

**FACTORS AFFECTING THE RETIREMENT SAVING PLAN
PURCHASE BEHAVIOR: A CONCEPTUAL MODEL
FOR THAI CONSUMERS**

by

Suchanya Saichana
Kasetsart University, Thailand
Tel: +66-81255-5041
E-mail: suchanyapingpong@gmail.com

and

Thirarut Worapishet
Kasetsart University, Thailand
E-mail: fbusths@ku.ac.th

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Abstract

In this article, we examine factors that affect consumer attitudes and purchase intention toward retirement saving plan. Using factors identified from a focus group interview of existing customers and Theory of Reasoned Action as the conceptual framework, it is posited that intention to buy a retirement saving plan is determined by two attitudes (attitude toward the product and attitude toward the salesperson) and subjective norm. Attitude toward the product is determined by perceived benefits of the product (i.e., tax benefit, amount of annuity, length of annuity, life protection) and perceived disadvantages (i.e., low return, long-term commitment). Attitude toward the salesperson is determined by perceptions about the salesperson (i.e., expertise, empathy, likeability, trustworthiness). Finally, subjective norm is influenced by perceived approval or support of important others (i.e., parents, spouse/boyfriend-girlfriend, friends/colleagues). The theoretical contribution, managerial implications, and limitations and future research direction are also discussed.

Keywords: Retirement Saving Plan, Attitude toward Retirement Saving Plan, Attitude toward Salesperson, Subjective Norm, Purchase Intention

1. Introduction

As the world population is growing older and older, the saving for retirement is becoming more and more important problem for governments. As such, encouraging consumers to purchase a retirement saving plan is a challenge for both policy makers and retirement saving plan or pension plan providers especially in less developed countries. For example, according to SNL Financial LC (2014), Statista (2015), The Thai Life Assurance Association (2014), and Office of the National Economic and Social Development Board (2015), the retirement saving plan premium in the US in 2014 was US\$352.8 billion. This accounted for 2.03% of the US's 2014 GDP. According to the report from Office of Insurance Commission, the pension plan premium in Thailand in 2012, 2013, and 2014 were

3.910 billion Baht (US\$111.7 million), 4.433 billion Baht (US\$126.6 million) and 4.961 billion Baht (US\$141.7 million), respectively. These accounted for 0.034%, 0.037%, and 0.041% of Thailand's GDP in 2012, 2013 and 2014, respectively. Although the trend is quite promising (i.e., over 10% annual growth), the total amount of private annuity retirement saving plans held by Thai consumers are still very low compared to those of the US.

How can policy makers and retirement saving plan providers especially those in less developed countries such as Thailand motivate consumers to purchase their own individual retirement saving plans? The answer to this question relies on the understanding of the process by which the consumers in these countries use in their purchase decisions of retirement saving plan as well as the factors that can significantly affect their decision processes.

This article is an attempt to conceptualize the retirement saving plan purchase decision model for Thai consumers by (1) identifying factors that are likely to affect consumers' attitudes toward retirement saving plan, (2) relating these factors, attitudes, and purchase intention in a model, and (3) developing research propositions for future empirical research. This article would provide a conceptual model for empirical investigation. The findings from the empirical study would provide insights and managerial implications to both policy makers and retirement saving plan providers on how to effectively promote retirement saving plans.

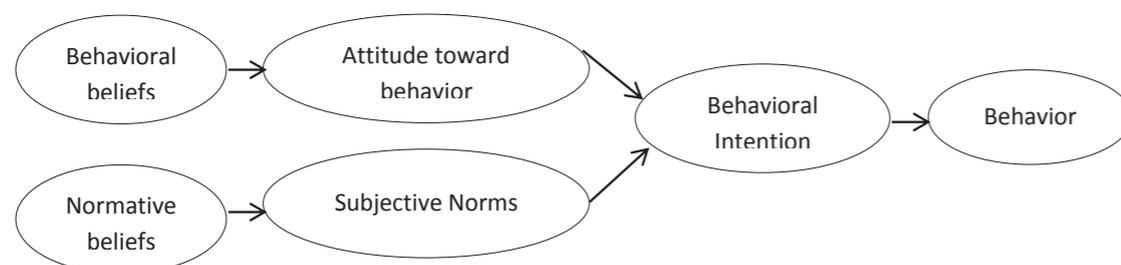
2. Literature review

Literature review shows that there has not been any study that directly addresses consumers' retirement saving plan purchase behavior. To conceptualize the conceptual model for consumers' retirement saving plan, a qualitative research (i.e., focus group interview with eight existing customers of retirement saving plan) supplemented by literature review in selling literature was used. Specifically, based on the findings from the focus group interview, relevant literature was identified to support the findings.

Based on the findings from the focus group interview (to be discussed in the results section), review of attitudinal models was conducted to identify the appropriate model for conceptualizing the retirement saving plan adoption behavior. The literature review identified theory of reasoned action (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975) as the appropriate conceptual framework to conceptualize the retirement saving plan purchase behavior.

Derived from the social psychology setting, the theory of reasoned action (Ajzen & Fishbein, 1980; Fishbein & Ajzen 1975) is a model for predicting behavioral intention. According to the model, a person's behavioral intention depends on the person's attitude toward the behavior and the subjective. Attitude toward the behavior, defined as the overall evaluation of the behavior, is a function of the person's cognitive beliefs about the positive and negative consequences of the behavior. Subjective norm, defined as the perception of the person's about the overall attitude of important others toward the behavior, on the other hand, is a function of the person's normative beliefs about approval/support of important others toward the behavior. Figure 1 shows the overview of the theory of reasoned action.

Figure 1: The Theory of Reasoned Action (Fishbein & Ajzen, 1975)



Based on theory of reasoned action and based on the findings from the focus group interview, the conceptual model of retirement saving plan purchase behavior can be specified as follow. Purchase intention is positively affected by attitude toward the product (i.e., retirement saving plan), attitude toward salesperson, and subjective norm.

Review of literature on factors affecting financial products in general and retirement saving plan in particular reveals that there is no empirical studies in these topics. Review of literature on the characteristics of salespersons on attitude toward salesperson or salesperson's performance show that the characteristics identified in the focus group interview are empirically supported. In the context of adoption of new pharmaceutical product, Powpaka (1996a) found that perceived expertise, empathy, and likeability have positive impact on attitude toward salesperson, which in turn, positively affects attitude toward new product. Attitude toward the product and attitude toward salesperson, in turn, positively affect product adoption intention.

In their meta-analysis on salesperson's performance, Churchill, Ford, and Walker (1985) found aptitude, skill (i.e., expertise), motivation, role, and personal factors (e.g., demographic and psychographic characteristics) are significant determinants of salesperson's performance. The findings imply that (1) salespersons with higher skills tend to be perceived to have higher expertise, (2) salespersons with higher motivation and aptitude tend to be perceived to be more empathetic and trustworthy, and (3) salespersons with positive personal characteristics tend to be perceived to be more likeable. The significant effects of these factors on salesperson's performance also imply that these characteristics significantly affect customers' attitude toward salesperson.

Review of literature on the influence of important others show that the important others identified in the focus group interview are empirically supported. In the context of organ donation, Powpaka (1996b) found that perceived approval or perceived support by family and that by boyfriend/girlfriend or spouse positively affect subjective norm. However, subjective norm does not significantly affected intention to donate organ as hypothesized.

3. Results

3.1 The Focus Group Interview

A focus group interview of eight current buyers of retirement saving plans in Thailand was conducted. All of them were existing customers of a major AIA company in Thailand. The participants included four males and four females between the age of 30 and 55 and all had bought the retirement saving plan for at least two years.

The discussion centered on the participants' experiences relating to their purchase decisions. The moderator's questions covered such topics as the benefits and disadvantages of retirement saving plan, the attributes used to evaluate the saving plan, and people who influenced their purchase decision.

The focus group interview revealed three categories of factors that affected the participants' attitude and purchase decisions:

- product-related factors including benefits of the retirement saving plan (i.e., amount of annuity, length of annuity, tax benefit, life protection) and disadvantages of the retirement saving plan (i.e., low rate of return, length of commitment),
- salesperson - related factors (i.e., perceived expertise, empathy, likeability, trustworthiness), and
- important others (i.e., family members such as parents and spouses, friends/colleagues).

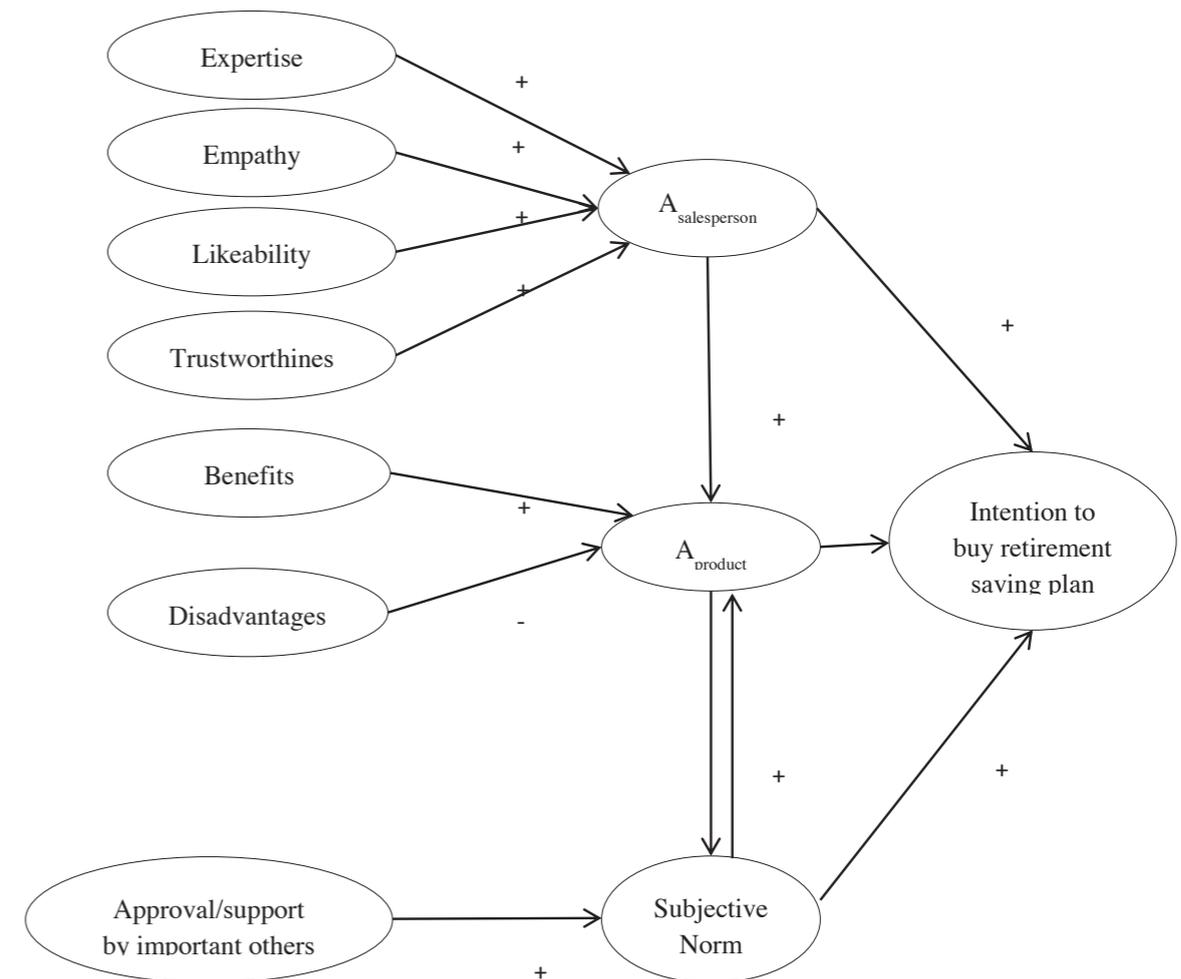
The focus group interview also revealed the following relationships:

- the product-related factors affected attitude toward the product (i.e., retirement saving plan),
- the salesperson-related factors affected attitude toward the salesperson,
- approval or support by important others subjective norm (i.e., perception of overall attitude of important others toward buying retirement saving plan), and
- purchase decision (i.e., purchase intention) was affected by attitude toward the retirement saving plan, attitude toward the salesperson, and subjective norm.

3.2 The Conceptual Model

The conceptual model of the retirement saving plan adoption behavior is based on the theory of reasoned action. Figure 2 shows the overview of the conceptual model. According to the model, purchase intention is positively affected by attitude toward the retirement saving plan, attitude toward the salesperson, and subjective norm. Attitude toward the saving plan is, in turn, positively affected by the benefits of the saving plan (i.e., amount of annuity, length of annuity, tax benefit, life protection) but negatively by the perceived disadvantages of the saving plan (i.e., low rate of return, length of commitment). Attitude toward the salesperson is positively affected by the salesperson's perceived expertise, empathy, likeability, and trustworthiness. Finally, subjective norm is positively affected by perceived approval or support by important others including parents, spouse/ boyfriend - girlfriend, and friends/ colleagues.

Figure 2: The Retirement Saving Plan Purchase Behavior Model



In the following sections, research propositions are developed on the basis of the qualitative data from the focus group interview. These propositions are also supported by empirical evidence if available.

3.2.1 Factors Affecting Attitude toward the Retirement Saving Plan

The participants in the focus group interview identified the following benefits of the retirement saving plan: amount of annuity (e.g., “The amount of monthly annuity is sufficiently large for me”), length of annuity (e.g., “Getting monthly annuity until the age of 85 is quite adequate for me”), tax benefit (e.g., “I like the tax exemption for buying the retirement saving plan”), and life protection (e.g., “Additional life protection from the saving plan is attractive to me”). They also identified the following disadvantages of the retirement saving plan: the low rate of return (e.g., “The rate of return of the retirement saving plan is too low compared to other forms of investment”) and length of commitment (e.g., “I have to keep paying my premium for a very long period of time before I can get my annuity”).

Based on the qualitative data, the definitions of the factors affecting attitude toward the retirement saving plan are provided. Specially, amount of annuity is defined as the sufficiency of the amount of monthly payment from the retirement saving plan after maturity. Length of annuity is defined as the sufficiency of the length of monthly annuity from the retirement saving plan after maturity. Tax benefit is defined the extent of tax exemption from the retirement saving plan. Life protection is defined as the amount of life protection provided by the retirement saving plan. Rate of return is defined as the level of return from the retirement saving plan relative to other forms of investment. Length of commitment is defined as the level of commitment the customer needs to make in the retirement saving plan until the age of 60. Finally, attitude toward buying the retirement saving plan is defined as the overall evaluation in a favorable or unfavorable way toward the retirement saving plan.

According to the theory of reasoned action (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975), attitude toward a behavior is a function of cognitive beliefs about the positive and negative consequences of the behavior. As such, the following research propositions are proposed for factors affecting attitude toward buying the retirement saving plan:

- P₁: Amount of annuity positively affects attitude toward buying the retirement saving plan.
- P₂: Length of annuity positively affects attitude toward buying the retirement saving plan.
- P₃: Tax benefit positively affects attitude toward buying the retirement saving plan.
- P₄: Life protection positively affects attitude toward buying the retirement saving plan.
- P₅: Rate of return positively affects attitude toward buying the retirement saving plan.
- P₆: Length of commitment negatively affects attitude toward buying the retirement saving plan.

3.2.2 Factors Affecting Attitude toward the Salesperson

Some participants indicated that salesperson also played an important role in their decisions to buy the retirement saving plan. The characteristics of the salesperson that shaped their attitude toward the salesperson included perceived expertise (e.g., “He knows the products very well”), empathy (e.g., “My salesperson understand my needs very well”), likeability (e.g., “She has a very pleasant and likeable personality”), and trustworthiness (e.g., “I can really trust my salesperson to do the best thing for me”).

Review of literature on the characteristics of salespersons on attitude toward salesperson or salesperson’s performance show that the characteristics identified in the focus group interview are empirically supported. In the context of adoption of new pharmaceutical product, Powpaka (1996a) found that perceived expertise, empathy, and likeability have positive impact on attitude toward salesperson, which in turn, positively affects attitude toward new product. In their meta-analysis on salesperson’s performance, Churchill, Ford, and Walker (1985) found aptitude, skill (i.e., expertise), motivation, role, and personal factors (e.g., demographic and psychographic characteristics) are significant determinants of salesperson’s performance. The findings imply that (1) salespersons with higher skills tend to be perceived to have higher expertise, (2) salespersons with higher motivation and aptitude tend to be perceived to be more empathetic and trustworthy, and (3) salespersons with positive personal characteristics tend to be perceived to be more likeable. The significant effects of these factors on salesperson’s performance also imply that these characteristics significantly affect customers’ attitude toward salesperson.

Based on the literature review, perceived expertise is defined as the extent or level of the salesperson’s product knowledge and ability to explain the product to the customer (Churchill, Ford, & Walker, 1985; Powpaka, 1996a). Empathy is defined as the extent that the salesperson is perceived to understand the customer’s needs and wants (Churchill, Ford, & Walker, 1985; Parasuraman, Zeithaml, and Berry, 1988; Powpaka, 1996a). Likeability is defined as the extent that the salesperson is perceived to be pleasant and likeable (Powpaka, 1996a). Trustworthiness is defined as the extent that the salesperson is perceived to be trustworthy, dependable, and reliable (Churchill, Ford, & Walker, 1985). Finally, attitude toward the salesperson is defined as the overall evaluation in a favorable or unfavorable way toward the salesperson (Powpaka, 1996a)

Apart from findings by Powpaka (1996a), according to Ajzen & Fishbein (1980) and Fishbein & Ajzen (1975), attitude toward an attitudinal object is a function of cognitive beliefs about the attitudinal object. Since perceived expertise, empathy, likeability, and trustworthiness are the consumer’s cognitive beliefs about the salesperson, the following research propositions are proposed:

- P₇: Perceived expertise positively affects attitude toward the salesperson.
- P₈: Empathy positively affects attitude toward the salesperson.
- P₉: Likeability positively affects attitude toward the salesperson.
- P₁₀: Trustworthiness positively affects attitude toward the salesperson.

3.2.3 Perceived Approval/Supports of Important Others and Subjective Norm

Most of the participants in the focus group interview indicated that their decisions to buy retirement saving plan were also influenced by the encouragement or approval of important others. The important others included family members including parents (e.g., “My parents advise me to buy retirement saving plan”, spouse/ boyfriend - girlfriend (e.g., “My wife greatly support me to buy retirement saving plan”), and friends/colleagues (e.g., “My close friend recommended me to buy the plan”).

Review of literature on the influence of important others show that the important others identified in the focus group interview are empirically supported. In the context of organ donation, Powpaka (1996b) found that perceived approval or perceived support by family and that by boyfriend/ girlfriend or spouse positively affect subjective norm, which in turn, positively affects attitude toward organ donation. Based on the qualitative data, approval by important others is defined as the extent or level of approval/ support of the important others (including parents, spouse/boyfriend-girlfriend, friends/ colleagues) in buying the retirement saving plan as perceived by the consumer (Powpaka, 1996b). Subjective norm is defined as the perception of the overall attitude of important others regarding the buying of retirement saving plan (Powpaka, 1996b).

Apart from the findings by Powpaka (1996b), according to the theory of reasoned action (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975), subjective norm is a function of normative beliefs. Since approval by important others can be considered as a normative belief, the following proposition is proposed:

- P₁₁: Approval by important others positively affect subjective norm.

