test

The Kruskal-Wallis test is used when the independent variable consists of two or more categorical, independent groups. It is the non-parametric version of ANOVA and a generalised form of the Mann-Whitney test method, since it permits two or more groups. Huizingh stated that “the Kruskal-Wallis test and the median test are non-parametric tests that are often used when the assumptions of analysis of variance are not met” (Huizingh, 2007, p. 334). The author explained that the test uses more information and is better than the median test. The Kruskal-Wallis test does not assume normality in the data and is therefore much less sensitive to outliers.

The Kruskal Wallis test was chosen for Hypothesis 4, as CVO is divided into three groups (neutral, Idiocentric, and Allocentric) and one is not able to use Mann-Whitney U test for more than two groups.

Factor analysis

Factor analysis was used to assess the dimensionality of the construct measuring “Social Norms”. Gliem and Gliem (2003) defined factor analysis as a statistical method used for the reduction of data. The factor analysis was applied to reduce the eight attributes that were measuring “Social Norms” to just one construct, which was defined as Social Norm Influence.

4.13 Research Limitations

The limitations in this research that were identified include:

1. Insurance was selected as the credence good to test the research variables; one would not be able to generalise the results to other credence goods.
2. The sample sizes of 100 are potentially too small to infer onto the population.
3. Only a single organisation within one industry was used, therefore, the results might not be relevant to other organisation or industries.
4. Although there are many personal characteristics, only two (i.e. age and gender) were tested in this research.

Despite these limitations this study presents a valid basis for future research and contributes to the knowledge of customer retention.

Chapter 5: Results

5.1 Introduction

In this Chapter the results of the survey are reported. 200 respondents participated in the research. Based on their responses the hypotheses of this study were tested and the result of the analysis is presented in this Chapter.

The presentation is divided into five sections and, to enable discussion, the results are presented using tables and figures.

- The first section reports the normality of the data and the factor analysis
- The second section of the research results will summarise the demographic profile of the sample.
- The third section will summarise the responses obtained from the scales used to measure the idiocentric level culture and social norms.
- The fourth section reports the reliability of the instrument employed to measure the social norms.
- Finally, the fifth section reports on the results after testing the hypotheses proposed in Chapter 3.

5.2 Normality of Data

In order to ascertain what statistical tests should be run on data, it is important to understand if the data has a normal distribution. Assessing the normality of data is essential for many statistical tests because normal data is an underlying assumption in parametric testing. Park (2008) stated that normality is critical in

data if one wants to infer results onto a greater dataset. If normality is not present, then inference would not be reliable or valid.

Razali and Wah (2011, p 32) found that the 'Shapiro-Wilk test is the most powerful test for types of distribution and sample sizes'.

The results from the Shapiro-Wilk test are presented in Table 5 and Table 6 below.

Table 5: Shapiro-Wilk W Test of Normality - Active

	Statistic	df	Sig.
Gender	.619	100	.000
Age	.924	100	.000
NormScore	.972	100	.029

Table 6: Shapiro-Wilk W Test of Normality - Inactive

	Statistic	df	Sig.
Gender	.607	100	.000
Age	.972	100	.030
NormScore	.958	100	.003

The null hypothesis of the test is that the sample was taken from a normal distribution. If the Sig. value of the Shapiro-Wilk Test is greater than 0.05, the data is normal. If it is below 0.05, the data significantly deviate from a normal

distribution. As can be seen in both Table 5 and Table 6, for all variables the Sig. (P-value) is below 0.05, therefore the data is not normally distributed.

In addition to the reasons given in Chapter 4 for the use of non-parametric statistics, this finding reaffirms the need to use non-parametric tests.

5.3 Factor Analysis of Social Norms

In order to perform factor analysis on a dataset, one needs to ensure that the strength of the relationship among variables is sufficient.

The Kaiser-Meyer-Olkin (KMO) and Bartlett's Test are used to test if the data is suitable for data reduction.

The Kaiser-Meyer-Olkin statistic has a value between 0 and 1. The closer the value is to 1, the patterns of correlations are relatively compact. It is recommended that data should have a KMO statistic of at least 0.5 (Field, 2005). As shown in Table 7 the KMO statistic for both samples is greater than 0.5, meaning the data is suitable to run factor analysis.

Table 7: KMO and Bartlett's Test

		Active	Inactive
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.932	.866
Bartlett's Test of	Approx. Chi-Square	618.215	391.041
Sphericity	df	28	28
	Sig.	.000	.000

Eight questions on the influence of social norms related to the credence good, insurance, were rated on a five point Likert scale. Factor analysis of the eight questions was conducted to assess the dimensionality of the construct on social norm influence. The results are shown below in Table 8 for each sample:

Table 8: Factor Analysis - Component Matrix

Questions	Active		Inactive	
	Factor1	Communalities	Factor1	Communalities
I am sure insurance policies are the first thing people cancel if they are struggling financially	.875	.765	.826	.683
I know a lot of people who cancel insurance policies when they are struggling financially	.857	.734	.816	.667
People who are important to me would think that I should have some form of accidental death insurance.	.856	.733	.769	.592
How many of your friends and family know that you had taken out accidental death insurance	.805	.648	.765	.585
If those people who are important to me knew I had accidental death insurance they would approve/disapprove.	.887	.786	.734	.538
Realistically, how many of your friends and family have some form of accidental death insurance	.822	.675	.722	.522
If more of my friends and family knew I had taken out insurance I would be less likely to cancel the insurance	.849	.720	.716	.513
Most of my friends and family have some form of accidental death insurance	.777	.604	.641	.411

The factor analysis resulted in confirmation that the questionnaire had one latent variable, being social norm influence. The Social Norm score was created based on this latent variable.

The tables 9 and 10 below show that there was one Eigenvalues greater than 1 for each of the samples, indicating there was one component to be extracted for these variables. The cumulative percentage showed that the model explained 70.8% of the variation in the active sample and 68.9% of the variation in the inactive sample. The minimum acceptable value is 60%, thus the factor analysis produced acceptable results.

Table 9: Factor Analysis - Variance Explained - Active

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.666	70.822	70.822	5.666	70.822	70.822
2	.603	7.537	78.360			
3	.462	5.773	84.133			
4	.327	4.089	88.222			
5	.277	3.462	91.684			
6	.236	2.949	94.633			
7	.232	2.905	97.538			
8	.197	2.462	100.000			

Extraction Method: Principal Component Analysis.

a. Active_Inactive = Active

Table 10: Factor Analysis - Variance Explained - Inactive

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.511	68.882	68.882	5.511	68.882	68.882
2	.638	7.980	76.861			
3	.479	5.984	82.845			
4	.444	5.546	88.391			
5	.388	4.845	93.236			
6	.236	2.946	96.182			
7	.169	2.118	98.300			
8	.136	1.700	100.000			

Extraction Method: Principal Component Analysis.

a. Active_Inactive = Inactive

5.4 Demographic Profile of Sample

The following demographic profiles were elicited from the respondents and the findings are illustrated in Tables 11 to 14.

5.4.1 Gender Distribution

The gender distribution of the active sample is illustrated in Table 11.

The gender distribution of the inactive sample is illustrated in Table 12.

Table 11: Frequency of Gender Distribution – Active

Gender	Frequency	Percentage
Male	61	61%
Female	39	39%
Total	100	100.0%

Table 12: Frequency of Gender Distribution - Inactive

Gender	Frequency	Percentage
Male	36	36%
Female	64	64%
Total	100	100.0%

5.4.2 Age Distribution

The age distributions of the active and inactive samples are illustrated in Tables 13 and Table 14.

Table 13: Frequency of Age Distribution - Active

Age Group	Frequency	Percentage
22-30	16	16%
31-40	29	29%
41-50	32	32%
51+	23	23%

The mean age of active respondents was 41.99, with the youngest being 22 and the oldest being 69.

Table 14: Frequency of Age Distribution - Inactive

Age Group	Total	Percentage
22-30	16	16%
31-40	34	34%
41-50	24	24%
51+	26	26%

The mean age of inactive respondents was 42.82, with the youngest being 22 and the oldest being 69.

5.5 Reliability Results

Cronbach's alpha, was calculated for the Normative and Cultural Value Orientation questions to assess their internal consistency and reliability. According to Pallant (2010) a Cronbach's alpha between 0.7 and 0.9 indicates a high internal consistency, whilst a value between 0.4 and 0.7 indicates a medium internal consistency and reliability.

5.5.1 Reliability - Social Norm Scale

Table 15 shows that the Cronbach alpha for the normative questions was 0.936 for the active sample and 0.887 for the inactive sample, therefore indicating high internal consistency and reliability.

Table 15: Reliability Statistics for Norms

Reliability Statistics		
Sample	Cronbach's alpha	N of Items
Active	.936	8
Inactive	.887	8

5.5.2 Reliability – Cultural Value Orientation Scale

Table 16 shows that the Cronbach alpha for the Cultural Value Orientation questions is 0.626 for the active sample which has a medium level of internal consistency and reliability and 0.852 for the inactive sample, indicating a high level of internal consistency and reliability.

Table 16: Reliability Statistics for Norms

Reliability Statistics		
Sample	Cronbach's alpha	N of Items
Active	.626	16
Inactive	.852	16

In cases where the Cronbach alpha is low, the deletion of an item can improve the Cronbach alpha. Table 17 illustrates the impact on the Cronbach alpha if any of the items are deleted from the active sample in order to try increase the alpha.

One can see that the Cronbach alpha gets marginally better if 'Family members should stick together, no matter what sacrifices are required.' is removed. As the Cronbach's alpha is very close 0.7 it has been decided to leave all questions in.

Table 17: Reliability Statistics for Norms if Item Deleted - Active

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's alpha if Item Deleted
I'd rather depend on myself than others.	57.98	23.420	.058	.638
I rely on myself most of the time; I rarely rely on others.	57.72	21.602	.533	.583
I often do "my own thing."	58.05	22.328	.184	.620
My personal identity, independent of others, is very important to me.	58.03	22.589	.091	.641
It is important that I do my job better than others.	58.39	20.759	.240	.615
Winning is everything.	57.86	22.321	.203	.617
Competition is the law of nature.	57.84	22.955	.244	.613
When another person does better than I do, I get tense and aroused.	57.61	20.619	.442	.579
If a coworker gets a prize, I would feel proud.	58.14	22.941	.122	.629
The well-being of my coworkers is important to me.	57.55	21.130	.481	.581
To me, pleasure is spending time with others.	58.09	21.122	.322	.598
I feel good when I cooperate with others.	58.12	21.986	.229	.613
Parents and children must stay together as much as possible.	57.69	22.035	.375	.597
It is my duty to take care of my family, even when I have to sacrifice what I want.	57.71	23.427	.252	.615
Family members should stick together, no matter what sacrifices are required.	59.23	23.178	.045	.647
It is important to me that I respect the decisions made by my groups.	57.60	21.202	.486	.581

5.6 Summary of Responses

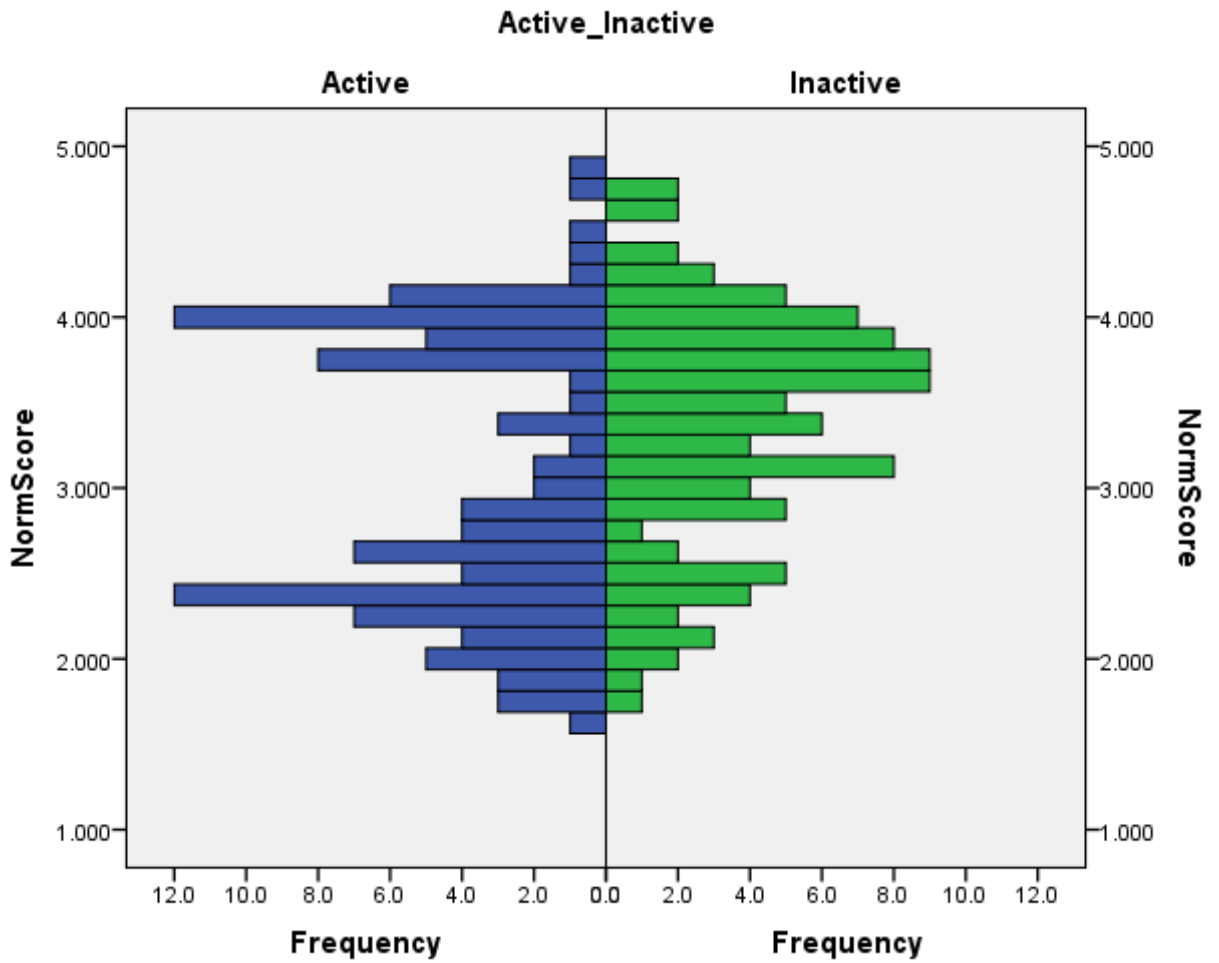
5.6.1 Level of Social Norm Influence

By running a factor analysis on the social norm questions (8 in total) and obtaining the outcome of a single factor, one was able to compute a SocialNorm score by adding all the Likert responses together and using this score to represent the underlying construct of social norms influence.

In order to calculate influence and exposure to social norms, respondents' answers to items 17,18,19,20,21,22,23 and 24 were added together, and divided by 8; this provided a Social Norm Score. The higher the score the more the respondent was deemed to be influenced by social norms.

The histogram in Figure 8 illustrates the NormScore and frequency for both the active and the inactive samples. One can see that the distribution of the norm score differs between the two samples. The active sample has a greater frequency of lower norm scores, whilst the inactive sample has a greater frequency of higher norm scores.

Figure 8: Histogram of Social Norm Scores



Normal descriptive statistics were run in order to show the difference between the mean of the social norm score by sample. This is shown in Table 18.

Table 18: Descriptive Statistics for Sample and Social Norms Score

Sample	Mean	Std. Deviation
Active	3.038	.844
Inactive	3.369	.698

The higher mean for the inactive sample suggests that respondents who have cancelled their policies were more influenced by social norms than those who still have active policies.

5.6.2 Level of Culture Value Orientation

As mentioned in Chapter 2, Culture Value Orientation relates to how an individual engages with their community. Allocentric individuals are considered to be more communal whilst idiocentric individuals are considered to be more self-reliant.

In order to calculate Culture Value Orientation, respondents' answers to items 1, 2,3,4,5,6,7,8 were added together and divided by 8, this provided an idiocentric score. The same was done for allocentric by adding responses to items 9, 10,11,12,13,14,15,16 and dividing by 8. If the idiocentric mean score was higher than the allocentric mean score, the respondent was deemed to be idiocentric. If the allocentric mean score was higher than the idiocentric mean score, then the respondent was deemed to be allocentric. This follows the research done by Triandis and Gelfand (1998)

Tables 19 and 20 below illustrate the frequency of Culture Value Orientation (CVO) for each sample. As mentioned above, the label of allocentric or idiocentric was assigned based on which ever calculation was higher.

As can be seen both Table 19 and Table 20, 31 respondents CVO calculation was equal.

Table 19: Frequency of Cultural Value Orientation - Active

Gender	Frequency	Percent
Allocentric	57	57%
Idiocentric	31	31%
Neutral	12	12%
Total	100	100.0%

Table 20: Frequency of Cultural Value Orientation - Inactive

Gender	Frequency	Percent
Allocentric	51	51%
Idiocentric	30	30%
Neutral	19	19%
Total	100	100.0%

Table 21 and Table 22 illustrate the Mean and the Standard Deviation for the active and inactive samples.

Table 21: Descriptive Statistics for CVO and Social Norms Score - Active

CVO	Mean	Std. Deviation
Neutral	3.523	.387
Idiocentric	2.669	.807
Allocentric	3.616	.603

Table 22: Descriptive Statistics for CVO and Social Norms Score - Inactive

CVO	Mean	Std. Deviation
Neutral	3.244	.604
Idiocentric	3.130	.754
Allocentric	3.827	.384

The mean is a measure of central tendency whilst the standard deviation shows the measure of variability or dispersion of the distribution (Zikmund, 2003)

This table is useful as it indicates which group can be considered as having the higher social norm influence, overall; namely Allocentric, as they have the highest mean. This is applicable to both active and inactive groups.

5.6.3 Age and Social Norms

Descriptive statistics were run in order to show the difference between the mean of the social norm score by age group. This is shown in Table 23 for active and Table 24 for inactive.

Table 23: Descriptive Statistics for Age and Social Norms Score - Active

Gender	Mean	Std. Deviation
Younger	3.101	.834
Older	2.856	.864

Table 24: Descriptive Statistics for Age and Social Norms Score - Inactive

Gender	Mean	Std. Deviation
Younger	3.292	.722
Older	3.511	.638

Table 23 suggests that older respondents with active policies are less influenced by social norms than younger respondents with active policies. In Table 24, the results differ; showing older respondents with inactive policies are more influenced by social norms than younger respondents with inactive policies.

5.6.4 Gender and Social Norms

Descriptive statistics were run in order to show the difference between the mean of the social norm score by gender. This is shown in Table 25 for active and Table 26 for inactive.

Table 25: Descriptive Statistics for Gender and Social Norms Score - Active

Gender	Mean	Std. Deviation
Male	2.783	.759
Female	3.436	.825

Table 26: Descriptive Statistics for Gender and Social Norms Score - Inactive

Gender	Mean	Std. Deviation
Male	3.139	.755
Female	3.498	.634

As can be seen in both Tables 25 and 26, the Norm Score is higher for females than males.

This table is useful as it indicates which group can be considered as having the higher social norm influence, overall; namely females, as they have the highest mean. This is applicable to both active and inactive groups.

5.7 Results of Hypothesis Testing

Table 27 below provides a list of the hypotheses and the statistical tests run for each of them

Table 27: Hypotheses and Applied Statistical Test

Hypotheses	Statistical Test
1 - Social norms have an influence on customer retention of important low-consumption services	Mann-Whitney U test
2 - Younger consumers are significantly more influenced by social norms than older consumers	Mann-Whitney U test
3 - Female consumers are significantly more influenced by social norms than male consumers	Mann-Whitney U test
4 - Allocentrics' customer retention for important low-consumption services is significantly more influenced by social norms than idiocentrics	Kruskal-Wallis test

5.7.1 Hypothesis 1:

H10: Social norms do not influence customer retention of important low-consumption services

H1A: Social norms have an influence on customer retention of important low-consumption services

The Mann-Whitney U test was used to test the statistical differences between the mean scores of social norms between those respondents who had retained their insurance policy and those who cancelled their insurance policy. Table 28 presents the outcome of the hypothesis test.

Table 28: Hypothesis 1 Test Summary

Test Statistics	
	Active
Mann-Whitney U	3919.500
Wilcoxon W	8969.500
Z	-2.644
Asymp. Sig. (2-tailed)	.008
Grouping variable: Active_Inactive	

The p-value, labelled as “Asymp. Sig”, in Table 28 has a value of 0.008.

Because this p-value is lower than $\alpha=0.05$, the null hypothesis is rejected.

The above Hypothesis test was done on a combined Social Norm Score, which includes both the Descriptive Norm score and the Injunctive Norm score. Table 29 and Table 30 provide the outcomes of the Mann-Whitney U Test run separately on the Descriptive Norm Score and the Injunctive Norm Score

Table 29: Independent-Samples Mann-Whitney U Test for Injunctive Norms

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of NormScore_Injunctive is the same across categories of Active_Inactive.	Independent-Samples Mann-Whitney U Test	.005	Reject the null hypothesis.
Asymptotic significances are displayed. The significance level is .05.				

Table 30: Independent-Samples Mann-Whitney U Test for Descriptive Norms

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The distribution of NormScore_Descriptive is the same across categories of Active_Inactive.	Independent-Samples Mann-Whitney U Test	.001	Reject the null hypothesis.
Asymptotic significances are displayed. The significance level is .05.				

5.7.2 Hypothesis 2:

H20: Younger consumers and older consumers show no or little difference on being influenced by social norms

H2A: Younger consumers are significantly more influenced by social norms than older consumers

The Mann-Whitney U test was also used to test the statistical differences between the mean scores of social norms for respondents based on their age. Separate tests were run for each sample. For the purposes of this research, respondents 40 years of age and younger were regarded as 'younger' and respondents older than 40 years of age were regarded as 'older'. This grouping was done as suggested by Milner and Rosenstreich in their 2013 study (Milner & Rosenstreich, 2013). Table 31 provides the outcome of the hypothesis test for the active and inactive samples.

Table 31: Hypothesis 2 Test Summary

Test Statistics		
	Active	Inactive
Mann-Whitney U	827.500	936.000
Wilcoxon W	1178.500	3081.000
Z	-1.060	-1.459
Asymp. Sig. (2-tailed)	.289	.145
Grouping variable: AgeCategory		

The Mann-Whitney U test above revealed a difference between active and inactive groups for distribution of the NormScore across categories of age however in both test the p-value is greater than $\alpha=0.05$.

The p-value (labelled as "Asymp. Sig") in Table 31 has a value of 0.289 for active and 0.145 for inactive. Because these p-values are greater than $\alpha=0.05$, we cannot reject the null hypothesis.

5.7.3 Hypothesis 3:

H3₀: Female consumers and male consumers show no or little difference on being influenced by social norms

H3_A: Female consumers are significantly more influenced by social norms than male consumers

Table 32 shows the results of the Mann-Whitney test on gender.

Table 32: Mann-Whitney Test for Gender and Social Norms

Test Statistics		
	Active	Inactive
Mann-Whitney U	612.000	864.000
Wilcoxon W	2503.000	1530.000
Z	-4.092	-2.072
Asymp. Sig. (2-tailed)	.000	.038
Grouping variable: Gender		

From the data in table 32, it can be concluded that social norm influence in the female group was statistically significantly higher than the male group for both active and inactive samples.

The p-value (labelled as “Asymp. Sig”) in Table 32 has a value of 0.000 for active and 0.038 for inactive. Because both these p-values are less than $\alpha=0.05$, we reject the null hypothesis.

5.7.4 Hypothesis 4:

H4₀: Allocentric consumers and idiocentric consumers show no or little difference on being influenced by social norms.

H4_A: Allocentric consumers are significantly more influenced by social norms than idiocentrics

A Kruskal Wallis test was used to test the statistical differences between the mean scores of social norms between those respondents who had retained their insurance policy and those who cancelled their insurance policy grouped by Cultural Value Orientation (CVO).

Table 33 provides the outcome of the hypothesis test for both samples.

Table 33: Hypothesis 4 Test Summary - Kruskal Wallis Test Statistics

Test Statistics		
	Active	Inactive
Chi-Square	28.551	21.220
df	2	2
Asymp. Sig.	.000	.000

a. Kruskal Wallis Test

b. Grouping Variable: CVO

The Kruskal-Wallis test revealed that there was a statistically significant difference between the CVO groups for both active and inactive customers.

The p-value, labelled as “Asymp. Sig”, in Table 33 has a value of 0.000 for both samples.

Because this p-value is less than $\alpha=0.05$, we reject the null hypothesis.

5.8 Chapter Summary

The findings of the four hypotheses are presented below in Table 34.

Table 34: Results of Statistical Tests on Hypotheses

Hypotheses Results	
Hypothesis 1	Reject the Null Hypothesis
Hypothesis 2	Do not reject the Null Hypothesis
Hypothesis 3	Reject the Null Hypothesis
Hypothesis 4	Reject the Null Hypothesis

In this Chapter the results of the data obtained were presented. The data was presented in tabular form. Data for Cronbach's alpha, frequency analysis, results of Kruskal-Wallis and Mann-Whitney U test were presented in tabular format and discussed briefly.

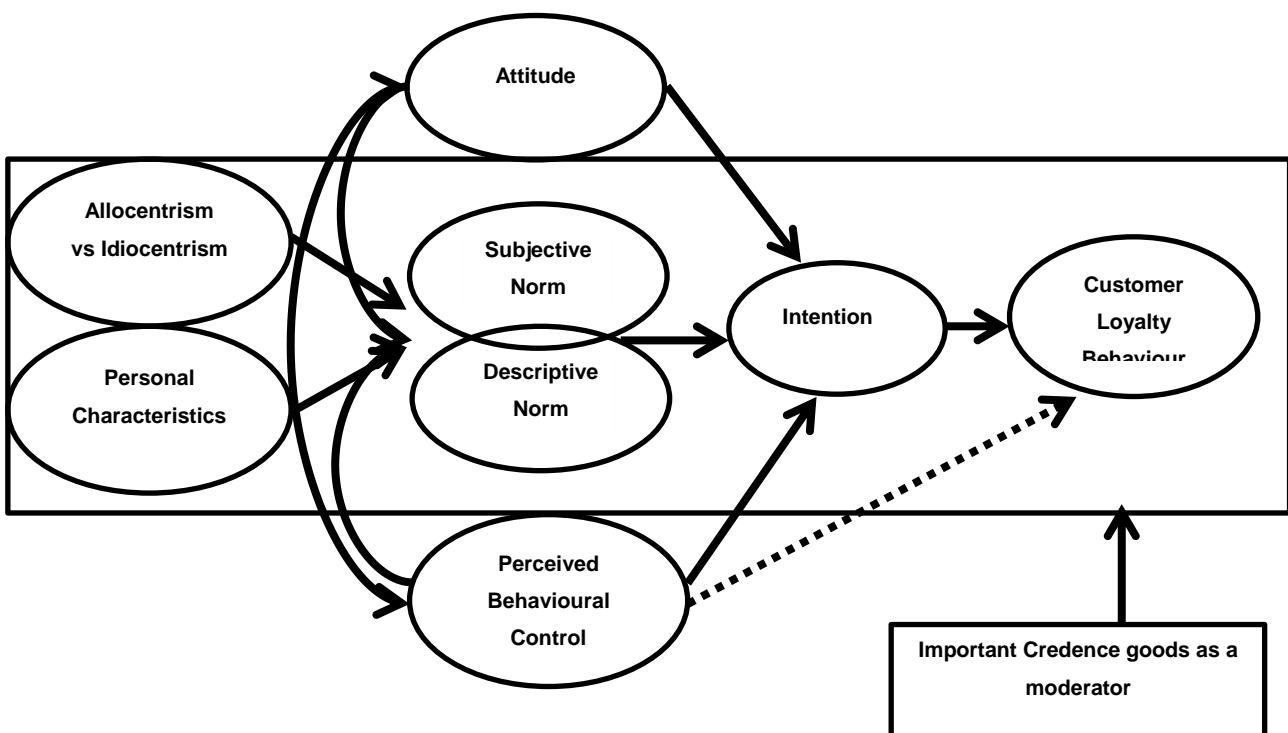
In the next Chapter, an interpretation of the above findings will be discussed.

Chapter 6: Discussion of Results

6.1 Introduction

The results of this study reported in Chapter 5 are discussed in this Chapter. The objective of this research was to discover whether social norms impacted customer retention of low-consumption credence goods and whether that was impacted by one's cultural value orientation or personal characteristics such as age and gender. The hypotheses tested show how Customer Loyalty Behaviour is impacted by subjective and descriptive norms. They then show how allocentrism and idiocentrism as well as one's personal characteristics influence these subjective and descriptive norms. Figure 9 shows this outcome in the research conceptual model.

Figure 9: Research Conceptual Model Adapted from Ajzen (1991)



The hypotheses presented in Chapter 3 will each be discussed in terms of whether it should or should not be rejected; in each ensuing discussion a conclusion is drawn and a justification for each conclusion is provided.

The Cronbach's alpha of both scales was high enough to allow for the results of the questionnaire to be accepted with confidence. Whilst the normative scale was slightly below the 0.7 referenced in this research, other researchers regard 0.65 as acceptable.

6.2 Hypotheses Results and Discussion

6.2.1 Hypothesis 1

The Null hypothesis (H1₀) stated that there is no significant link between social norms and customer retention for important low-consumption services. The alternative hypothesis (H1_A) stated that there is a significant link between social norms and customer retention for important low-consumption services

The results show in Table 28 that the null hypothesis (H1₀) is rejected in favour of the alternative hypothesis because the p-value of 0.008 is smaller than the 0.05 level of significance; which implies that the variable is statistically significant at the 5% level. Thus a conclusion can be drawn that there are interaction effects between social norms and customer retention for credence goods.

This finding is in line with that postulated by numerous researchers (Ajzen (1991); Bansal et al., (2005); Cialdini et al., (1990); Lee et al. (2009); Manning (2011); Nitzan & Libai (2011); Norman et al., (2005)) that social norms have an

impact on customer retention. Lee et al. (2009) postulated that when individuals shared common activities they tended to conform to each other's behaviours. These common activities have been the type of activities that formed the subject of previous research, which were high consumption products and services where the customers' social network is actively involved with the customer. The results of this hypothesis show that even if the service is a credence low-consumption one, the customer is impacted by social norms.

Part of this research was to combine the impact of both injunctive norms and descriptive norms, as suggested by Norman et al., (2005). In order to test the validity of this suggestion when dealing with credence goods, additional statistical tests were run, as shown in Tables 29 and 30. The results of these tests show that whether one looks at descriptive norms, injunctive norms or a combination of both, the p-value is below 0.05 and as such illustrates that each of these normative types has interaction effects on customer retention.

In their research, Lee et al., (2009) found that social norms impacted retention of a customer when the customer believed they would be negatively impacted by others should they migrate or cancel their service. This finding together with the results of this current research affirms the normative part of the Theory of Planned Behaviour.

By showing that social norms can be used towards understanding customer retention, this research provides a possible answer to the question posed in Chapter 1, namely 'If a consumer has an important service such as insurance,

which is not overtly known by his social network, is he still influenced by social norms?'.

6.2.2 Hypothesis 2

The Null hypothesis (H2₀) stated that there is little or no difference between age groups when looking at the influence of social norms. The alternative hypothesis (H2_A) stated that there is a significant difference between age groups when looking at the influence of social norms.

The results in Table 31 show that the null hypothesis (H1₀) cannot be rejected for either the active or inactive samples, because the p-values of 0.289 and 0.145 respectively are greater than the 0.05 level of significance; which implies that the variable is statistically insignificant at the 5% level. Lee et al. (2009) suggested that additional research be conducted on the impact social norms have on older customers. The current study looked at the influence age had on social norms specifically around credence goods, as postulated by Milner and Rosenstreich (2013) who believed that older customers would be more comfortable using credence goods. Martin and Bush (2000) and Lee et al., (2009) found that younger customers were impacted by social norms. They found this particularly in high-consumption, high-enjoyment products and services. The aim with Hypothesis 2 was to test the link between age and social norms; which was not possible, as the finding was that there was no significant difference in social norms between respondents under 41 and respondents over 41. This however does not necessarily address the question posed by Lee et

al., (2009) on whether older clients are influenced by social norms regarding retention of high consumption, enjoyable products. This could be due to this current study being on low-consumption products.

6.2.3 Hypothesis 3

The Null hypothesis (H3₀) stated that there is little or no difference between gender groups when looking at the influence of social norms. The alternative hypothesis (H3_A) stated that there is a significant difference between gender groups when looking at the influence of social norms.

The results show in Table 32 that the null hypothesis (H1₀) is rejected because the p-values of both samples, being 0.000 for active and 0.038 for inactive, are smaller than the 0.05 level of significance, which implies that the variable is statistically significant at the 5% level. Thus a conclusion can be drawn that social norms are influenced by gender. The mean shown in Tables 21 and 22 suggests that female respondents are more influenced by social norms than male respondents, whether their policy is active or inactive.

This confirms the findings of both Baumann et al. (2005) and Nysveen et al. (2005) that gender impact social norms differently. Based on this knowledge regarding the moderating effects of customer characteristics, credence goods can be tailored to preferences in segments based on gender, resulting in better customer retention.

6.2.4 Hypothesis 4

The Null hypothesis (H4₀) stated that there is little or no difference between allocentrics and idiocentrics when looking at the influence of social norms.

The alternative hypothesis (H4_A) stated that there is a significant difference between allocentrics and idiocentrics when looking at the influence of social norms.

The results show in Table 33 that the Null hypothesis (H4₀) is rejected because the p-value of 0.049 is less than the 0.05 level of significance, which implies that the variable is statistically significant at the 5% level.

Tables 17 and 18 shows that allocentric respondents have a higher Social Norm Score mean than that of idiocentric respondents. This reaffirms findings by Triandis (2001) that allocentric people worry more about what others think than idiocentric people. This means that in order to influence customer retention for allocentric customers, one must positively influence the customers' social network and community. The research conducted by Nitzan and Libai (2011) where they found that exposure to a defecting neighbour is associated with an 80% increased risk of defection is more applicable to allocentrics than idiocentrics.

Chapter 7: Conclusion

7.1. Introduction

The intent of this study was to develop a deeper understanding of how social norms impacted customer retention and how one can predict the impact of social norms through customers' personal characteristics by applying a quantitative methodology. Researchers such as Nitzan and Libai (2011) postulated that loyalty could be seen as immunity against certain effects that might cause customer defection. The aim of the question asked in this research is whether the same impact loyalty has in on defection will be in effect among customers who are exposed to other's in their network defecting.

This Chapter presents a summary of the findings of the research with reference to its achievement of the original aim. In addition, recommendations are also offered to enable organisations improve their customer retention rate.

7.2. Summary of Key Findings

This research brought to light the influence social norms had on customer retention for credence goods. This research provides a valuable contribution to theory in terms of creating a conceptual model that adapted the TPB allowing researchers and managers to understand the aspects that influence social norms and how this then influences customer retention. This model allowed for the mapping of how certain personal characteristics, namely age, gender and culture value orientation impact upon individual's social norms.

One of the primary findings confirmed that social norms influence customer behaviour even if the product or service in question is one that is not known to the customers' social network.

Secondly, it was found that certain personal characteristics impact how a customer is influenced by social norms. The findings that gender and culture value orientation have an impact on social norm behaviour are consistent with the hypothesis and indicated that female customers and Allocentric customers are more influenced by social norms. The research was unable to find a link between age and social norm influence, as postulated by Lee et al. (2009).

The results of this study have significant implications for the understanding of some of the drivers of customer retention. Organisations that aim to predict and positively impact their customer retention rate should consider these implications

7.3. Recommendations and Managerial Implications

Customer retention has long been a key focus point for managers. Research in this regard has focussed mainly on customer satisfaction. One of the implications of this study is that managers need to take a customer's social network into account when trying to manage and predict their customer retention ability.

Managers could benefit from studying social networks, with the aim of gaining a better understanding of switching patterns and identifying which customers have the most influence in impacting retention.

Managing descriptive and subjective norms will assist in reducing customer defection rates. Marketers could benefit by developing strategies around these differing norms, which target current customers' social networks. An example of this is targeting a customer's family with a marketing plan which reinforces the social aspects of the brand.

Organisations can use the model proposed in this research to focus their 'social network' marketing campaigns on the customers who are more influenced by social norms.

Practically, it is recommended that satisfaction surveys be developed which examine the satisfaction of friends, either by asking the primary customer or by independent surveys.

Lastly, managers must not make across-the-board conclusions on social norm strategies without considering consumption characteristics. In research by Lee et al. (2009), it is reiterated that doing this would produce an incomplete picture, resulting in misleading conclusions and ineffective managerial decisions.

7.4 Future Research

- The survey originally attempted to obtain sufficient respondents in order to use parametric statistical tests in order for the results to be inferred onto a greater population. It would be beneficial for this study to be redone with a significantly larger sample size, which would allow for inference via parametric statistical tests.
- This study was limited to insurance products as being the credence good. It would be desirable to extend the reach of this study to other credence goods in order to discover similarities in the findings.
- In order to specifically address the questions raised by Lee et al. (2009) around the impact of social norms on older customers, it would be valuable to conduct research on high-consumption goods and the impact of social norms on age.
- This study was done by using a quantitative method of data collection and analysis; applying a qualitative approach to a similar study would help in understanding the underlying causes of social norms influence upon the use of credence goods.

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Appendices

Appendix 1: Questionnaire Design

The questionnaire contains three sections, namely;

Section 1 (Demographic Profile) – Information of the respondents; age, gender, policy status and location. This information was pre-populated based on information provided by Bank A. This information was used to group and measure respondents based on age. The results from this section were used to test hypothesis 3.

Section 2 (Idiocentric/Allocentric) – The aim of this section was to identify if the respondent is idiocentric or allocentric. The results from this section were used to test hypothesis 4. The respondents answered 16 closed questions. A 5-point Likert scale was utilised instead of the recommended 9-point scale due to the data collection method. It was deemed to be too complicated to communicate a 9-point scale telephonically. The items were mixed up prior to administration of the questionnaire. All items are answered on a 5-point scale, ranging from 1= Strongly Disagree and 5 = Strongly Agree.

Below are the groupings for the questions.

Horizontal individualism items:

1. I'd rather depend on myself than others.
2. I rely on myself most of the time; I rarely rely on others.
3. I often do "my own thing."

4. My personal identity, independent of others, is very important to me.

Vertical individualism items:

5. It is important that I do my job better than others.

6. Winning is everything.

7. Competition is the law of nature.

8. When another person does better than I do, I get tense and aroused.

Horizontal collectivism items:

9. If a coworker gets a prize, I would feel proud.

10. The well-being of my coworkers is important to me.

11. To me, pleasure is spending time with others.

12. I feel good when I cooperate with others.

Vertical collectivism items:

13. Parents and children must stay together as much as possible.

14. It is my duty to take care of my family, even when I have to sacrifice what I want.

15. Family members should stick together, no matter what sacrifices are required.

16. It is important to me that I respect the decisions made by my groups.

In this study it was not necessary to distinguish between horizontal or vertical constructs, therefore items were grouped by either individualism or collectivism.

Collectivism score was computed by adding items 9, 10, 11, 12, 13, 14, 15, 16 and

dividing by 8. Individualism was computed by adding items 1, 2,3,4,5,6,7,8 and dividing by 8.

Section 3 (Normative effects) –The respondents answered 6 closed questions relating to the hypotheses. The aim of this section was to identify the social influences of the respondent. The results from this section were used to develop a ‘Social Norm Score’. A 5-point Likert scale was utilised. This section specifically looked at injunctive and descriptive norms. Injunctive norms were assessed using two items. These items were “People who are important to me would think that I should have some form of accidental death insurance” (disagree-agree); and “Those people who are important to me would approve/disapprove of me not having accidental death insurance.” (Disagree-agree); Descriptive norms were assessed using two items. The descriptive norm items were “Realistically, how many of your friends and family have some form of accidental death insurance?” (none-all) and “Most of my friends and family have some form of accidental death insurance” (Disagree-agree);

In order to generate a ‘Social Norm Score’, questions 17,18,19,20,21,22,23 and 24 were added together, the sum was then divided by 8.

Appendix 2: Questionnaire:

The data gathering process chosen for this study is a questionnaire. The questionnaire contains three sections, namely;

Section 1 (Demographic Profile) – Information of the respondents; age, gender, policy status and location. This information is pre-populated based on information provided by Bank A.

Section 2 (Idiocentric/Allocentric) – The aim of this section is to identify if the respondent is idiocentric or allocentric. The respondents will need to answer 16 closed questions

Section 3 (Normative effects) –The respondents will need to answer 8 closed questions relating to the propositions. The aim of this section is to identify the social influences of the respondent.

Good morning/afternoon Mr/s... my name is [agent name] and I work for O’Keeffe and Swartz.

Bank A together with an MBA student in the University of Pretoria’s Gordon Institute of Business Science are conducting a study to assess the impact of social norms on customer retention.

We would like to ask you some questions for this study. Your input would be of great value and it will take no more than 7 minutes to complete the questions.

Mr/s....Your participation is completely voluntary and you can stop at any time you like. Your answers will be kept 100% confidential; the results from this study will be reported without any identifying information. This research is for academic purposes and also to see how we can better help consumers.

May I go ahead and ask you a few questions?

Yes – Continue

No – Close interview

Great, Can I confirm that you are voluntarily taking part in this questionnaire?

Yes – Continue

No – Close interview

We would like to find out some information about your involvement with your social network, which would include family, friends and people you do business with.

Mr/s... I am going to read out some statements and I would like you to tell me if you strongly disagree, disagree, neither agree nor disagree, agree or strongly agree

QN	Code	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
			1	2	3	4	5
12	HC	I feel good when I cooperate with others.					
3	HI	I often do "my own thing."					
11	HC	To me, pleasure is spending time with others.					
14	VC	It is my duty to take care of my family, even when I have to sacrifice what I want.					
5	VI	It is important that I do my job better than others.					
13	VC	Parents and children must stay together as much as possible.					
4	HI	My personal identity, independent of others, is very important to me.					
7	VI	Competition is the law of nature.					
9	HC	If a coworker gets a prize, I would feel proud.					
10	HC	The well-being of my coworkers is important to me.					
1	HI	I'd rather depend on myself than others.					
6	VI	Winning is everything.					
2	HI	I rely on myself most of the time; I rarely rely on others.					
16	VC	It is important to me that I respect the decisions made by my groups.					
8	VI	When another person does better than I do, I get tense and aroused.					
15	VC	Family members should stick together, no matter what sacrifices are required.					

QN	Code	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
			1	2	3	4	5
17	IN	People who are important to me would think that I should have some form of accidental death insurance.					
18	IN	If those people who are important to me knew I had accidental death insurance they would approve/disapprove.					
19	DN	Most of my friends and family have some form of accidental death insurance					
20	IN	I am sure insurance policies are the first thing people cancel if they are struggling financially					
21	DN	I know a lot of people who cancel insurance policies when they are struggling financially					
22	IN	If more of my friends and family knew I had taken out insurance I would be less likely to cancel the insurance					

Mr/s..... We are almost done.

Mr/s... for the next statement I would like you to tell me if it applies to none, some, about half most or all of your friends and family

QN	Code	Question	None	Some	About Half	Most	All
			1	2	3	4	5
23	DN	Realistically, how many of your friends and family have some form of accidental death insurance					
24	DN	How many of your friends and family know that you had taken out accidental death insurance					

Thank you for your time Mr/s.... If you have any questions around this survey please feel free to contact the researcher, Mr Trent Lockstone on tlockstone@gmail.com Good bye