Effective strategies to retain institutional clients in the South African medical scheme industry

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

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ABSTRACT

The purpose of the study is to establish the most effective strategy in the retention of institutional clients in the South African medical scheme industry. The rate and ease of defection by institutional clients presents a retention challenge for South African medical scheme intermediaries. This study also aims to establish factors that influence the decision by a client to retain a specific medical scheme intermediary or terminate their services.

The study is pursued through a review of academic literature relevant to the topic and is supported by a quantitative analysis of secondary data made available by Alexander Forbes Health, the largest company providing intermediary services in the South African medical scheme industry. The data is based on telephonic surveys that had been commissioned by the company to establish the level of satisfaction amongst the company's clients.

The study focuses on 12 variables deemed to be relevant to client retention strategies. The study seeks to establish which factors are independent vs dependent and what the significant drivers of dependent variables are. The study focuses on business-to-business (institutional clients) transactions and not on individual clients.

Results of the study confirm that overall satisfaction or experience, net promoter score and quality service are the dependent variables, and that 'ease of interaction' is the most significant driver for all three dependent variables. The conclusion from the study is that an effective client retention strategy should not focus on one variable to the exclusion of others. A successful strategy should incorporate aspects of numerous variables, appreciating that some are more significant than others.

The study provides guidance on the development of client retention strategies by South African medical scheme intermediary companies. The study will inform relevant companies on the efficient allocation of resources towards initiatives that yield better outcomes.

DECLARATION

I, Butši Tladi, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Butši Tladi

Signed at Johannesburg

On the 17th day of June 2016

DEDICATION

I dedicate this study to my husband Sy Mamabolo, who encouraged me to study for this specific degree and was always available to give guidance, insight and support when I struggled with the work.

My children Mokgadi and Makwetja, whom I dared not disappoint after they had to do without my presence, every Saturday for two years.

My mother and father who continue to inspire me.

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My gratitude goes to the many people who have been a part of my support structure in doing this MBA.

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The MBA Class of 2016, without whom this journey would not have been the same.

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CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The purpose of this study was to analyse factors that influence institutional client retention and through this understanding, to establish the most effective strategy for a medical scheme intermediary company in South Africa.

Client retention was an outcome based on other factors as proven by Trasorras, Weinstein, and Abratt (2009) in a study that found a significant relationship between client retention and service, quality, price and satisfaction.

Gounaris (2005) observed that a successful sale in a business-to-business transaction was not the end goal but rather the beginning of a journey that would continuously endeavour to find additional opportunities to provide more products and services. J. Lee, Lee, and Feick (2001) noted that traditionally, the quality of products (or service) was the key driver in client satisfaction. Gounaris (2005) and Gummesson (2002) had however noted a paradigm shift towards quality of relationships as another key factor influencing client retention. This study focused on key elements that influence customer satisfaction, loyalty and ultimately retention (J. Lee et al., 2001).

The research examined the correlation between specific variables and the extent of the strengths in the relationships. The study focused on business-to-business (institutional clients) transactions and not on individual clients.

1.2 Context of the study

In 2013, South Africa had 2,146 organisations that were accredited to provide medical scheme intermediary services (Council for Medical Schemes, 2013). The organisations and their businesses found legitimacy in provisions of the Medical Schemes Act 131 of 1998 (‘The Act’). Medical scheme intermediaries were dually regulated by the Council for Medical Schemes and the Financial Services Board.

The Financial Services Board (FSB) regulated the market conduct of companies through a Code of Conduct established through the Financial Advisory and Intermediaries Act of 2002 ('FAIS Act') (Republic of South Africa, 1999) (Republic of South Africa, 1999) (Republic of South Africa, 1999) (Republic of South Africa, 1999) (Republic of South Africa, 1999).

The South African medical scheme intermediary industry was mainly funded through broker commissions paid by medical schemes (Financial Intermediaries Association, 2014). Broker commissions on medical scheme products were defined and determined through the Regulations to the Medical Schemes Act ('Regulations'), and medical schemes were prohibited from paying intermediaries more than the stipulated amount. Broker commissions increased by 340% in the period 2000 – 2013. In the period 1 January 2013 – 31 December 2013, South African medical schemes collectively paid R1.6 billion in broker fees (Council for Medical Schemes, 2013).

The Act recognised the role of medical scheme intermediaries to be:

1) The introduction of new members to a medical scheme;

2) Provision of ongoing services to support members on a medical scheme.

The Act required Medical Schemes to enter into contracts with intermediaries and only intermediaries that were accredited by both Regulators that could be paid broker commissions. Broker commissions were intended to cover the costs incurred by intermediaries in delivering services as mentioned above. In adherence with applicable procurement processes, an employer may appoint an intermediary to provide intermediary services (Financial Intermediaries Association, 2014). Upon an intermediary presenting proof of appointment, a medical scheme may pay the appointed intermediary broker commission provide intermediary services to the client (Financial Intermediaries Association, 2014).

Should a client choose to go directly to a medical scheme and not use an intermediary, the client would still pay the same contributions as clients that choose to use an intermediary.

The Act did not allow for differentiation in contributions, based on willingness to use an intermediary or not (Republic of South Africa, 1998)

The barriers to entry into the medical scheme intermediary industry were low, and the proliferation of intermediaries was an indication of this phenomenon. Slater and Narver (1994) described a market with low barriers to entry as being one where a new entrant would be able to earn satisfactory profits within 3 years of entry. During 2013, 56 new intermediaries were accredited by Council for Medical Schemes (Council for Medical Schemes, 2013). The regulatory environment is such that there is ease of termination of broker appointments, with generally a 3-months notice being the only huddle to terminate a broker appointment contract (Financial Intermediaries Association, 2014). The phenomenon of low barriers to entry and ease with which broker contracts could be terminated had lead to fierce competition in the industry.

The research aimed to establish dependent vs independent factors and the extent of the influence on each other. The research aimed to understand institutional client retention through the analysis of three distinct issues:

1. The overall experience with the company;
2. The service quality;
3. The likelihood of referring the company to family and friends – sometimes referred to as the Net Promoter Score (Reichheld, 2003).

1.3 Problem statement

1.3.1 *Main problem*

For companies with high acquisition costs, the ability to retain clients in the face of stiff competition is a major concern (P.-Y. Chen & Hitt, 2002). The rate of broker churn and ease of defection by institutional clients presented a retention challenge for South African medical scheme intermediaries (Financial Intermediaries Association, 2014). A company cannot grow if it is continuously losing clients (Reichheld, 2003).

1.3.2 *Sub-problems*

The first sub-problem analysed the client's overall experience with the company as a factor influencing client retention.

The second sub-problem analysed the effectiveness of focusing on service quality as a retention strategy.

The third sub-problem analysed factors influencing the clients' ability to refer the company's services to family and friends.

1.4 Significance of the study

In the analysis of acquisition costs, Pfeifer (2005) accepted the generally referred to dictum that the cost to acquire a new client is five times (5X) the cost of retaining an existing one. It was then reasonable to deduce that client retention was a critical strategy for the growth of any business (J. Lee et al., 2001). There was a gap in understanding the effectiveness of strategies that were currently deployed by intermediaries in the medical scheme industry. The cost of new business acquisition increased annually, reducing profit margin on new business when compared to existing business. This added to the value of retaining business already acquired (Pfeifer, 2005). The cumulative value of a loyal customer is high (Anderson, Fornell, & Lehmann, 1994).

Gounaris (2005) reached a conclusion that with technological advancement, many service providers were able to offer superior and similar levels of service. This then reduced the importance of quality service - on its own - in deriving loyalty. Gummesson (2002) and (Gounaris, 2005) referred to a new paradigm of relationship marketing. The research explored the appropriateness of this paradigm in the medical scheme intermediary industry, as it applied to institutional clients.

The study provided guidance to South African medical scheme intermediaries in the development of client retention strategies. The study contributed to allocation of resources towards initiatives that yield better outcomes.

1.5 Delimitations of the study

The research was limited to the experience in the South African medical scheme intermediary industry. The data was limited to clients of a specific company in the medical scheme industry. The data was collected by the company in its efforts to establish its clients' level of satisfaction.

The study was limited to behaviour of institutions and not individuals. In this regard, the study had not extended to analyse how the decisions were made by institutional clients, but rather the reasons given for the decision, in particular the decision to retain the service provider or to terminate services.

The study assumed that the client paid no other additional fees over and above medical scheme commissions and that all services delivered were fully covered by the said commissions.

The study acknowledged that there may be other factors that contribute towards corporate client retention but this study was limited to variables in the survey done.

1.6 Definition of terms

1.6.1. **An Institutional client:** an organisation that employs a large number of individuals and has a mandate to appoint a service provider to deliver medical scheme intermediary services.

1.6.2. **Client retention**: the ability to remain the appointed medical scheme broker and intermediary.

1.6.3. **Relationships**: the manner in which the institutional client feels and relates to the intermediary company

1.6.2. **Intermediary company**: an organisation that was accredited by the Council for Medical Schemes and was registered with the Financial Services Board to provide health benefits advice and intermediary services.

1.7 Assumptions

The following assumptions have been made regarding the study:

- The data provided by the company was accurate and represented institutions that were the company's clients at the time of the survey;

- All persons interviewed fully understood the questions and were qualified to respond;

CHAPTER 2. LITERATURE REVIEW

The literature reviewed discussed academic positioning of key factors influencing client retention and related strategies. The structure of the review was such that it discussed the problem statements, followed by each sub-problem separately as outlined in Chapter 1 and then discusses examples of possible client retention strategies.

The problem statement referred to the challenges of defection and high churn rates as experienced in the South African medical scheme industry. The sub-problems identified specific variables and sought to analyse their impact on client retention. In the literature review, the terms ‘customer’ and ‘client’ were used interchangeably and must be understood to refer to the same thing.

The working definitions of each of the constructs were provided in the relevant sub-sections of the literature review.

This section was then concluded by an articulation of the findings on the literature review, highlighting areas of consensus and differences.

2.1 Definition of topic or background discussion

The need to retain existing clients was key to the growth of any business (Kotler & Keller, 2012). The literature reviewed often referred to terms such as client retention, service quality, relationships, satisfaction and loyalty. It was therefore important to define what these terms meant in the context of this study. Gerpott, Rams, and Schindler (2001) noted the close link between the constructs of ‘customer satisfaction’, ‘customer loyalty’ and ‘customer retention’. This study followed the approach by Gerportt which suggested that the constructs be distinguished. The literature offered a number of definitions for **client retention** and these included the following:

- J. Lee et al. (2001) viewed client retention as one of behavioural consequences of service quality;
- Gerpott et al. (2001) saw client retention as activities that were targeted at maintaining the relationship between a supplier and client;

The study adopted a definition of client retention as the decision to retain customer relations with the service provider (Gerpott et al., 2001).

Another important construct that was prominent in the study was that of loyalty. Reichheld (2003) described client loyalty as the willingness by a client to sacrifice or make an investment to strengthen a relationship. Client loyalty was also understood to refer to the customer's intent to stay with the organisation (Bell, Auh, & Smalley, 2005). Loyalty was more than just repeat purchases as these may be driven by other factors such as current competitive pricing or inertia and not necessarily loyalty to the company (Reichheld, 2003).

Bell et al. (2005) acknowledged that the maximum value from a client was derived during the entire life span with the company. It was therefore important to calculate a client value based on past, present and future spend with the company. Throughout the client's journey, the client would encounter moments of decision making about whether to continue or to terminate services. A study by Capraro, Broniarczyk, and Srivastava (2003) concluded that customers who had knowledge were likely to defect at some point, thus it may be in the interest of the company to ensure that information that positioned it well was in the hands of enquiring customers.

The literature reviewed tendered to share similar views on the factors that contributed towards customer retention, whether focused on individual customers or institutional customers. An analysis of factors prevalent in both individual and institutional segments of the market indicates overwhelming similarities. Kotler and Keller (2012) also examined and concluded that marketing to institutions face many of the same challenges as consumer marketers. In approaching both these markets there was a need to have a deep understanding of the client and what the client values.

The literature review specific to client retention in business-to-business services mentioned the following as key factors:

- Satisfaction and loyalty (Rauyruen & Miller, 2007; Naumann, Williams and Khan, 2009);
- Quality of relationships and service (Rauyruen & Miller, 2007; Naumann, Williams and Khan, 2009; Gounaris, 2005)
- Trust (Rauyruen & Miller, 2007; Gounaris, 2005)
- Commitment (Rauyruen & Miller, 2007; Gounaris, 2005)
- Acquisition strategy (Naumann et al., 2009)
- Price compared to alternatives (Naumann et al., 2009)
- Perception of value (Naumann et al., 2009)

The literature review specific to client retention for individual customers mentioned the following as key factors:

- Satisfaction and loyalty (Lee, et al., 2001; Bell et al., 2005; Gerpott, et al. 2001; Yang, & Peterson, 2004; Caruana, 2002)
- Service quality and relationships (Bell et al., 2005; Caruana, 2002)
- Switching costs (Lee et al., 2001; Bell et al., 2005; Yang, & Peterson, 2004)
- Knowledge about alternatives (Capraro, et al., 2003)
- Price when compared to alternatives (Bell et al., 2005)
- Customer value (Yang & Peterson, 2004)

2.2 Overall satisfaction as a determinant of client retention

Customer satisfaction was understood to be a direct determining factor in customer loyalty, which in turn was a central determinant of customer retention (Gerpott et al., 2001). Satisfaction can be measured as the difference between service expectation and the experience (Trasorras et al., 2009). A client would then be deemed to be satisfied if their experience exceeded their expectation and vice versa. Satisfaction was also described as the state of attained by a customer after interactions with the company (Verhoef, 2003).

Verhoef (2003) reported on a study by Jones and Sasser (1995) questioning the positive relationship between satisfaction and actual client loyalty. The study

proposed a non-linear relationship between satisfaction and client retention. Every additional interaction by a customer has the possibility of altering their view of satisfaction, depending on the customers perception of the interaction (Verhoef, 2003).

Anderson et al. (1994) did a study on the relationship between client satisfaction and profitability. The findings aimed to understand whether there were superior economic benefits for improving client satisfaction and the extent of the benefit. This study was relevant to this research in that it informed the relevance of a client retentions strategy that focussed on overall satisfaction with the company. In measuring client satisfaction, Anderson et al. (1994) refers to studies where a distinction was made between experience from a single transaction and cumulative experience from various past interactions over a period of time. The later measure of satisfaction was identified as a more fundamental indicator of performance.

The higher the level of satisfaction in a client, reduced price elasticity, protection from competitive forces, lower costs of future transactions, lower costs of attracting new clients and enhanced reputation (Anderson et al., 1994). The more satisfied a client, the more tolerant they are about price increases and this could potentially lead to improved margins and profitability (Anderson et al., 1994).

Satisfied customers tend to buy more services and are more open to expanding their patronage to other company goods and services (Anderson et al., 1994).

2.3 Likelihood to refer the company to family and friends

The willingness by existing client to refer a product or service to family and friends is one of the measures of loyalty (Reichheld, 2003). In making a recommendation on the product or service, the client places their personal reputation on the line (Reichheld, 2003).

Reichheld (2003) demonstrated that there is a strong positive correlation between the growth of a company and the number of promoters it had.

Promoters referred to existing customers who were likely to refer the company's products and services to a friend of colleague.

Companies sought to create long-lasting relationships with customers because they had realised that maximum value can only be derived from a lifetime of patronage and not on once-off transactions (Bell et al., 2005). Gounaris (2005) further noted that for most business-to-business transactions, the conclusion of a sale has to be viewed not as an end in itself but rather the beginning of a journey that would be mutually beneficial to both the client and service provider.

The advancement in technology and the internet in particular had reduced barriers to entry in many service organisations and this had increased competition (Dess, Lumpkin, & Eisner, 2010). As a result of technological advancement, service had become a commodity Gounaris (2005), thus a need to identify a differentiator that would create a new competitive advantage.

Gummesson (2002) took the notion of business relations to a different paradigm by expanding on the concept of relationship marketing. In this he recognised more relationships than just the dyad relationship between the customer and organisation. Important relationships that need to be natured included relationships between the organisations and its internal departments, the regulator, suppliers, etc. The purpose of relationship marketing would be to continuously look for ways of delivering additional value to clients, at a reduced cost (Gummesson, 2002).

The development of a long-lasting relationship build on trust was key to the success of a strategy that focuses on relationships. Gounaris (2005) expanded on this thinking by adding reliability and integrity as other values in the relationship.

Yim, Tse, and Chan (2008) introduced a view that organisations need to look to create strong emotional bonds with customers. This 'passion' would be conveyed through the employees of the organisation and felt by clients.

It is however acknowledged that these affectionate bonds and impact thereof was still to be researched.

2.4 Service quality as a client retention strategy

Trasorras et al. (2009) found that there was a highly significant relationship between service and client retention. Each client had a unique and evolving need and this had to be acknowledged in the service provided. Ahmad and Buttle (2002) confirmed prior studies that concluded that the way to retain clients was though improved service quality and satisfaction.

In a mature industry, service quality was often used as a differentiator (Bell et al., 2005). Service was not a tangible product and often technically difficult to compare (Kotler & Keller, 2012). Bell et al. (2005) presented a conceptual model that proposed two forms of service quality and how these evolved with the maturing relationship with a customer. The view acknowledged that relationships were ever changing and service providers needed to continuously refine their service to meet these changing client needs. The conceptual model presented by Bell et al. (2005) indicated that customers and clients invested in expertise/knowledge of each other during the relationship they shared. This expertise included knowledge about processes, procedures, preferences, etc. This 'investment' increased the potential switching costs because by defecting to a competitor, the client would need to pay in order to investment in a new relationship. The perceived switching costs add to creating client loyalty, which directly impacts on client retention (Bell et al., 2005).

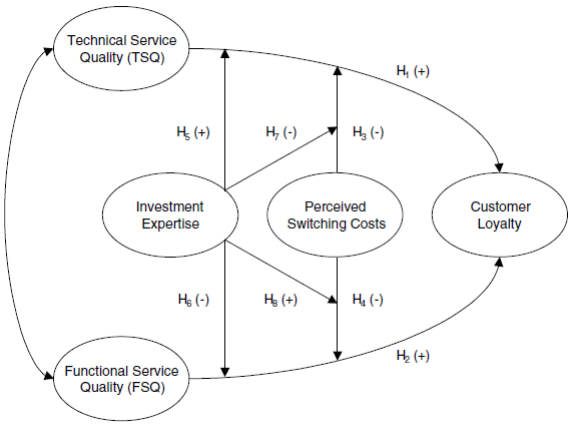

Figure 1: Bell Conceptual Model

Source: Bell et al. (2005)

Ahmad and Buttle (2002) mentioned a study by Ennew and Binks (1996) in which it was established that customer retention in a business-to-business context was influenced by service quality and relationships. The service quality had identified both functional and technical aspects.

Anderson et al. (1994) referred to a 1992 study by The American Quality Foundation and Ernst and Young which suggested that beyond a certain point, companies were wasting their efforts in trying to improve quality. There is a view that efforts to improve quality service have the greatest impact when service reliability is low. As quality improves, there are diminishing returns to every unit of effort and eventually there could be a negative return on additional efforts (Anderson et al., 1994).

Parasuraman, Zeithaml, and Berry (1985) identified ten determinants of service quality. The table below illustrate this in a model, followed by a discussion on each factor.

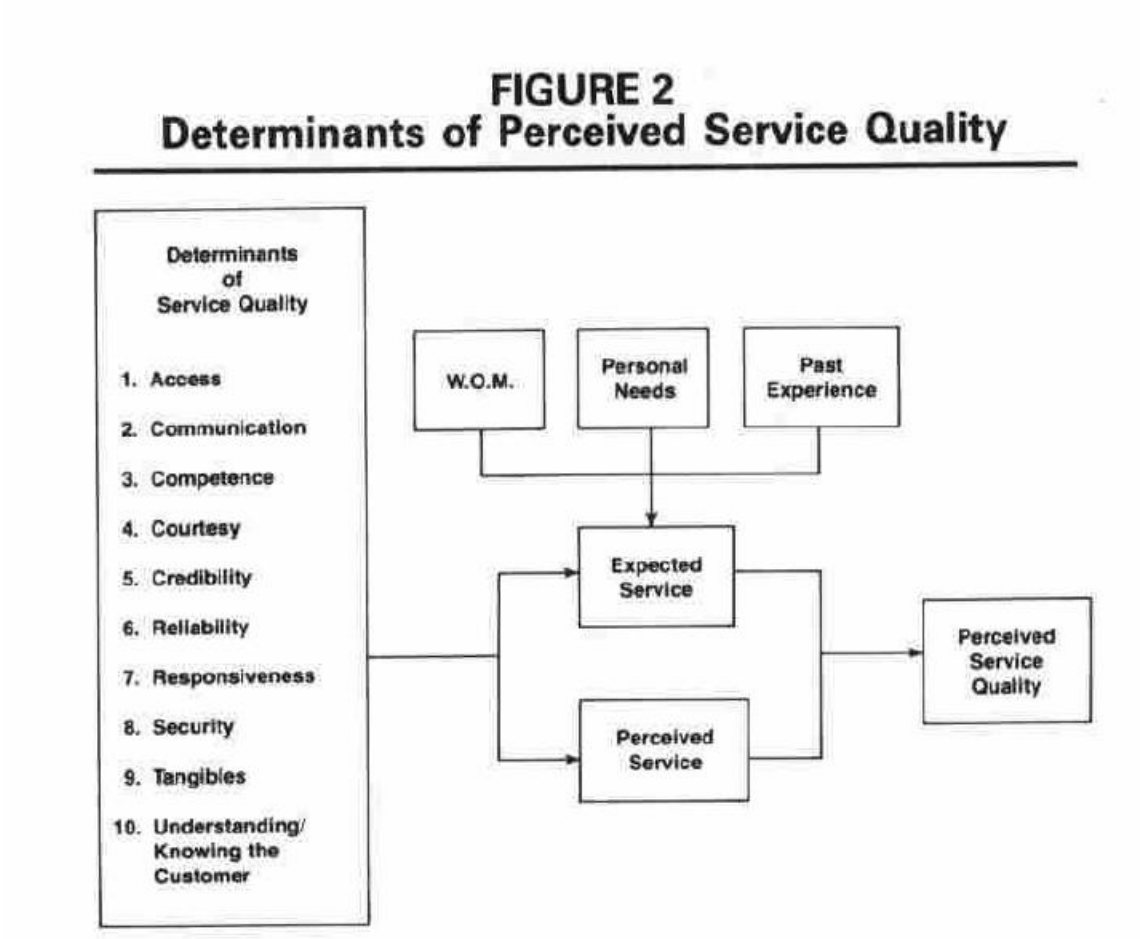

Figure 2: Determinants of Perceived Service Quality

Source: Parasuraman et al. (1985)

Access referred to ease of contact with the company. Accessibility through telephone, location of offices, acceptable waiting times to receive the service and convenient hours of operation.

Communication was about keeping customers informed, in a language that the customer can understand. The details of the communication would be on the product and/or service, costs, trade-off between service and cost and assurance that when problems arise, they will be addressed adequately.

Competence referred to the knowledge and skills of the company's employees about products and services. The company must also have operational ability to deliver to the customer.

Courtesy involves due consideration for the customer, politeness of staff who come into contact with customers.

Credibility is about trust and reputation. The customer must believe that you will act in their best interest.

Reliability is about consistency of performance and reliability. The product must perform as expected, all the time.

Responsiveness is about the willingness or readiness of employees to deliver the service. It relates to timelines and turnaround times on services.

Security includes both physical security in using the services of the company and security of customer's possessions held by the company. This includes customer data held by the company.

Tangibles are about the physical evidence of the service. Examples of these could be physical building, appearance of staff or documentation issued.

Understanding/knowing the customer making the effort to know, record and use information known about the customer to deliver personalised service.

2.5 Client Retention Strategies

2.5.1 *Loyalty programs*

The first loyalty program was launched by American Airlines in May 1981 (Olivier & Burnstone, 2014). In 1986 Protea Hotel Group launched South Africa's first loyalty program and by 2014, South Africa had 101 loyalty programmes, across numerous industries (Olivier & Burnstone, 2014). The majority of South African loyalty programs reward members through some form of redeemable currency or points a basic benefit (Olivier & Burnstone, 2014).

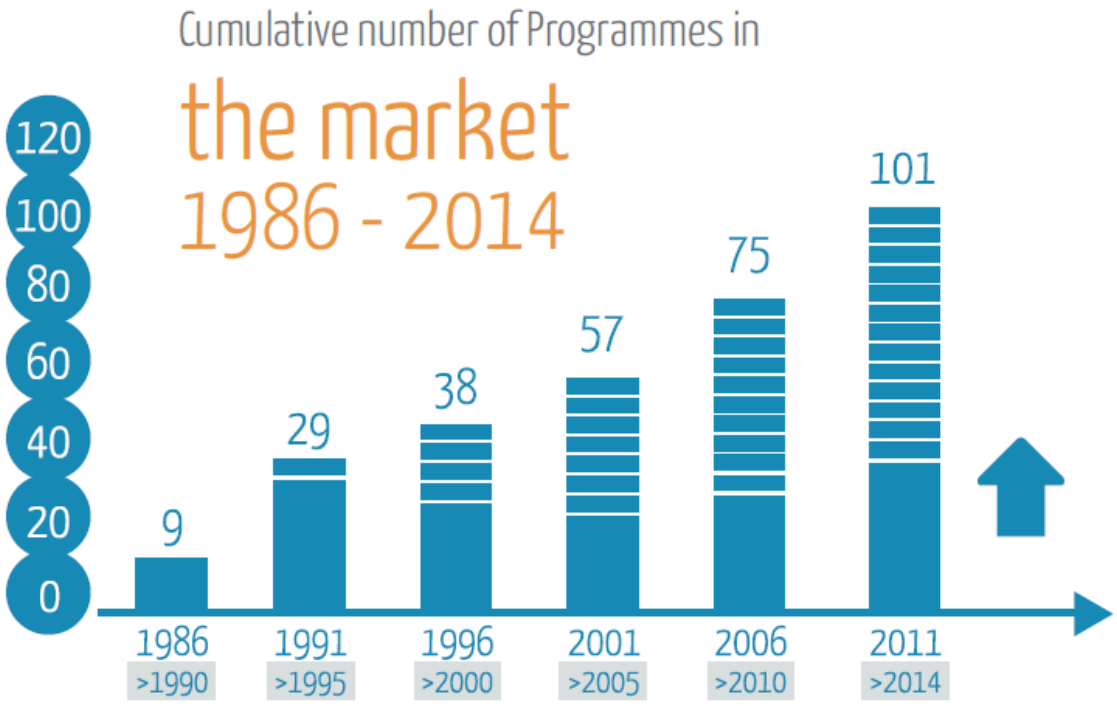

Figure 3: Cumulative number of loyalty programmes in SA

Source: Olivier and Burnstone (2014)

An average South African adult was estimated to be registered on 3.2 programs (Olivier & Burnstone, 2014). For a long time companies had sought to reward client loyalty by discounts or enhanced services (Bolton, Kannan, & Bramlett, 2000). Bolton et al. (2000) offers examples of loyalty programs as:

- Rewards programs based on usage of services; e.g. Frequent flyer rewards used by airlines;
- Credit cards allocating a portion of spend towards a discount for future purchases from the company;

In South Africa, loyalty programs are designed to offer different benefits are illustrated in the table below:

Figure 4: Loyalty program benefits in the SA market

Source: Olivier and Burnstone (2014)

Verhoef (2003) demonstrated that loyalty programs that had economic benefits had a positive impact on client retention. Loyalty programs are designed to reward prior purchases and provide barriers to switching to other providers (Verhoef, 2003).

The success of a loyalty program will be measured based of its efficacy in increasing usage of the company's products or service against investments in the program (Bolton et al., 2000).

2.5.2 *Payment equity*

Verhoef (2003) refers to a notion of payment equity which was defined as the clients' perceived fairness of price paid for the company's products and/or services. The manner of pricing is greatly influenced by the company's pricing policy, which considers its costs, desired margins and competitiveness (Verhoef, 2003).

Clients will not defect if they believe that they are charged fairly for products and services. There is therefore a positive relationship between payment equity and client retention

2.5.3 *Switching costs*

Products and services with low barriers to costs often commit to strategies that build switching costs to prevent customer defection (P.-Y. Chen & Hitt, 2002). The ability to create switching costs can soften price sensitivity and allow for earning of high profits (P.-Y. Chen & Hitt, 2002). P.-Y. Chen and Hitt (2002) observed that the in order to manage retention, there as a need to measure the size of switching costs and identify factors that impact on switching and attrition. (P.-Y. Chen & Hitt, 2002) referred to a Klempere (1987) classification of three types of switching costs: transaction costs, learning costs and artificial or contractual costs.

2.5.4 *Client Relationship Management*

As the size of client base and number of products on offer grew, sellers lost the personal knowledge of their customers (I. J. Chen & Popovich, 2003). Sellers struggles to keep knowledge on the ‘uniqueness’ of each customer, thus reducing ability to provide a personalised service (I. J. Chen & Popovich, 2003). Client Relationship Management (CRM) technologies were introduced as a way to re-establish connections with existing and new clients in order to improve loyalty. A CRM is a combination of people, technology and systems in efforts to better understand the customer (I. J. Chen & Popovich, 2003). I. J. Chen and Popovich (2003) refer to studies by Reichheld, 1996a, b; Jackson, 1994 and Levine, 1993 which proved that effective management of client relationships leads to higher customer satisfaction and retention levels.

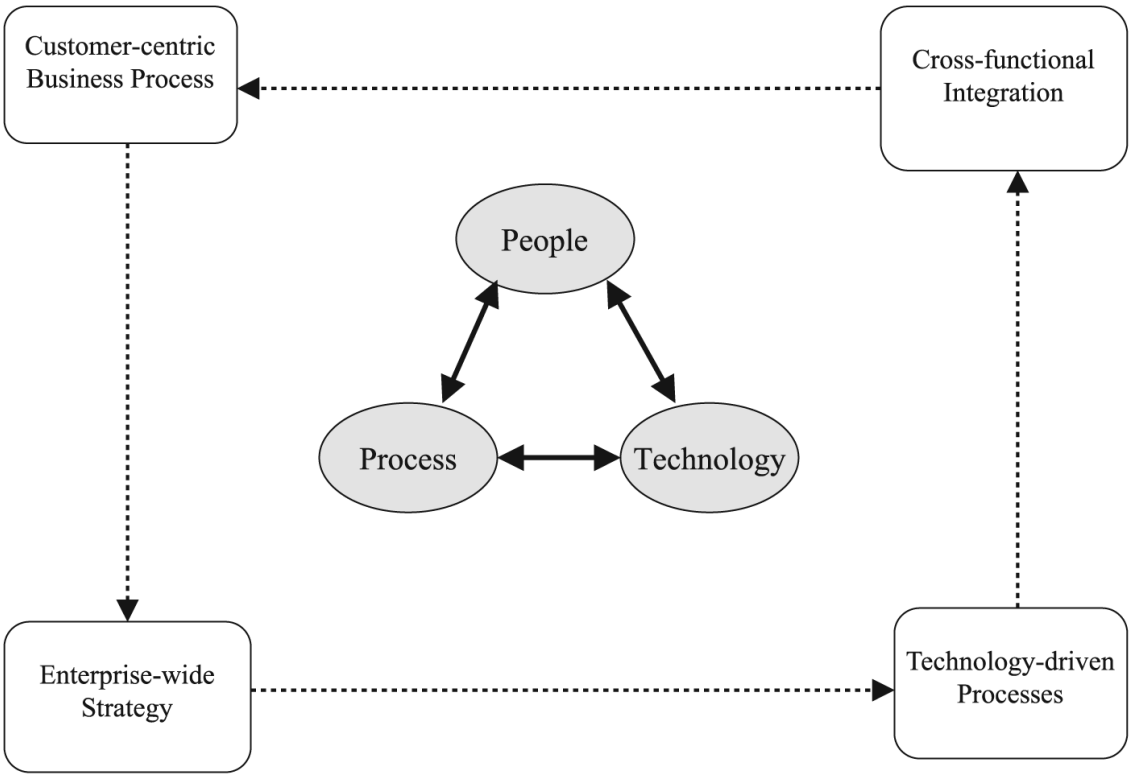

Figure 5: CRM Implementation Model

Source: I. J. Chen and Popovich (2003)

CRM is an application that creates a single storage of data on a customer, as pulled from the various touch points with the customer, enabling the organisation to single view of the customer profile and predict the customer's buying patterns (I. J. Chen & Popovich, 2003). Customers vary their needs and preferences. This intimate knowledge of the customer allows the company to interact better with its customers. The ability to tailor make a product or service maximises customer satisfaction, loyalty and long-term profitability (I. J. Chen & Popovich, 2003).

2.6 Conclusion of Literature Review

The literature review demonstrated that an abundance of research into the constructs presented in this study. The major findings, where that there was general consensus on the following:

- Client retention was key to the growth of a business
- New clients delivered lower margins than existing clients
- Satisfied customers tolerate price increases better
- Service quality was an antecedent of satisfaction
- Client satisfaction lead to higher loyalty, which improved client retention
- Service quality could be a differentiator
- The maximum value was derived during the lifetime of a client and the initial sale was the beginning of a journey

None of the literature reviewed suggested that neither one of the strategies factors considered were irrelevant.

2.6.1 *Research Question 1:*

There is correlation between overall client satisfaction and institutional client retention in the South African medical scheme intermediary services industry?

2.6.2 *Research Question 2:*

There is correlation between the net promoter score and institutional client retention in the South African medical scheme intermediary services industry?

2.6.3 *Research Question 3:*

There is a correlation between service quality and institutional client retention in the South African medical scheme intermediary services industry?

CHAPTER 3. RESEARCH METHODOLOGY

Chapter 2 was a review of academic literature relating to client retention with a specific focus on factors relating to satisfaction, service quality and net promoter score. This section described the methodology that was followed to address the research hypotheses put forward as possible solutions to sub-problems in the Literature Review section.

The literature around quantitative research is discussed, followed by a review of the research design and research instrument. The research data collection and analysis is provided, followed by a discussion on the validity and reliability of the study.

3.1 Research methodology / paradigm

The research paradigm used in the study was quantitative in nature. Moghaddam and Moballeghi (2008) described quantitative research as one that dealt with numbers and measurements. A quantitative study attempts to explain behaviour through objective facts, where bias and error is illuminated or minimised. Carr (1994) describes quantitative research approach as one that was systematic, formal and used numerical data to quantify or measure a phenomenon and then produce findings.

This paradigm was appropriate in this study in that data was used to draw conclusions about how certain variables relate to each other and collectively impact on overall satisfaction, willingness to refer the company to family and friends and service quality. Bryman (2012) confirmed that this paradigm was appropriate for this study in that it displayed the characteristics of quantitative research as identified. These characteristics are measurement, causality, generalisation and replication.

3.2 Research Design

The research design of the study was cross sectional in that it relied on interviewing a large number of people completing a survey (Bryman, 2012). The study supported elements of cross sectional design in that it displayed the following (Bryman, 2012):

- There was variation in the cases that were included in the data. The variation related to organisations, gender, location and industry.
- The data was collected at a point in time, from 14 May 2015 – 21 May 2015. The answers to the survey by any individual participant were collected simultaneously.
- In the main, the responses were quantifiable.
- It was possible to examine the relationships between the various variables.

The study was based on secondary data collected through a corporate programme instituted by Alexander Forbes Health (Pty) Ltd, a subsidiary of a large financial services company that offered medical scheme intermediary services. Bryman (2012) described secondary data as data which was not collected by the researcher and was most probably collected for purposes other than the one for which it was used. The purpose for which the company had collected the data was to determine its clients' levels of satisfaction with services being delivered. The clients were requested to respond to specific questions including the overall experience with the company, the likelihood of referring the company to family and friends, the ease of access to the company, the quality of advice and service quality, thought leadership, value for money and whether client trust that the company treats customers fairly. The surveys were completed telephonically and results captured through Computer Assisted Telephone Interviewing (CATI). Through the telephone interview, an independent company engaged a decision maker at a client and requested them to complete the survey. A total of 71 interviews were completed.

The advantage of the approach was that there was some distance between the company and the client, which removed the emotions from the feedback. The client was likely to be more frank with an independent person.

3.3 Population and sample

3.3.1 *Population*

The population for the study was all South African organisations that offer a medical scheme benefit to employees and where the employer had opted to appoint a medical scheme intermediary to deliver relevant services.

3.3.2 *Sample and sampling method*

A non-probability approach to sampling focused on strategic participants (Bryman, 2012) and was used to select the sample for the study. At the start of the programme the sample comprised of only large clients for the selected financial services company. The sample was then expanded to include any one of the company's 179 clients, which management identified as key to the company's retention strategy. The study considered all 179 clients but received completed surveys from 71 clients.

The structure of participation was through telephonic interviews and the profile of respondents included HR Managers/Directors, Finance Managers/Directors, Benefit and Remuneration Managers/Co-ordinators, Payroll Managers and other relevant decision makers. These participants were selected based on their role and influence to the decision to terminate services or remain a client.

The anonymity of the participants and related companies was protected, in line with the University of the Witwatersrand's code of ethical research practice.

3.4 The research instrument

The study was secondary analysis of data (Bryman, 2012) gathered through a client satisfaction programme that the company had implemented. The research instrument used in the study was a questionnaire with a combination of close and open ended questions, administered uniformly.

The research instrument was developed by an external market research company that Alexander Forbes Health had appointed to conduct a survey of their clients. The aim of the project had been to establish the level of satisfaction with services delivered by the company to its clients and what in the company's approach was most valued by its clients. With guidance from their appointed provider, management developed the specific questions included in the research instrument. The items included in the survey where those factors that management had identified and important.

The advantage of using this approach was that the data was already collected and readily available. Relevant variables for purposes of this study were identified in the data and there was confidence that these would suffice for the purposed of the study.

Appendix A is a sample of the questionnaire used in the collection of data;

3.5 Procedure for data collection

The data was stored by the client and permission for it to be used for purposes of this study was granted by the company.

3.6 Data analysis and interpretation

Stepwise was the model applied in the data analysis. The Stepwise regression model is appropriate when there are numerous variables and a need to establish the significance of each variable. This study identified dependable variables and the model would then assist in determining the significance of each independent variable. The Stepwise model applied forward selection techniques in that variables were added one at a time into the model, and that specific variable's significance was assessed. If an additional variable was found to be statistically insignificant to the performance of the dependent variable, that variable did not remain in the model but was eliminated. Once variables were eliminated from the model, they could not be added back on.

- Appendix C is the data analysis provided by Stepwise model.

3.6.1 *Data cleaning*

The data was checked for obvious errors and prepared for analysis. Categorical variables, such as gender and industry, were given special attention to ensure accuracy. Missing data was identified and completed. The missing data was identified was in the variable ‘location’ and information with regards to this was obtained with reference to the telephone number and/or research on internet.

3.6.2 *Performance of initial regression analysis*

The next step followed in the data analysis was to run an initial regression analysis. The intention of the initial regression analysis was to determine the extent to which the regression fits. Regression will apply if a straight line drawn through the data is able to represent the shape of the data (G. J. Lee, 2015).

The data made a possible straight line for all three dependent variables, thus the possible regression fit. The best fitting line through the data appeared to be upward slopping.

3.6.3 *Checking of data to ensure fit to straight line*

The dependent variables in the data were interval or ratio in nature and the intention was to understand how this dependent variable reacted to changes in the independent variables.

The study also analysed the extent to which the suggested model was unable to explain the variances in the dependent variables.

3.7 Limitations of the study

The limitations of the study were:

- The questionnaire did not specifically ask the client about their intention to terminate or retain service and this was inferred in the overall rating of satisfaction that the client gave.

- The data was limited to one company and excluded views from external clients.
- The results were applicable to a South African context only.
- When compared to electronic surveys, the disadvantage of this personal interview was the amount of time that each interaction took, thus reducing the possible number of interactions.

3.8 Validity and reliability

3.8.1 *External validity*

External validity is concerned with whether the study can be generalised and become applicable beyond the confirms of the environment within which it were set (Bryman, 2012). The data was specific to one financial services company in South Africa, with a specific target market and as such may be limited in its relevance to a different company. The results may differ in another context given that the profiles of clients of another company may differ with those used in this study.

3.8.2 *Internal validity*

Internal validity refers to the extent to which the results of the study were as a result of the factors being investigated and not as a result of some external force (Bryman, 2012). The results are expected to be internal valid. The interviews included a number of key contact people as this moderated extreme views of any particular individual.

3.8.3 *Reliability*

Reliability is concerned with whether the results of the study are consistent and repeatable (Bryman, 2012). The data in the study was collected in a period of one month and the sample size was acceptable for purposes of the study. The results of the study were therefore expected to be reliable.

CHAPTER 4. PRESENTATION OF RESULTS

4.1 Introduction

The earlier chapters discussed the literature on factors influencing client satisfaction and ultimately retention. The study then explained the methodology that was applied in the research. This chapter presents the results of the study, starting with the demographic profile of respondents and presentation of three variables that were found to be significant in proving the hypotheses. The data used was provided by one of the companies that provide medical scheme intermediary services in South Africa. The sample comprised of 71 responses.

The intention of the study was to establish if the outcome of some of the variables in our data was dependent on other variable and if so, the extent of the dependency.

4.2 Demographic profile of respondents

4.2.1 *Gender*

There were 71 respondents to the study. These respondents are the decision makers or influencers in relation to the decision to retain or terminate services. Gender is only relevant to this study to the extent that decision makers were male or female. The majority of respondents were females (65%) and males made up the balance of respondents (35%). The understanding of this demographic profile is relevant in that traditionally, loyalty programs have proven to attract more females than males (Olivier & Burnstone, 2014).

4.2.2 *Industry*

The top five industries represented in the sample were manufacturing (28%), services (10%), government (9%), pharmaceutical (7%) and travel (7%).

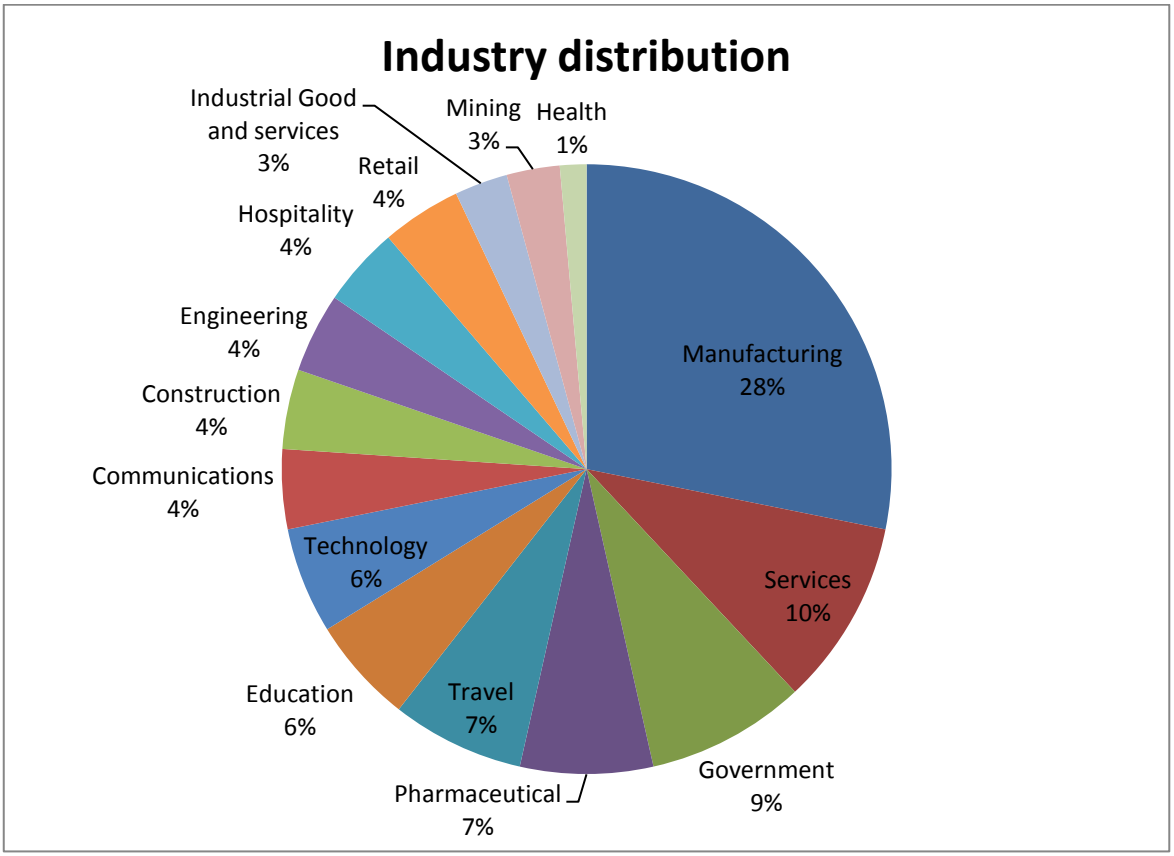

Figure 6: Industry distribution

4.2.3 *Location of head-office*

All the companies in the study had their head-office based in Gauteng Province, with the majority (82%) based in Johannesburg and the balance based in Pretoria (18%).

Table 1: Location distribution

Location distribution		
Location	**Frequency**	**Percentage**
Johannesburg	58	82%
Pretoria	13	18%
Grand total	**71**	**100%**

4.3 Results pertaining to overall experience of the company

The results of the variable 'overall experience of the company' were found to be dependent on the following three variables:

1. How easy was it to deal with Company
2. The extent to which the Company took ownership of the contractual arrangements
3. The extent to which the client's expectations were met by the team.

Table 2: Drivers of 'Overall Experience'

Stepwise Selection Summary				
Step	**Effect Entered**	**Effect Removed**	**Number Effects In**	**SBC**
0	**Intercept**		1	44.6862
1	**Easy_to_deal_with**		2	-27.5982
2	**Ownership_contractual_arrangements**		3	-32.7966
3	**Expectations_met**		4	-36.2204*
*** Optimal Value of Criterion**				

Table 2 above illustrates the order in which the three most significant variables were introduced into the model.

Table 3: Analysis of variance of 'overall experience'

Analysis of Variance					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	3	91.93672	30.64557	61.24	<.0001
Error	67	33.52807	0.50042		
Corrected Total	70	125.46479			

The ANOVA p-value in this analysis was less than .0001 which was less than the suggested .05 and .01 and therefore suggests a good fit. There was a 95% and even a 99% confidence in the result of the statistic.

Table 4: Statistical results for 'overall experience'

Root MSE	0.70740
Dependent Mean	8.43662
R-Square	0.7328
Adj R-Sq	0.7208

The R-square was 0.7328, which was between the typical 0 and 1. At 0.7328, the R-squared was closer to one, indicating that more of the variance was accounted for by the line.

The Adjusted R-squared was 0.7208, which was similar to the raw R-squared.

Table 5: Parameter estimates for 'overall experience'

Parameter Estimates					
Parameter	**DF**	**Estimate**	**Standard Error**	**t Value**	**Pr > |t|**
Intercept	1	0.974828	0.594132	1.64	0.1055
Easy_to_deal_with	1	0.530275	0.096062	5.52	<.0001
Expectations_met	1	0.461262	0.166654	2.77	0.0073
Ownership_contractual_arrangements	1	0.302622	0.094704	3.20	0.0021

The three most significant variables were ‘Easy to deal with’, ‘Expectations met’ and ‘Ownership of contractual arrangements’ with respective p-values of less than .0001, .0073 and .0021. The variable ‘Easy to deal with’ has a higher parameter estimate of .530275 indicating that the dependent variable is more sensitive to it.

4.4 Results pertaining to Net Promoter Score

The results of the variable ‘likelihood to refer company services to family and friends’ were found to be dependent on the following three variables:

- How easy was it to deal with Company
- The extent to which the Company understood the client’s health care needs
- The ease with which the client to understood the information that was communicated by the company.

Table 6: Drivers of Net Promoter Score

Stepwise Selection Summary				
Step	**Effect Entered**	**Effect Removed**	**Number Effects In**	**SBC**
0	**Intercept**		1	77.8629
1	**Easy_to_deal_with**		2	5.5851
2	**Understood_needs**		3	1.6024
3	**Understandable**		4	-1.4786*
*** Optimal Value of Criterion**				

Table 6 above illustrates the order in which the three most significant variables were introduced into the model.

Table 7: Analysis of variance

Analysis of Variance					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	3	145.50597	48.50199	59.42	<.0001
Error	67	54.69121	0.81629		
Corrected Total	70	200.19718			

The ANOVA p-value in this analysis was .0001 which was less than the suggested .05 and .01 and therefore suggests a good fit. There was a 95% and even a 99% confidence in the result of the statistic.

Table 8: Statistical results for Net Promoter Score

Root MSE	0.90349
Dependent Mean	8.64789
R-Square	0.7268
Adj R-Sq	0.7146

The R-square was 0.7268, which was between the typical 0 and 1. At 0.7268, the R-squared was closer to one, indicating that more of the variance is accounted for by the line.

The Adjusted R-squared was 0.7146, which was similar to the raw R-squared.

Table 9: Parameters Estimates for Net Promoter Score

Parameter Estimates					
Parameter	**DF**	**Estimate**	**Standard Error**	**t Value**	**Pr > |t|**
Intercept	1	0.902276	0.878429	1.03	0.3080
Easy_to_deal_with	1	0.886310	0.130035	6.82	<.0001
Understood_needs	1	0.453288	0.114029	3.98	0.0002
Understandable	1	-0.445849	0.165003	-2.70	0.0087

The three most significant variables were ‘Easy to deal with’, ‘Understood needs’ and ‘Understandable communication’ with respective p-values of less than .0001, .0002 and .0087. The variable ‘Easy to deal with’ has a higher parameter estimate of .886310 indicating that the dependent variable is more sensitive to it.

4.5 Results pertaining to service quality

The results of the variable 'likelihood service quality' were found to be dependent on the following three variables:

- How easy was it to deal with Company
- The professionalism of the team in dealing with client's requests
- How easily accessible the consultant was for the client.

Table 10: Drivers of Service Quality

Stepwise Selection Summary				
Step	**Effect Entered**	**Effect Removed**	**Number Effects In**	**SBC**
0	**Intercept**		1	25.2632
1	**Easy_to_deal_with**		2	-53.9384
2	**Professional**		3	-64.7806
3	**Accessibility**		4	-67.8079*
*** Optimal Value of Criterion**				

Table 10 above illustrates the order in which the three most significant variables were introduced into the model and their respective SBC values.

Table 11: Analysis of variance

Analysis of Variance					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	3	73.94875	24.64958	76.86	<.0001
Error	67	21.48787	0.32071		
Corrected Total	70	95.43662			

The ANOVA p-value in this analysis was .0001 which was less than the suggested .05 and .01 and therefore suggests a good fit. There was a 95% and even a 99% confidence in the result of the statistic.

Table 12: Statistical results for Service Quality

Root MSE	0.56632
Dependent Mean	8.74648
R-Square	0.7748
Adj R-Sq	0.7648

The R-square was 0.7748, which is between the typical 0 and 1. At 0.7748, the R-squared is closer to one, indicating that more of the variance is accounted for by the line.

The Adjusted R-squared was 0.7648, which was similar to the raw R-squared.

Table 13: Parameter estimates for Quality Service

Parameter Estimates					
Parameter	**DF**	**Estimate**	**Standard Error**	**t Value**	**Pr > |t|**
Intercept	1	2.076087	0.456275	4.55	<.0001
Easy_to_deal_with	1	0.364084	0.087220	4.17	<.0001
Professional	1	0.232168	0.080377	2.89	0.0052
Accessibility	1	0.168596	0.062637	2.69	0.0090

The three most significant variables were ‘Easy to deal with’, ‘Professional’ and ‘Accessibility’ with respective p-values of less than .0001, .0052 and .0090. The variable ‘Easy to deal with’ has a higher parameter estimate of .364084 indicating that the dependent variable is more sensitive to it.

4.6 Conclusion

The results of the study were presented and included the demographic profile of respondents and the impact that changes on significant independent variables has on the dependent variables. Having identified significant variables, two measures of global fit, the R-square statistic and the ANOVA F-statistic, were utilised in diagnosing a possible regression fit.

The findings are discussed in the next chapter.

CHAPTER 5. DISCUSSION OF THE RESULTS

5.1 Introduction

This chapter will discuss and interpret research findings contained in the previous chapter and link these to the literature review presented in chapter 2. The format will follow sections as presented in Chapter 4.

To the extent that pertinent findings are not addressed by this study, these could be suggested as areas for future research.

5.2 Discussion pertaining to the research problem

The main problem was the rate of churn and ease of defection to other service providers in the South African medical scheme intermediary market. The literature review confirmed that it would be difficult for a company to grow if it was continuously losing customers. Similarly, that newly acquired customers generated lower profit margins and were not as profitable as existing clients. The literature review confirmed that there indeed was a problem for which a solution was sought.

Effective strategies for institutional client retention would need to respond to client needs. The literature review confirmed that factors that influence client retention were numerous with many researchers focusing on satisfaction, loyalty, prices, quality service and professionalism (Lee et al., 2001; Capraro et al., 2003); Bell et al., 2005; Gerpott et al., 2001; Gounaris, 2005; and Parasuraman et al., 1985).

The study revealed three dependent variables and below we discuss findings on each:

5.3 Discussion pertaining to sub-problem 1: Overall experience of the company

The literature reviewed indicated a very strong relationship between client satisfaction and client retention (Rauyruen & Miller, 2007; Naumann, Williams and Khan, 2009; Lee, et al 2001; Bell, Auh, & Smalley, 2005; Gerpott, et al. 2001; Yang, & Peterson, 2004; Caruana, 2002). This study and research instrument explored this relationship in the question 'Please rate your overall experience with the company?'

The results of the variable 'overall experience of the company' were found to be dependent on the following three variables:

1. How easy was it to deal with Company
2. The extent to which the Company took ownership of the contractual arrangements
3. The extent to which the client's expectations were met by the team.

The ANOVA p-value in this analysis was .0001 which was less than the typically suggested .05 and .01 and suggests a good fit. Typically a good ANOVA score is less than .05 and even better if less than .01. The lower the p-value, the greater the confidence in the accuracy of the statistic. There was a 99% confidence in the result of the statistic. We could therefore conclude that the data fit a straight line statistical model applied was relevant.

The R^2 was 0.7328, which was between the typical 0 and 1. At 0.7328, the R^2 was closer to one, indicating that more of the variance was accounted for in the line. The Adjusted $R^2$was calculated to deduct if the small sample size impacted on the raw R^2. The Adjusted R-squared was 0.7208, which was similar to the raw R^2.

The three most significant variables were 'Easy to deal with', 'Expectations met' and 'Ownership of contractual arrangements' with respective p-values of less than .0001, .0073 and .0021. The variable 'Easy to deal with' has a higher

parameter estimate of .530275 indicating that the dependent variable is more sensitive to it.

Anderson et al. (1994) refers to the correlation between satisfaction and expectations, which is illustrated in this finding and concluded that there is a positive correlation between these two variables.

Parasuraman et al. (1985) model identifies ‘access’ as one of the ten determinants of service quality. In this, ease of access referred to the manner in which clients are able to access the service. The company that the study was based on had direct telephone contact, call centre, website and email as the most frequently used modes of contact. These were complemented by scheduled meetings to discuss specific client issues and seminars for issues affecting all clients.

5.4 Discussion pertaining to sub-problem 2: Referring company services to family and friends

The results of the variable ‘likelihood to refer company services to family and friends’ were found to be dependent on the following three variables:

1. How easy was it to deal with Company
2. The extent to which the Company understood the client’s health care needs
3. The ease with which the client to understood the information that was communicated by the company.

The ANOVA p-value in this analysis was .0001 which was less than the suggested .05 and .01 and therefore suggested a good fit. Typically a good ANOVA score was less than .05 and even better if less than .01. It was therefore concluded that the data fit a straight line and the model appropriate.

The R^2 was 0.7268, which was between the typical 0 and 1. At 0.7268, the R^2 was closer to one, indicating that more of the variance was accounted for in the regression line. The Adjusted R^2 was calculated to deduct if the small sample

size impacted on the raw R^2. The Adjusted R^2 was 0.7146, which was similar to the raw R^2.

The three most significant variables were ‘Easy to deal with’, ‘Understood needs’ and ‘Understandable communication’ with respective p-values of less than .0001, .0002 and .0087. The variable ‘Easy to deal with’ has a higher parameter estimate of .886310 indicating that the dependent variable is more sensitive to it.

5.5 Discussion pertaining to sub-problem 3: Service quality

The results of the variable ‘service quality’ were found to be dependent on the following three variables:

1. How easy was it to deal with Company
2. The professionalism of the team in dealing with client’s requests
3. How easily accessible the consultant was for the client.

The ANOVA p-value in this analysis was .0001 which was less than the suggested .05 and .01 and therefore suggests a good fit. Typically a good ANOVA score was less than .05 and even better if less than .01. It could therefore be concluded that the data fit a straight line sufficiently to continue.

The R-square was 0.7748, which was between the typical 0 and 1. At 0.7748, the R-squared was closer to one, indicating that more of the variance is accounted for by the line. The Adjusted R-squared was calculated to deduct if the small sample size impacted on the raw R-square. The Adjusted R-squared was 0.7648, which was similar to the raw R-squared.

The three most significant variables were ‘Easy to deal with’, ‘Professional’ and ‘Accessibility’ with respective p-values of less than .0001, .0052 and .0090. The variable ‘Easy to deal with’ has a higher parameter estimate of .364084 indicating that the dependent variable is more sensitive to it.

Many companies still experienced client defection even though they believed their clients were satisfied with their service (Trasorras et al., 2009).

5.6 Conclusion

Customers that are satisfied are more likely to remain customers and not defect to other service providers (Verhoef, 2003). The findings of the result indicate that there are significant drivers to each of the dependent variables. The variable ‘Easy to deal with’ is the most significant for all three hypotheses. This suggests that ease with which the client interacts with the company is of great importance in client retention.

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

In this chapter we conclude our research study, make recommendations on how companies in the medical scheme industry can improve client retention and also make recommendation on areas for future research. This study contributed to the understanding of effective strategies to retain institutional clients in the South African medical scheme industry. The focus of this study was twofold. Firstly, it sought to identify the dependent and independent factors determining client retention. Secondly, it identified several strategies for possible deployment by a company seeking to improve institutional customer retention in the South African Medical Scheme industry.

6.2 Main findings of the research

Client retention was an outcome based on other factors as proven by Trasorras et al. (2009) in a study that found a significant relationship between client retention and service quality, price and satisfaction. Based on this understating, this study found the relevance of each of these factors to be:

- Service quality was a significant and dependent factor as per results of the survey.
- Price was not a significant factor in medical scheme intermediary services. This was because the levels of commission payable were regulated.
- Customer satisfaction was understood to be a direct determining factor in customer loyalty, which in turn was a central determinant of customer retention (Gerpott et al., 2001).

The ease of interaction was the most significant variable influencing all three dependent variables: overall client satisfaction, net promoter score and service quality. Below we present a summary of the main findings relating to each of the dependent factors:

6.2.1 *Overall experience with the company*

The level of comfort in dealing with the company was a significant contributor to the overall experience with the company.

The extent to which the Company took ownership of the reason for contact contributed significantly to overall satisfaction.

The extent to which the client's expectations were met by the team also had a significant impact.

6.2.2 *Service quality*

All three significant drivers of service quality were identified in Parasuraman et al. (1985) conceptual model of service quality.

The level of comfort in dealing with the company was again a significant contributor to clients determining quality of service.

The professionalism of the team in dealing with client's requests was a significant driver of service quality. Professionalism in this instance referred to how the company's employees applied their knowledge and skills about products and services.

Technology must enable ease of interaction and access. Ease of access to employees was found to be a significant driver of quality service. Ease of access referred to ease of contact and willingness to deliver the service.

6.2.3 *Likelihood to refer family and friends*

The level of comfort in dealing with the company was again a significant contributor to the likelihood that a client would refer the company to family and friends.

'Understanding' was another significant driver of whether clients will refer services of the company to family and friends. There were two aspects to 'understanding':

- There was an understanding of the client's health care needs; and
- The client's ability to understand information that was communicated by the company.

Both these aspects of 'understanding' were found to be significant drivers of the likelihood that a client would refer family and friends to the company.

6.2.4 *Client retention strategies discussed in this study included:*

- **Loyalty programs**: given these were intermediary companies and not the owners of the underlying products, it would be difficult to design loyalty programs as discussed in the literature review contained in chapter 2 of this study. Also, Olivier and Burnstone (2014) gave insight that the trend was towards South African loyalty programs giving richer and richer benefits, indicative of an industry that was becoming increasingly competitive, with customers demanding more and more.

- **Switching costs:** these may be effective to the extent that they are structured taking into account factors that are significant as identified above.

- **Client Relationship Management:** Olivier and Burnstone (2014)suggested that winning companies are those able to collect, store, analyse and use customer data well. Customers vary in their needs and preferences and the ability to store and use information is greatly empowering for a company.
- **Price equity strategies:** given that prices are regulated, there is limited applicability of strategies focusing on pricing.

6.3 Recommendations

For companies with high acquisition costs such as experienced by South African medical scheme brokerages, the ability to retain clients in the face of stiff competition is a major concern. Companies will only continue to invest in client retention strategies if they are able to prove effectiveness through traditional accounting methods (Anderson et al., 1994). Even with good service some clients will still defect.

The benefits of efforts to improve client retention relate to financial performance in future periods. Therefore such expenditure should be viewed as an investment and not an expense.

For an institutional client retention strategy to be effective in the South African medical scheme industry, it must be biased on ease of access for clients. This was by far the most significant of the independent variables in this study.

6.4 Suggestions for future research

Although the sample size was found to be sufficient for purposes of this study, future researchers may wish to consider a larger sample. A more geographically diverse sample may also yield greater insight than was offered by this study.

The sample related to clients of the company at appoint in time. It will be useful to analyse of sample of clients who had recently made a decision to defect to another service provider. A study of that nature would offer insight lacking in this study.

Given that there are investment costs related to client retention strategies, the point of diminishing returns for efforts to enhance the scores of the dependent variables will be of interest to decision makers.

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APPENDIX A

Research Instrument

	KEY CONTACT - CATI		
	Question Summary	**Wording**	**Scale**
1	**Overall Experience**	**<title> <last name>, you recently interacted with <consultant_name> for your year-end consultation. Please rate your overall experience.**	**0 (Worst) - 10 (Best) Don't know**
2	**Net Promoter Score**	**Based on this experience, how likely are you to recommend Alexander Forbes to friends, family or colleagues?**	**0 (Extremely unlikely) - 10 (Extremely likely)**
3	**Client Effort Score**	**Please tell us how easy it was to deal with Alexander Forbes.**	**0 (Not at all) - 10 (Extremely) Don't know**
4	**Expectations**	**Based on your recent interaction, please tell us to what extent your expectations were met by Alexander Forbes.**	**Fell short of my expectations Met my expectations Exceeded my expectations Don't know**
5	**Ownership**	**Please tell us to what extent you felt Alexander Forbes took ownership of your requests throughout the year.**	**0 (Not at all) - 10 (Completely) Don't know**
6	**Understand**	**Please tell us to what extent you felt that Alexander Forbes understood what you were asking throughout the year.**	**0 (Not at all) - 10 (Completely) Don't know**
7	**Consultant Professionalism**	**Please rate how professional <consultant name> was during your year-end consultation.**	**0 (Not at all) - 10 (Extremely) Don't know**
8	**Information easy to understand**	**Please rate how easy to understand the information communicated to you was.**	**0 (Not at all) - 10 (Extremely) Don't know**
9	**Duration of Process**	**Please indicate the time taken to process your requests relative to your expectations throughout the year.**	**Quicker than I expected As much time as I expected Longer than I expected Don't know**
10	**Consultant Accessibility**	**Please rate how accessible <consultant name> was throughout the year.**	**0 (Not at all) - 10 (Extremely) Don't know**
11	**Consultant Knowledge**	**Please rate how knowledgeable <consultant name> was throughout the year.**	**0 (Not at all) - 10 (Extremely) Don't know**
12	**Value of Year-end Service**	**Please rate the value of the service and advice you received from <consultant name> during your year-end consultation.**	**0 (Worst) - 10 (Best) Don't know**
13	**Further Assistance**	**Do you require further assistance from Alexander Forbes?**	**Yes No**
14	**Improve experience**	**If there was one thing we could do to improve our service to you, what would it be? Alexander Forbes**	**Free comments**

APPENDIX B

Stepwise model results

Data Set	WORK.IMPORT
Dependent Variable	Overall_experience
Selection Method	Stepwise
Select Criterion	SBC
Stop Criterion	SBC
Effect Hierarchy Enforced	None

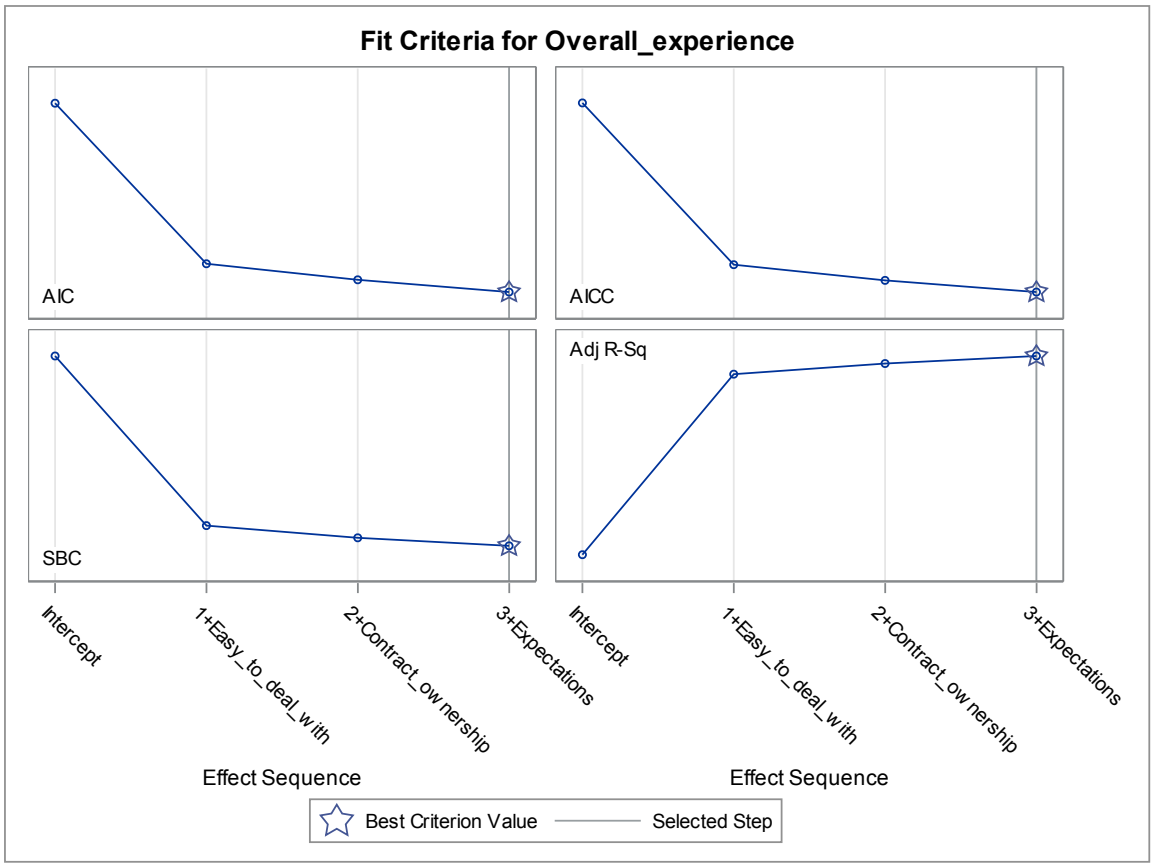
Number of Observations Read	71
Number of Observations Used	71

Dimensions	
Number of Effects	12
Number of Parameters	12

Stepwise Selection Summary				
Step	**Effect Entered**	**Effect Removed**	**Number Effects In**	**SBC**
0	**Intercept**		1	44.6862
1	**Easy_to_deal_with**		2	-27.5982
2	**Contract_ownership**		3	-32.7966
3	**Expectations**		4	-36.2204*
*** Optimal Value of Criterion**				

Selection stopped at a local minimum of the SBC criterion.

Stop Details				
Candidate For	**Effect**	**Candidate SBC**		**Compare SBC**
Entry	HR_support	-35.2939	>	-36.2204
Removal	Expectations	-32.7966	>	-36.2204



SELECTED MODEL

The selected model is the model at the last step (Step 3).

Effects:	Intercept Easy_to_deal_with Expectations Contract_ownership

Note: The p-values for parameters and effects are not adjusted for the fact that the terms in the model have been selected and so are generally liberal.

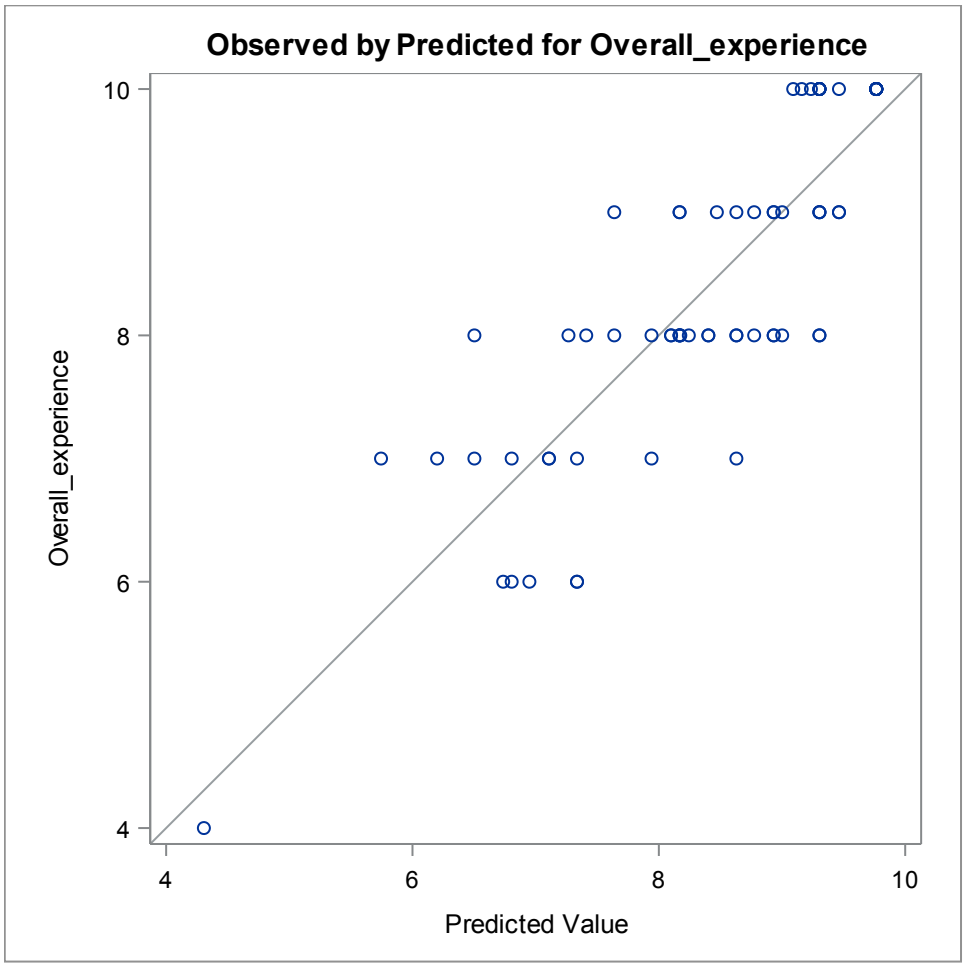
Analysis of Variance					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	3	91.93672	30.64557	61.24	<.0001
Error	67	33.52807	0.50042		
Corrected Total	70	125.46479			

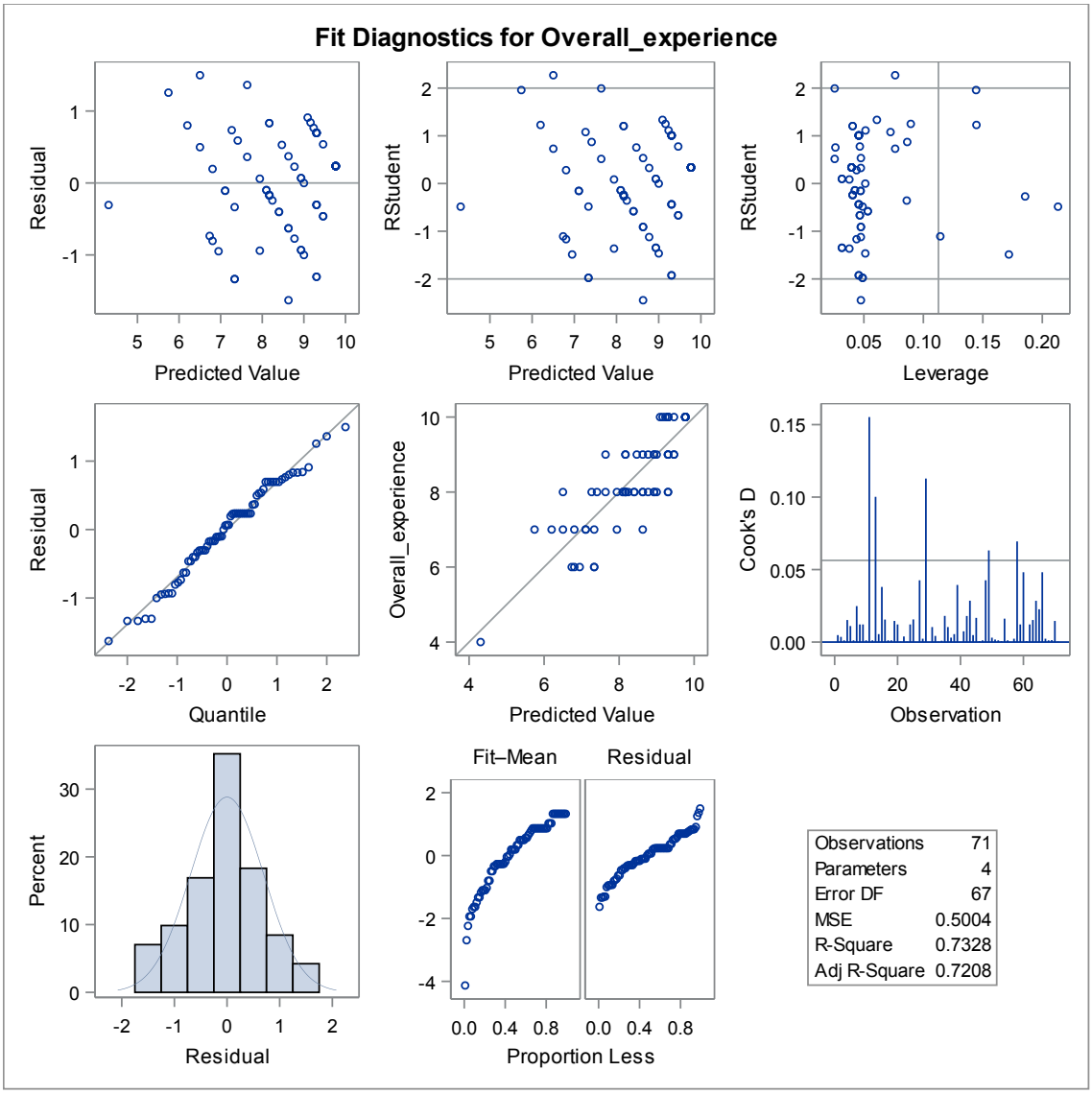
Root MSE	0.70740
Dependent Mean	8.43662
R-Square	0.7328
Adj R-Sq	0.7208
AIC	27.72892
AICC	28.65199
SBC	-36.22036

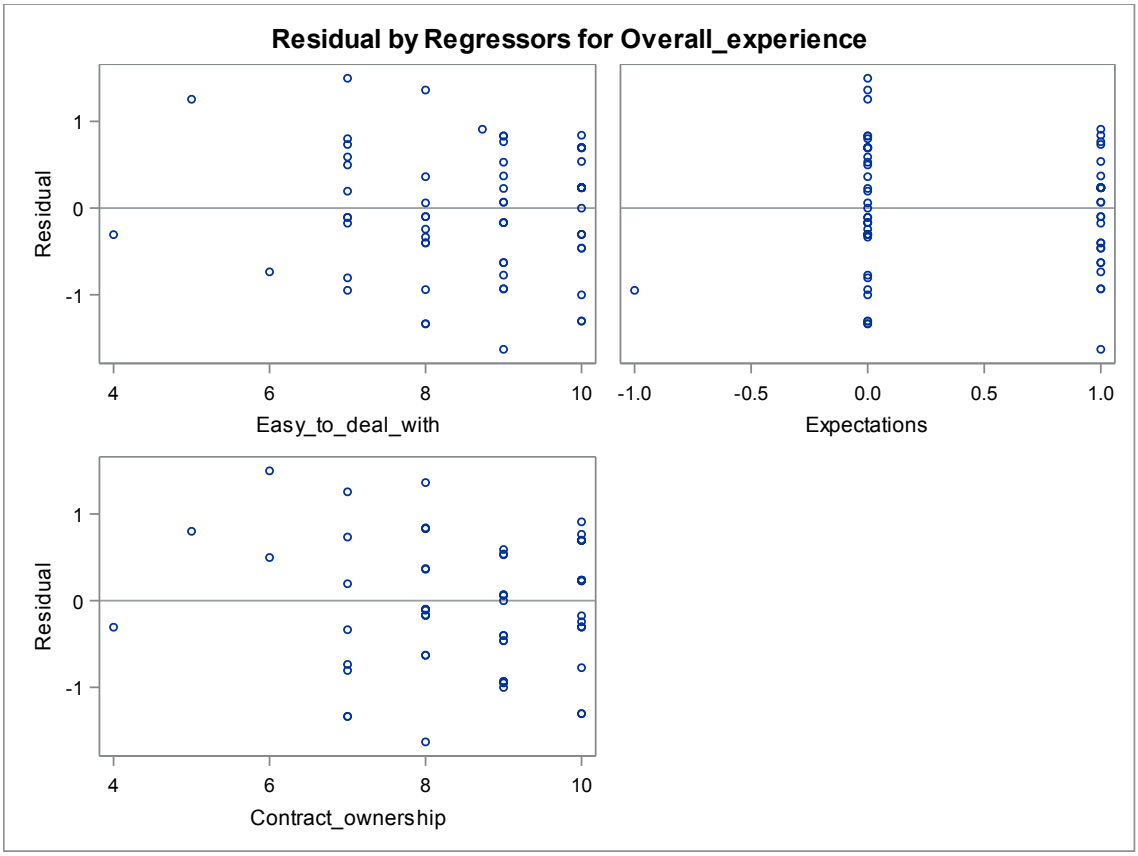
Parameter Estimates					
Parameter	**DF**	**Estimate**	**Standard Error**	**t Value**	**Pr > |t|**
Intercept	1	0.974828	0.594132	1.64	0.1055
Easy_to_deal_with	1	0.530275	0.096062	5.52	<.0001
Expectations	1	0.461262	0.166654	2.77	0.0073
Contract_ownership	1	0.302622	0.094704	3.20	0.0021

Model 1

Dependent variable 1: Overall Experience




Fit Diagnostics for Overall_experience
Residual
Predicted Value
RStudent
Predicted Value
RStudent
Leverage
Residual
Quantile
Overall_experience
Predicted Value
Cook's D
Observation
Percent
Residual
Fit–Mean
Residual
Proportion Less
Observations 71
Parameters 4
Error DF 67
MSE 0.5004
R-Square 0.7328
Adj R-Square 0.7208


Residual by Regressors for Overall_experience
Residual
1
0
-1
4
6
8
10
Easy_to_deal_with
-1.0
-0.5
0.0
0.5
1.0
Expectations
Residual
1
0
-1
4
6
8
10
Contract_ownership

Data Set	WORK.IMPORT
Dependent Variable	Net_promoter
Selection Method	Stepwise
Select Criterion	SBC
Stop Criterion	SBC
Effect Hierarchy Enforced	None

Number of Observations Read	71
Number of Observations Used	71

Dimensions	
Number of Effects	12
Number of Parameters	12

Stepwise Selection Summary

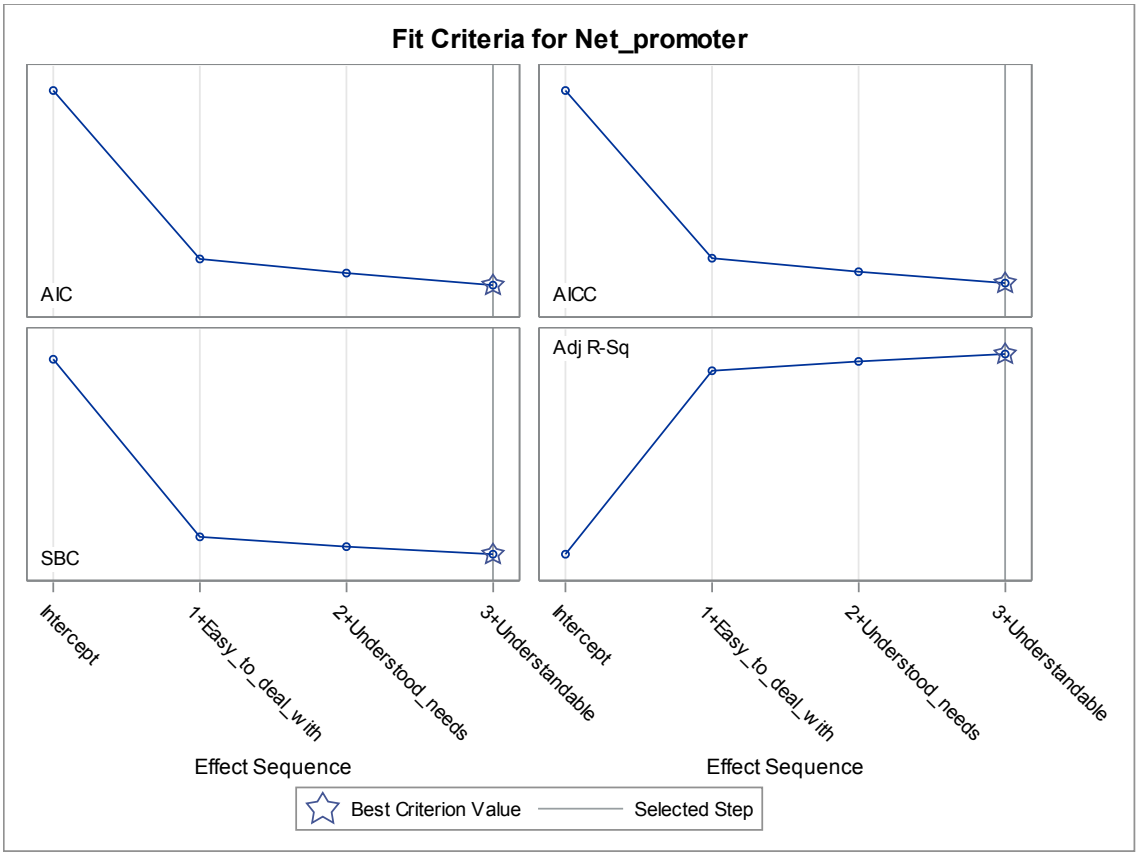
Step	Effect Entered	Effect Removed	Number Effects In	SBC
0	**Intercept**		1	77.8629
1	**Easy_to_deal_with**		2	5.5851
2	**Understood_needs**		3	1.6024
3	**Understandable**		4	-1.4786*

*** Optimal Value of Criterion**

Selection stopped at a local minimum of the SBC criterion.

Stop Details

Candidate For	Effect	Candidate SBC		Compare SBC
Entry	Expectations	-0.6755	>	-1.4786
Removal	Understandable	1.6024	>	-1.4786



The selected model is the model at the last step (Step 3)

Effects:	Intercept Easy_to_deal_with Understood_needs Understandable

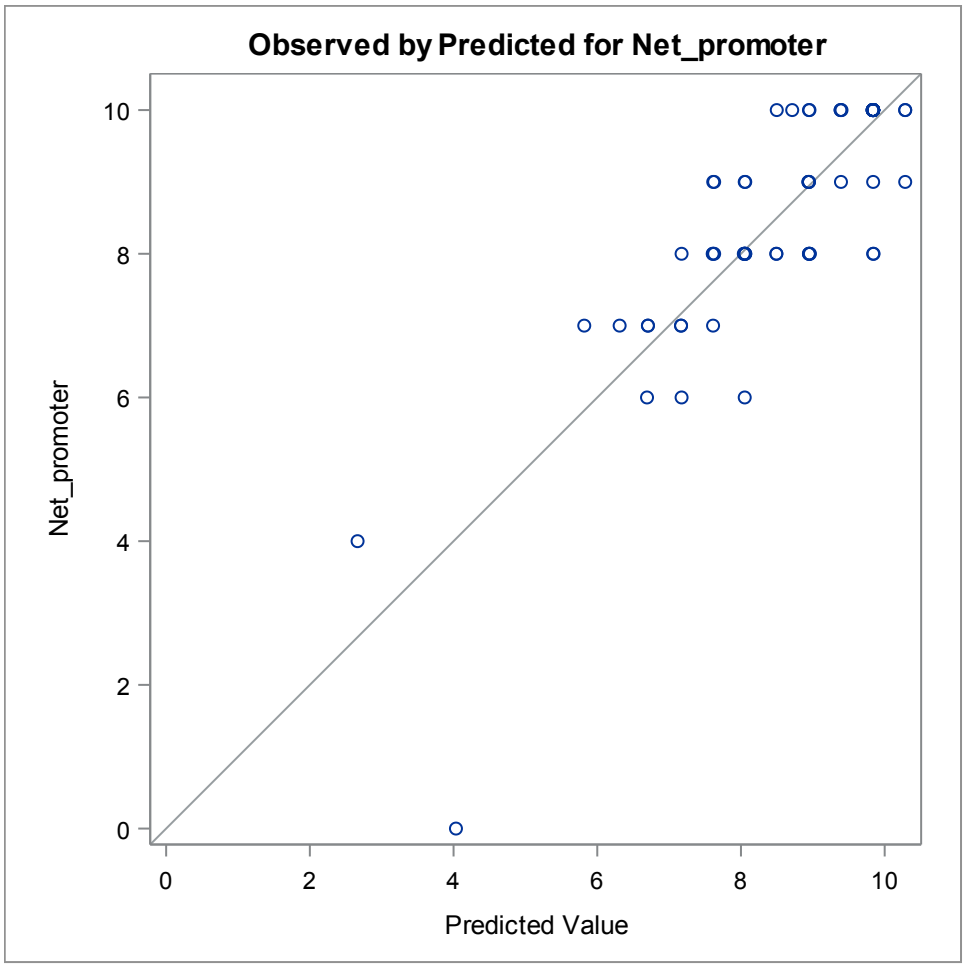
Note: The p-values for parameters and effects are not adjusted for the fact that the terms in the model have been selected and so are generally liberal.

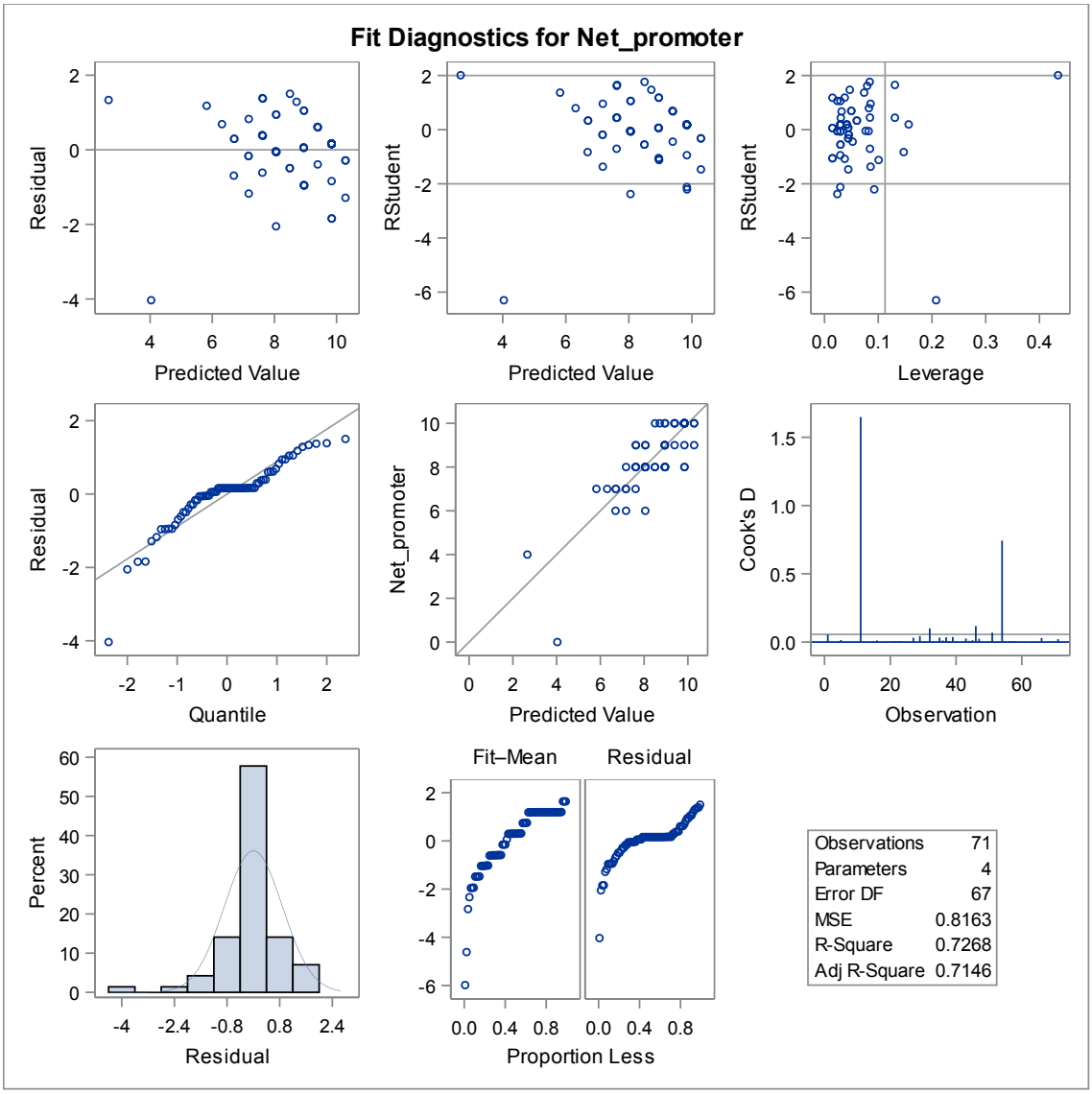
Analysis of Variance					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	3	145.50597	48.50199	59.42	<.0001
Error	67	54.69121	0.81629		
Corrected Total	70	200.19718			

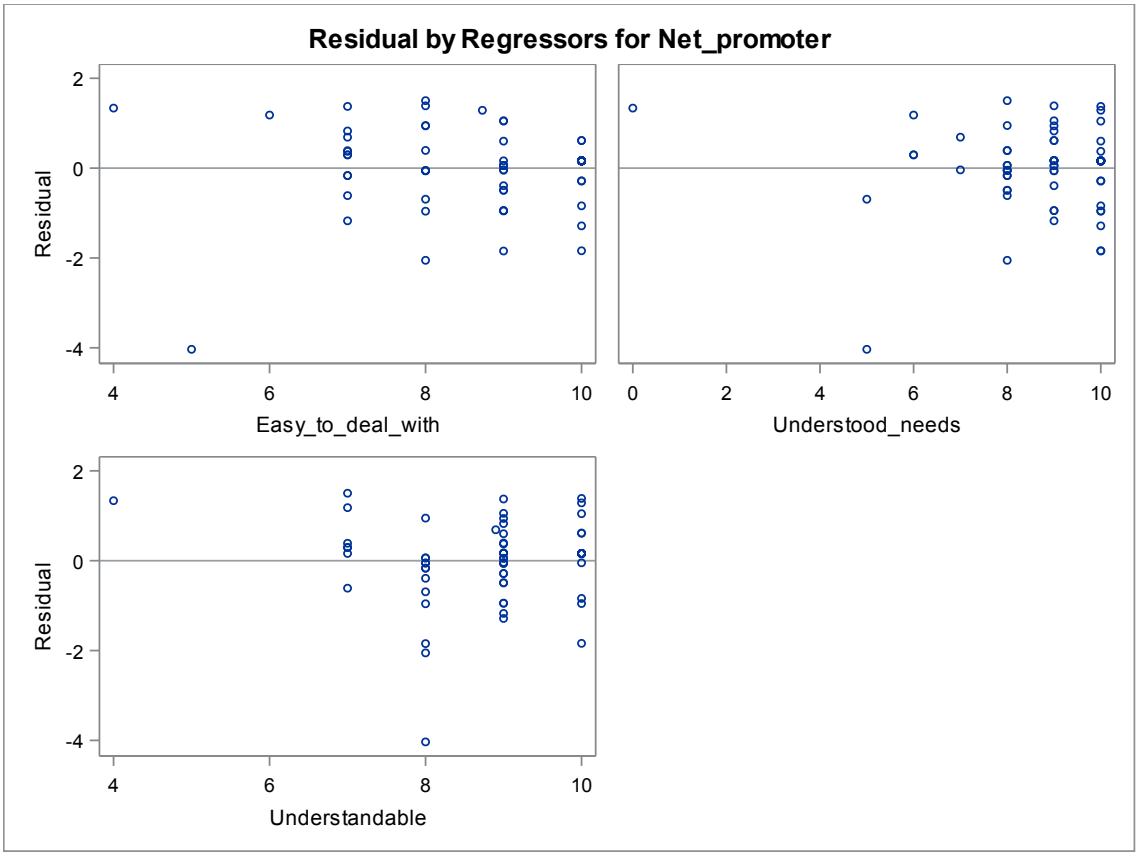
Root MSE	0.90349
Dependent Mean	8.64789
R-Square	0.7268
Adj R-Sq	0.7146
AIC	62.47065
AICC	63.39372
SBC	-1.47863

Parameter Estimates					
Parameter	**DF**	**Estimate**	**Standard Error**	**t Value**	**Pr > |t|**
Intercept	1	0.902276	0.878429	1.03	0.3080
Easy_to_deal_with	1	0.886310	0.130035	6.82	<.0001
Understood_needs	1	0.453288	0.114029	3.98	0.0002
Understandable	1	-0.445849	0.165003	-2.70	0.0087

Dependent variable: Net Promoter Score




Fit Diagnostics for Net_promoter
Residual
Predicted Value
RStudent
Predicted Value
RStudent
Leverage
Residual
Quantile
Net_promoter
Predicted Value
Cook's D
Observation
Percent
Residual
Fit–Mean
Residual
Proportion Less
Observations 71
Parameters 4
Error DF 67
MSE 0.8163
R-Square 0.7268
Adj R-Square 0.7146


Residual by Regressors for Net_promoter
Residual
2
0
-2
-4
4
6
8
10
Easy_to_deal_with
0
2
4
6
8
10
Understood_needs
Residual
2
0
-2
-4
4
6
8
10
Understandable

Data Set	WORK.IMPORT
Dependent Variable	Service_quality
Selection Method	Stepwise
Select Criterion	SBC
Stop Criterion	SBC
Effect Hierarchy Enforced	None

Number of Observations Read	71
Number of Observations Used	71

Dimensions	
Number of Effects	12
Number of Parameters	12

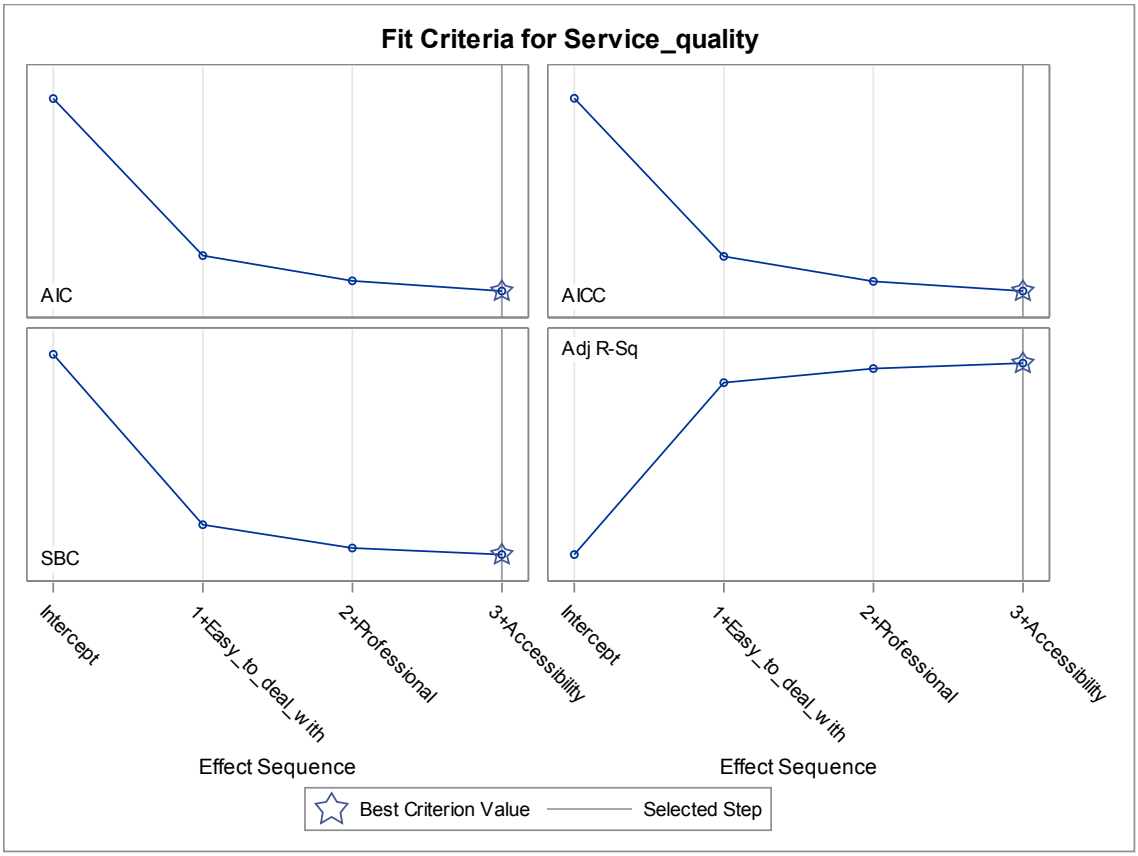
Stepwise Selection Summary

Step	Effect Entered	Effect Removed	Number Effects In	SBC
0	**Intercept**		1	25.2632
1	**Easy_to_deal_with**		2	-53.9384
2	**Professional**		3	-64.7806
3	**Accessibility**		4	-67.8079*

*** Optimal Value of Criterion**

Selection stopped at a local minimum of the SBC criterion.

Stop Details				
Candidate For	**Effect**	**Candidate SBC**		**Compare SBC**
Entry	Contract_ownership	-66.6733	>	-67.8079
Removal	Accessibility	-64.7806	>	-67.8079



The selected model is the model at the last step

Effects:	Intercept Easy_to_deal_with Professional Accessibility

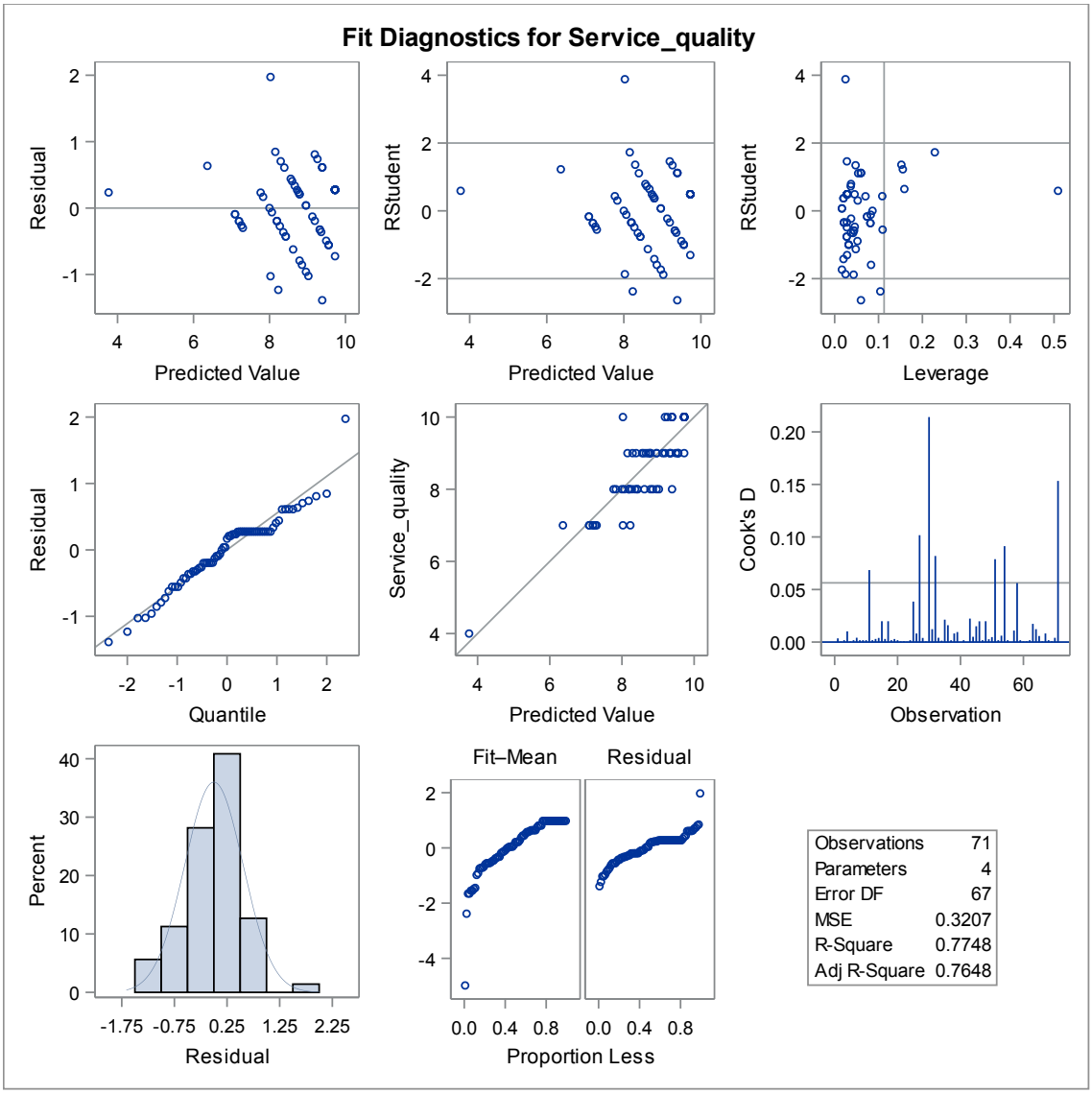
Note: The p-values for parameters and effects are not adjusted for the fact that the terms in the model have been selected and so are generally liberal.

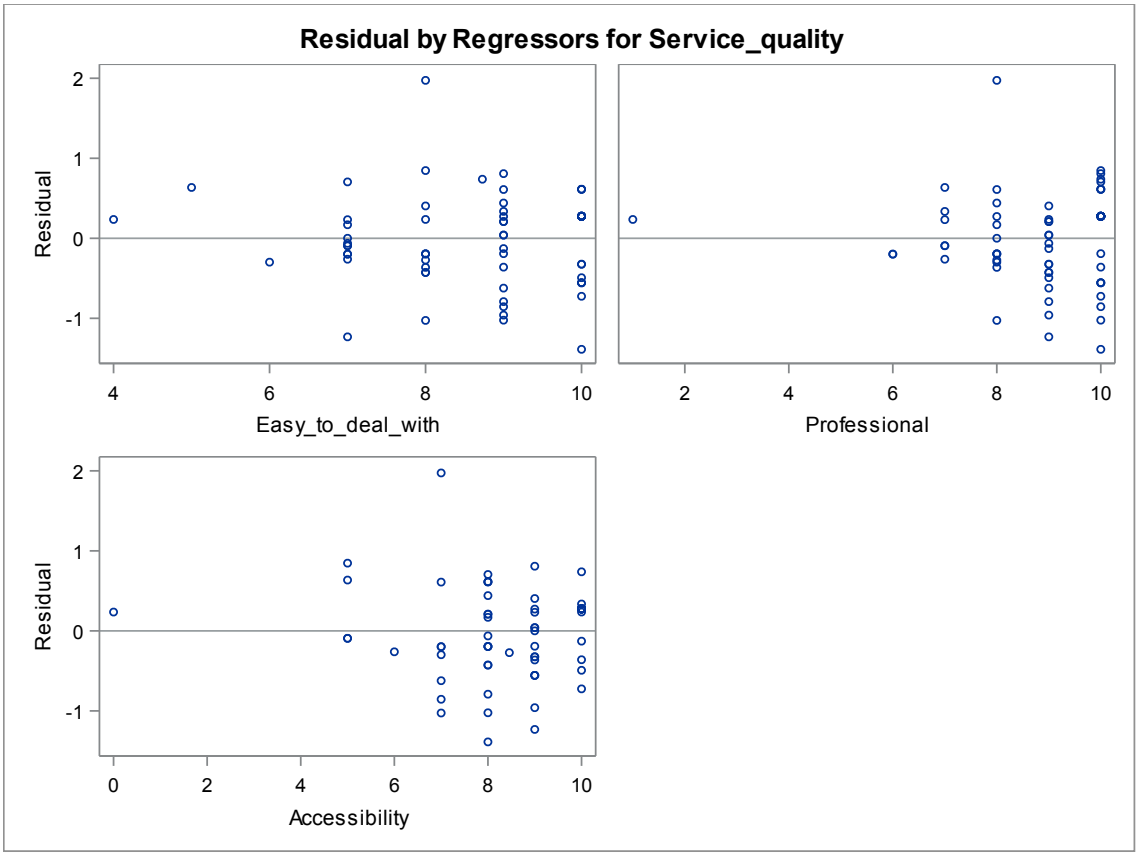
Analysis of Variance					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	3	73.94875	24.64958	76.86	<.0001
Error	67	21.48787	0.32071		
Corrected Total	70	95.43662			

Root MSE	0.56632
Dependent Mean	8.74648
R-Square	0.7748
Adj R-Sq	0.7648
AIC	-3.85857
AICC	-2.93550
SBC	-67.80785

Parameter Estimates					
Parameter	**DF**	**Estimate**	**Standard Error**	**t Value**	**Pr > |t|**
Intercept	1	2.076087	0.456275	4.55	<.0001
Easy_to_deal_with	1	0.364084	0.087220	4.17	<.0001
Professional	1	0.232168	0.080377	2.89	0.0052
Accessibility	1	0.168596	0.062637	2.69	0.0090

Dependent variable: Service quality


Fit Diagnostics for Service_quality
Residual
Predicted Value
RStudent
Predicted Value
RStudent
Leverage
Residual
Quantile
Service_quality
Predicted Value
Cook's D
Observation
Percent
Residual
Fit–Mean
Residual
Proportion Less
Observations 71
Parameters 4
Error DF 67
MSE 0.3207
R-Square 0.7748
Adj R-Square 0.7648


Residual by Regressors for Service_quality
Residual
Easy_to_deal_with
Professional
Residual
Accessibility