

**The interrelationship between selected Customer Relationship Management
initiatives, customer satisfaction and behavioural intention**

N Mackay

12194778

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Promoter: Prof. P.G. Mostert

Co-promoter: Prof. D.J. Petzer

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ABSTRACT

South African short-term insurers are finding it increasingly more difficult to maintain their market value amidst unpredictable and erratic economic conditions. In addition, the short-term insurance industry is faced with two major challenges: the growing number of direct short-term insurers entering the industry, and the significant decline in customer retention rates.

Based on the literature review, it was found that these challenges present short-term insurers with a strategic imperative – they need to adopt a CRM approach, incorporating an integrated customer focus aimed at developing long-term relationships with customers. If they want to succeed in this pursuit, short-term insurers need to understand their customers' perceptions of the service offering, their existing relationship with the insurer, their levels of satisfaction, and their behavioural intentions towards the insurer.

The primary objective of this study was to determine the influence of both direct and indirect short-term insurers' service quality and benefits derived from being in a relationship with the insurer, specifically on their customers' levels of satisfaction, their loyalty, and positive word-of-mouth intentions. In this vein, the study also sheds light on how short-term insurers can adapt their marketing strategies in order to develop and maintain successful long-term relationships with their customers.

The study followed a descriptive research design. Convenience sampling was used to select suitable respondents, and data was collected by means of mall-intercept, person-administered surveys from individuals residing in the Gauteng Province of South Africa and who currently have short-term insurance. A sample size of 891 responses was realised.

The results from the study indicate that respondents' perceptions of their insurers' service quality offering do not differ significantly from their expectations. In other words, respondents seem to be satisfied with their insurers' services. Results furthermore showed that quality services and additional relational benefits positively influence respondents' levels of satisfaction with their short-term insurers, which in turn influence their intentions to remain

loyal to their insurers or to communicate positively about them. In addition, no significant differences were observed between direct and indirect short-term insurance respondents with regard to service quality, relational benefits, customer satisfaction, or behavioural intention.

Based on the results, this study proposes a model that sets out to demonstrate how South African short-term insurers can utilise service quality and relational benefits to realise and improve customer satisfaction, in order to encourage positive behavioural intentions among their customers.

It is recommended that, in order to differentiate themselves, short-term insurers (both direct and indirect) should ensure that their service quality offerings are superior to those of their competitors'. Short-term insurers can attain high quality service offerings by paying special attention to their reliability, responsiveness, assurance and empathy. It is also recommended that short-term insurers should attempt to provide the same levels of relational benefits to all of their customers, independent of demographic differences, as a way to improve the overall morale and satisfaction of their customers. Since no significant differences were found in terms of different groups of respondents, it is further recommended that short-term insurers should differentiate themselves by customising their target market(s), through focusing their service and relational offerings on specific demographic, geographic, and psychographic segments. Finally, it is recommended that short-term insurers should use the model developed in this study with a view to improve the overall effectiveness of their CRM efforts.

Recommendations for future research include extending this study to other South African provinces, in order to determine whether differences exist between respondents from different geographic locations. Future research can include representative numbers of respondents from each individual short-term insurer with a view to attain more accurate and representative information regarding specific insurers. A similar study can also be conducted among long-term insurers in order to determine whether the insurance industry in its entirety can benefit from the findings from this study. Finally, future research can test the CRM model presented in this study in the context of other service industries to determine its relevance and applicability.

UITTREKSEL

Suid-Afrikaanse korttermynversekeraars vind dit toenemend moeiliker om hul markwaarde te midde van onvoorspelbare en wisselvallige ekonomiese omstandighede te behou. Daarmee saam staan die korttermyn-versekeringsindustrie twee groot uitdagings in die gesig: die groeiende getal direkte korttermynversekeraars wat die industrie betree, asook die merkbare afname in klanteretensiekoerse.

Vanuit die literatuur is daar bevind dat hierdie uitdagings korttermynversekeraars met 'n strategiese noodsaaklikheid konfronteer – hulle moet 'n benadering volg wat bekendstaan as klanteverhoudingsbestuur (*customer relationship management* oftewel *CRM*). 'n Geïntegreerde klantefokus hiermee saam kan die ontwikkeling van langtermyn verhoudings met klante ten doel hê. Indien hulle suksesvol in hierdie verband wil wees, moet korttermynversekeraars hul klante se persepsies van die diensaanbod, hul bestaande verhouding met die versekeraar, hul vlakke van tevredenheid, en hul voornemens ten opsigte van toekomstige optrede teenoor die versekeraar verstaan.

Die primêre doelwit van hierdie studie was om die invloed van beide direkte en indirekte korttermynversekeraars se dienskwaliteit en die voordele wat verkry word uit hul verhouding met die versekeraar ten opsigte van klante se vlak van tevredenheid, hul lojaliteit, en positiewe mondelinge terugvoer aan ander (*word-of-mouth*) te bepaal. In hierdie sin werp die studie ook lig op hoe korttermynversekeraars hul bemarkingstrategieë kan aanpas om sodoende suksesvolle langtermyn verhoudings met hul klante te ontwikkel en te behou.

Die studie het 'n beskrywende navorsingsontwerp gevolg. Gerieflikheidsteekproefneming is gebruik om geskikte respondente te kies, en data is ingesamel deur persone wat opnames gedoen het onder individue by winkelsentrums wat in die Gautengprovinsie van Suid-Afrika woonagtig is, en wat tans korttermynversekering het. 'n Steekproefgrootte van 891 response is bereik.

Die resultate van die studie dui daarop dat respondente se persepsies van hul versekeraars se dienskwaliteitaanbiedings nie wesentlik van hul verwagtinge verskil nie. Dit blyk dat respondente tevrede is met hul versekeraars se dienste. Die resultate toon verder dat kwaliteit dienste en addisionele voordele uit ondernemingsverhoudings die respondente se tevredenheidsvlakke met hul korttermynversekeraars beïnvloed, wat weer hul voornemens om lojaal teenoor hul versekeraars te bly, of om positief oor hul te kommunikeer beïnvloed. Daarmee saam is geen beduidende verskille waargeneem tussen direkte en indirekte korttermyn-versekeringsrespondente met betrekking tot dienskwaliteit, verhoudingsvoordele, klante tevredenheid, of gedragsvoornemens nie.

Gebaseer op die resultate, stel hierdie studie 'n model voor wat aandui hoe Suid-Afrikaanse korttermynversekeraars dienskwaliteit en verhoudingsvoordele kan aanwend om klante tevredenheid te verbeter en te verseker, ten einde positiewe gesindhede onder klante aan te moedig.

Daar kan voorgestel word dat, indien korttermynversekeraars (beide direk en indirek) hulself wil onderskei, hulle moet toesien dat hulle dienskwaliteitaanbiedings beter is as dié van hulle mededingers. Korttermynversekeraars kan diensaanbiedings van hoogstaande kwaliteit moontlik maak deur spesiale aandag aan hul betroubaarheid, terugvoer en respons, gemoedsrus en empatie te gee. Daar word ook aanbeveel dat korttermynversekeraars daarna moet strew om dieselfde vlakke van verhoudingsvoordele aan al hul klante, ongeag demografiese verskille, te bied om sodoende die algehele moraal en tevredenheid van hul klante te verbeter. Aangesien geen beduidende verskille gevind is in terme van verskillende groepe respondente nie, word daar verder voorgestel dat korttermynversekeraars hulself na aanleiding van hul teikenmark(te) behoort te onderskei deur hul diens- en verhoudingsaanbiedings te fokus op spesifieke demografiese, geografiese, en psigografiese segmente. Laastens word aanbeveel dat korttermynversekeraars die model wat in hierdie studie ontwikkel is gebruik om die algemene doeltreffendheid van hul klanteverhoudingsbestuurspogings te verbeter.

Voorstelle vir toekomstige navorsing sluit in dat hierdie studie uitgebrei word na ander Suid-Afrikaanse provinsies, om te bepaal of daar verskille bestaan tussen respondente in verskillende geografiese gebiede. Toekomstige navorsing kan verteenwoordigende getalle

respondente van die verskillende korttermynversekeraars individueel ondersoek, met die oog daarop om meer akkurate en verteenwoordigende inligting aangaande spesifieke versekeraars te verkry. 'n Soortgelyke studie kan onderneem word met langtermynversekeraars, om te bepaal of die versekeringsindustrie in sy geheel voordeel kan trek uit die bevindinge van hierdie studie. Laastens kan toekomstige navorsing die klanteverhoudingsbestuursmodel wat in hierdie studie voorgestel is, in die konteks van ander diensindustrieë toets, om die toepaslikheid en geskiktheid daarvan te bepaal.

LIST OF KEY TERMS AND DEFINITIONS

For the purposes of clarification and consistency, the key terms used in the study are listed and defined below:

- **CRM** (customer relationship management) refers to the customer-centred business approach, focused on creating and maintaining profitable, long-term customer relationships which in the end awards the business with increased market share, value and profit (Nguyen & Mutum, 2012:413; Venkatesan, Kumar & Reinartz, 2012:311).
- **Service quality** essentially involves perceived quality – in other words, how the quality of a business’ service offering is experienced (Wilson, Zeithaml, Bitner & Gremler, 2012:73). Peelen, Van Montfort, Beltman and Klerkx (2009:456) further emphasise that these service experiences (i.e. perceptions) are formed from the customer’s point of view, and not the business’.
- **Relational benefits** include those additional benefits – in the form of social, confidence, and special treatment benefits – that customers derive from being in a relationship with a business (Hennig-Thurau, Gwinner & Gremler, 2010:379; Zeithaml, Bitner & Gremler, 2009:184).
- **Customer satisfaction** is defined as the result of the comparison between customers’ perceptions of a business and its product/service’s performance in relation to his/her expectations (Raab, Ajami, Gargeya & Goddard, 2008:61). If the business’ performance is lower than the customer’s expectations, the customer is dissatisfied; if the business’ performance matches the customer’s expectations, the customer is satisfied; and if the business’ performance exceeds the customer’s expectations, the customer is highly satisfied or delighted (Gustafsson, Johnson & Roos, 2005:210).

- **Behavioural intentions** are defined by Barnes (2006:19) as indicators of a customer's willingness to maintain a sustainable relationship with a business. These intentions are generally indicated by measures such as repurchase intentions, positive word-of-mouth, loyalty, complaining behaviour, and price sensitivity (Wilson *et al.*, 2012:426).

- **Short-term insurance** refers to the non-life component of the insurance industry which provides customers with immediate coverage against loss, damage or liabilities (Datamonitor, 2011a:6). Types of insurance generally provided by short-term insurers include insuring the following: household contents; house owners; all risks; vehicles; watercrafts; personal liabilities; and personal accidents (FSB, 2012:1). The short-term insurance industry is further subdivided into two sectors, namely direct and indirect short-term insurance.
 - **Indirect short-term insurers** include non-life insurers that make use of intermediaries – that is, utilising brokers when interacting with customers (KPMG, 2011:29). Brokers therefore indirectly provide the customer with the required insurance products, by acting on the customer's behalf (Datamonitor, 2011b:12).

 - **Direct short-term insurers**, as opposed to indirect insurers, include those non-life insurers who interact directly with customers, thereby dispensing with intermediaries (KPMG, 2011:25).

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CHAPTER 1

INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION

The purpose of the current chapter is to present the problem that constitutes the focus of this study, and to explain how the problem is addressed throughout the course of the thesis. The chapter commences by presenting relevant background information regarding the study, including an overview of the short-term insurance industry being researched. This is followed by the problem statement, research objectives, and hypotheses – after which the research methodology is set out. Chapter 1 concludes with an outline of the chapters that comprise the rest of the study.

1.2 BACKGROUND TO THE STUDY

Customer relationship management (CRM) is no longer regarded a tool that only innovative businesses use with a view to ensure a competitive advantage. Rather, this customer-focused approach has become essential for every business' success and survival (Buttle, 2009:x).

In the past, many businesses took their customers for granted. With the expanding economy and rapidly growing markets, businesses had an abundant supply of customers. They could therefore constantly add new customers, without being concerned about losing existing customers (Kumar, Tejaswi, Srinivas & Kumar, 2010:159).

The marketing realities are very different from those in the past. The new economy is becoming increasingly customer-centric; demographics are changing; customers are more sophisticated and informed in their requirements; and there is an overcapacity in many industries (Ndubisi, 2007:98). Demanding customers, also, tend to be more likely to switch to competitors, due to: (1) the erratic and unpredictable nature of current economic conditions – with inflation, interest rates and exchange rates reaching new highs and lows; and (2)

increasing competition in the marketplace – these are expanding the variety of available options (Xu, Goedegebuure & Van der Heijden, 2006:80).

Consequently, businesses have realised the importance of not only attracting profitable customers, but also of retaining them for as long as possible (Helm, 2005; Kotler & Armstrong, 2012:16). This means that businesses tend to shift their focus from impersonal transaction marketing, in order to build personalised long-term customer relationships (Brink & Berndt, 2004:2).

This “customer relationship” approach can be highly beneficial to a business. In view of the fact that it is more expensive to attract new customers than it is to keep current customers, the objective should be to create lasting relationships with customers in order to enhance their loyalty towards the business (Eid, 2007:1036; Kim & Kim, 2009:487). Loyal customers are also more likely to give the business a larger share of their spending (Kumar & Reinartz, 2006:164; Richards & Jones, 2008:125). Thus, by building long-term relationships, businesses have the opportunity to obtain a competitive advantage within the marketplace, which will consequently increase their overall profitability and success (Jones, Brown, Zoltners & Weitz, 2005:106).

Statistics, furthermore, has revealed an unsettling discovery – up to 70% of customers who end their relationship with a business do so due to poor customer service (Genesys, 2009:4). Khurana and Pathak (2012:129) note that poor customer service and low retention rates are generally the result of the lack in customer-centricity, or an ineffective CRM strategy. Therefore, to manage a customer-centred approach, Baran, Galka and Strunk (2008:391) suggest that businesses should implement a CRM strategy.

Several CRM scholars – Baran *et al.* (2008:18), Buttle (2009:16), and Peelen (2005:58) – emphasise the importance of a successful CRM strategy to a business’ survival, in this manner also acknowledging the significance of retaining loyal customers. In the service industry, numerous researchers have elaborated on the concept of customer retention and the antecedents that might ensure this behavioural outcome (Ekinci, Dawes & Massey, 2008; Hennig-Thurau, Gwinner & Gremler, 2002; Olorunniwo, Hsu & Udo, 2006; Xu *et al.*, 2006). The research of

Olorunniwo *et al.* (2006) was based on an investigation of the service quality construct and its relationship to customer satisfaction and customers' behavioural intentions. Their findings indicated a direct positive connection between service quality and behavioural intentions (repurchase intentions, word-of-mouth and loyalty), but also revealed that the indirect connection (with customer satisfaction as mediator) had a much stronger effect on behavioural intentions. In other words, in order to obtain the desired behavioural outcomes, the customer first needs to be satisfied with the service quality. Research by Ekinici *et al.* (2008) – on an extended model of the antecedents and consequences of customer satisfaction – also found that customer satisfaction is a better indicator of customers' behavioural intentions than service quality in its own.

In addition, Hennig-Thurau *et al.* (2002)'s research suggested that – apart from the core service – the business should also provide customers with additional relational benefits (confidence benefits, social benefits, and special treatment benefits), in order to motivate them to remain within the relationship. Therefore, instead of simply providing quality services in order to satisfy customers, these researchers propose that the business should also provide relational benefits, which will in turn contribute significantly to customers' satisfaction levels, and in the end add to their behavioural intentions.

The research conducted by Xu *et al.* (2006) extends in a number of ways, the emphasis that Hennig-Thurau *et al.* (2002)'s places on the importance of offering relational benefits to customers. Their research proposes a mediation model that links customer-perceived service quality and relational benefits to customer loyalty (positive word-of-mouth and retention intention) via customer satisfaction.

There seems to be no clear agreement in the marketing literature on the basic sequence or order of service quality and customer satisfaction in terms of which of these two constructs better predicts customers' behavioural intentions. On the one hand, Chen (2012), Martin, O'Neill, Hubbard and Palmer (2008) and Olorunniwo *et al.* (2006) propound that service quality and customer satisfaction are neither antecedents nor consequences of each other. It is therefore implied that either satisfaction or service quality (if any) can influence customers' behavioural intentions directly. On the other hand, Lee, Lee and Kang (2012) and Xu *et al.* (2006) argue

that service quality is indeed an antecedent to satisfaction, and that service quality has an indirect effect on behavioural intentions. Thus, these authors imply that a positive service quality perception will lead to satisfaction, which will in turn give rise to favourable behavioural intentions.

Whatever the situation might be – whether service quality directly or indirectly influences behavioural intentions – the central issue is that these constructs have different effects within different industries. Therefore, in order to determine customers' evaluations of the business' service effectively, these constructs should each be measured separately (Olorunniwo *et al.*, 2006:63; Rezvani, Gilaninia & Mousavian, 2011:1548), as was also proposed in the theoretical model for this study (Figure 1.4, p. 13).

1.3 OVERVIEW OF THE SHORT-TERM INSURANCE INDUSTRY

The South African insurance industry – which contributes approximately 2.5% to the South African GDP – consists of 87 long-term and 108 short-term registered insurers (FSB, 2011:52, 53; IAIS, 2010:5). *Long-term insurers* include those insurers that offer financial protection, pension funding, or death cover to customers (Archer, 2008). *Short-term insurers*, on the other hand, provide customers with immediate coverage against low probability losses, damages or liabilities – insuring household contents, vehicles, properties, and personal accidents (Datamonitor, 2011a:6).

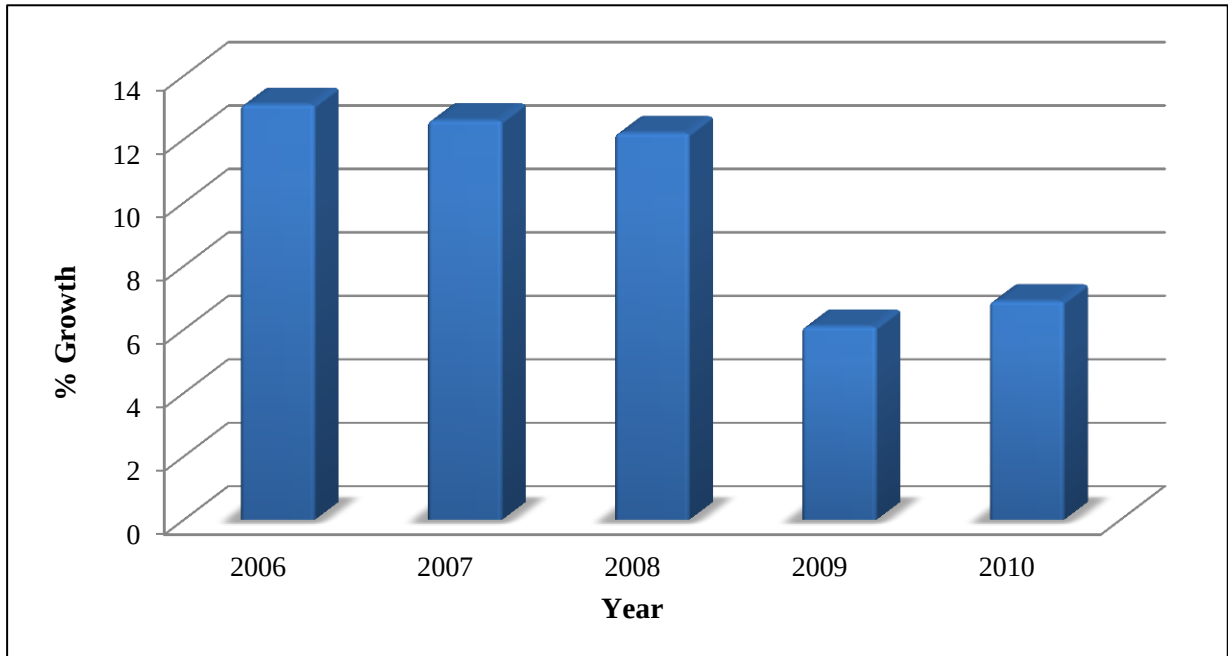
With the focus of this study being on the short-term insurance industry, the following sections provide additional information regarding the market value, policy classes, market share, and challenges facing this industry.

1.3.1 Market value of the short-term insurance industry

In 2006, the value of the short-term insurance industry – which is calculated in terms of gross written premiums – has increased by 13.1% (Datamonitor, 2007:3). Since then, as indicated in Figure 1.1, this industry's market value has decreased significantly, ending in 2010 at only

6.9%, and it is forecasted that this section will decline even further with an anticipated 8.9% for the period 2010 to 2015 (Datamonitor, 2011b:8, 10).

Figure 1.1: Declining short-term insurance market value



Source: Adapted from Datamonitor (2007:3) and Datamonitor (2011b:10).

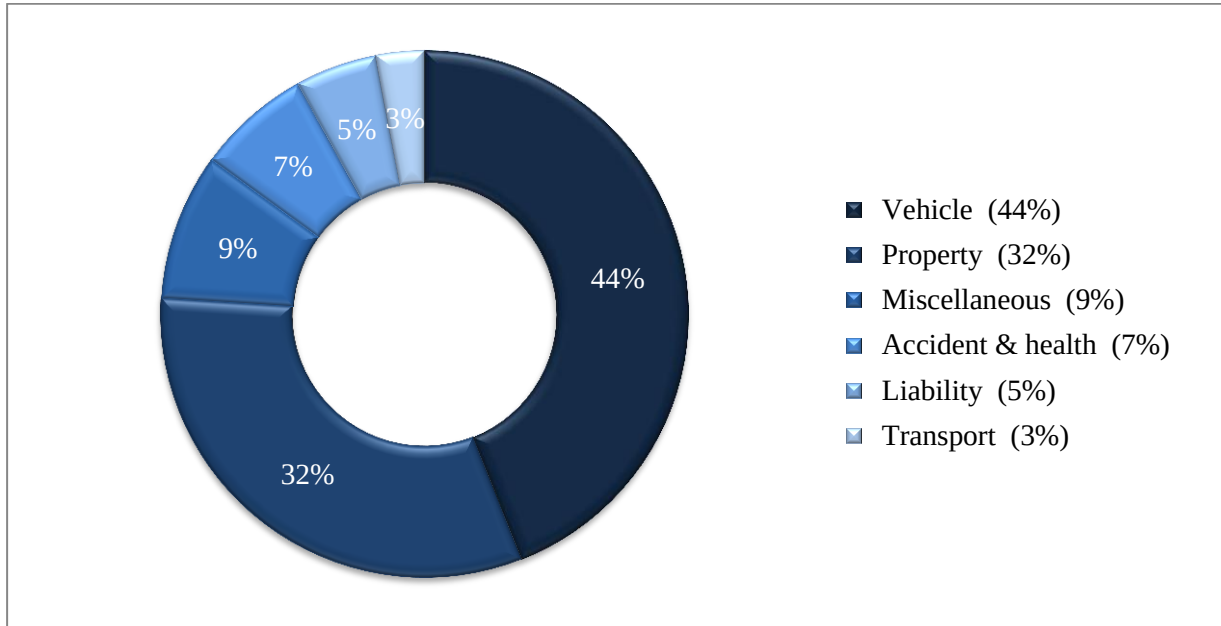
Despite its declining market value, the South African short-term insurance industry is still considered to be an enabling mechanism for economic growth (SAIA, 2012:23), as it was able to increase earnings by R41 100 million in 2010, thus exceeding the R70 000 million mark in total market value (Datamonitor, 2011b:2; KPMG, 2012:4).

1.3.2 Short-term insurance policy classes

As mentioned above (section 1.3, p. 4), short-term insurers generally provide individuals with coverage against low probability losses, damages or liabilities. These types of coverage – also known as policy classes – can include vehicle, property, accident and health, liability, transport, guarantee, and miscellaneous insurance (FSB, 2011:64). Certain types of coverage, such as motor and property insurance, are often considered compulsory by financing companies, and constitute a significant part of the short-term insurance industry's gross written

premiums (Datamonitor, 2011a:17). Figure 1.2 summarises the various short-term insurance policy classes according to their written premium values.

Figure 1.2: Short-term insurance policy classes

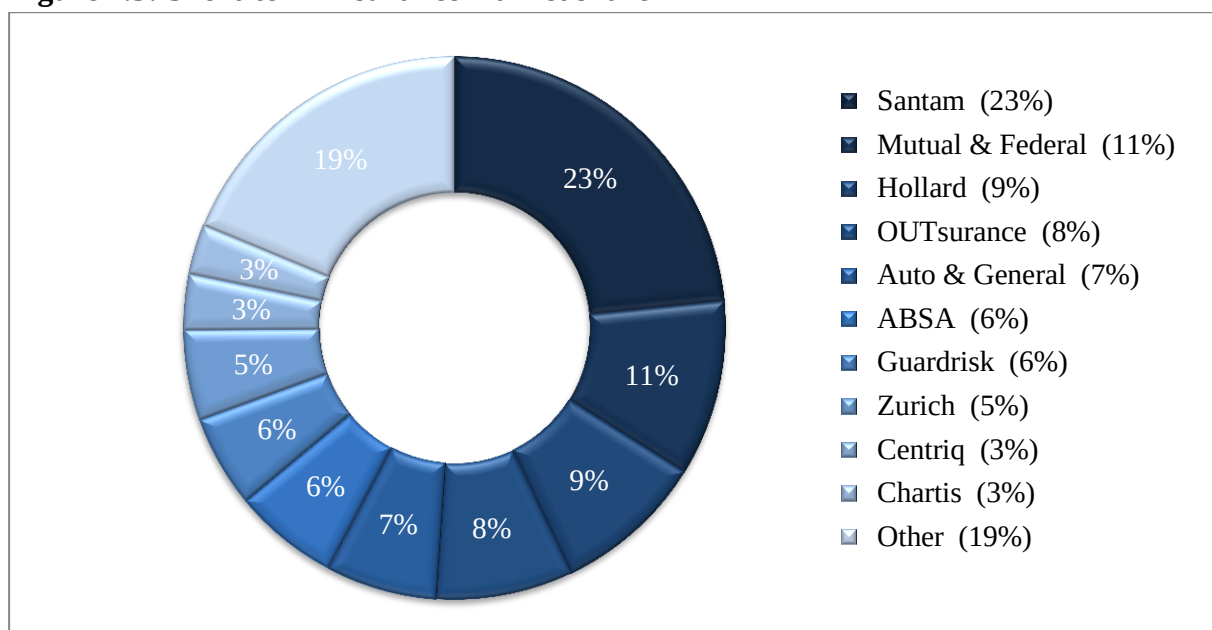


Source: Adapted from FSB (2011:64).

1.3.3 Market share of the short-term insurance industry

In terms of market share, two brokers (Santam and Mutual & Federal) have been dominating the short-term insurance industry since 2001 (KPMG, 2012:5). Whilst these two insurers are still prominent representatives in the short-term insurance industry (Figure 1.3), they have been exposed to significant changes and challenges in the marketplace. Aspects such as the changing nature of consumerism, new entrants, and degree of competitiveness have all contributed to the declining market shares experienced by Santam and Mutual & Federal (Datamonitor, 2011b:13).

In the past, the short-term insurance industry was dominated by indirect insurers. By 2012, however, direct insurers have been able to establish themselves firmly by extending their share to almost 50% of the short-term insurance industry (Clark, 2012). Figure 1.3 reflects the gross written premiums of the ten largest short-term insurers in South Africa.

Figure 1.3: Short-term insurance market share

Source: Adapted from KPMG (2012:108).

1.3.4 Challenges facing the short-term insurance industry

The South African short-term insurance industry is not really different from any other industry, in the sense that it is also confronted with the challenges of a competitive market environment (Strachan & Roberts-Lombard, 2011:209). The FSB (2011:66) and SAIA (2012:23) have identified some of the internal, external, regulatory, and transformation challenges facing the short-term insurance industry as listed in Table 1.1 and briefly described below.

Table 1.1: Challenges facing the short-term insurance industry

Internal	External	Regulatory	Transformation
Effective cost management	Premium pressures	Legislative changes	Uncertainties about the Financial Sector Charter
Oversight and control over intermediaries	Lack of market value growth	Regulatory requirements	
Quality of risk management and control	Unstable equity prices	Introducing a risk-based approach	Addressing the needs of the low-income market
	Increased competition		
	Natural catastrophes		
	Lack of specialised skills		

Source: Adapted from FSB (2011:66) and SAIA (2012:23).

- **Effective cost management:** Aspects such as increasing crime and corruption, as well as the lack of available and skilled personnel to manage operations and finances pose a significant challenge in short-term insurance management (SAIA, 2012:23).
- **Oversight and control over intermediaries:** Errors by intermediaries in the insurance supply chain are not always controllable by insurers, resulting in a lack of trust in intermediaries (PwC, 2012:23).
- **Premium pressures:** Economic conditions have a considerable influence on insurance premiums, affecting insurers' underwriting cycle and total profits (FSB, 2011:69).
- **Lack of market value growth:** As discussed in sections 1.3.1 (p. 4) and 1.3.3 (p. 6), a number of insurers are experiencing declining market values and loss of market share. Performance is, once again, influenced by economic conditions.
- **Unstable equity prices:** Equity prices are influenced by economic factors such as interest rates, thus posing a threat to short-term insurers' market value growth (FSB, 2011:69).
- **Increased competition:** New short-term insurers offering similar products and services are continuously entering the market, which leads to a lack of diversity, price wars, and decreasing customer retention rates (Datamonitor, 2011b:18).
- **Natural catastrophes:** Natural catastrophes pose a significant risk to short-term insurers, as these risks cannot be prevented or controlled. As a result, insurers have to provide for these situations without being completely prepared for the outcomes (FSB, 2011:69).
- **Lack of specialised skills:** Short-term insurers are currently experiencing a significant shortage of skills in specialist underwriting, and attribute this challenge to black economic empowerment (BEE) (PwC, 2012:29)

- **Legislative changes:** Changes to legislation, such as the Consumer Protection Act and the new Companies Act, are additional challenges facing the short-term insurance industry, because insurers have to adapt operations to adequately comply with these changes (FSB, 2011:69).
- **Regulatory requirements:** Short-term insurers are unable to influence or direct regulation, which means that they have to address and comply with general regulatory requirements as determined by government (PwC, 2012:16).
- **Uncertainties about the Financial Sector Charter (FSC):** Insurers need to comply with the FSC in order to ensure that their members benefit from realities such as Broad-Based Black Economic Empowerment (BBBEE) codes. Consequently, changes to the FSC give rise to uncertainties and new challenges that may affect attempts to adequately implement these changes (SAIA, 2012:26).
- **Addressing the needs of the low-income market:** Due to changing customer demographics, urbanisation, and the rise of a new low-middle class, short-term insurers are faced with the challenge of addressing the needs of these customers. In other words, short-term insurers have to consider these changes to the market and accordingly develop appropriate and affordable products for these lower income customers (PwC, 2012:23).

In their report, Datamonitor (2011b:14) also note that customer loyalty in the short-term insurance industry is relatively low, since customers are willing to shop around for the best cover and premium offered by insurers. In addition, technological advances and Internet access are enabling customers, providing them with the opportunity to compare insurers' prices, services and experiences. Customers, therefore, tend to easily switch between insurers, and this tendency is posing another challenge for insurers (Datamonitor, 2011b:15).

Another significant challenge facing short-term insurers, as indicated in Table 1.1, is the number of new entrants to the industry. According to Clark (2012), indirect insurers in particular are experiencing this challenge in the worst sense of the word, since (as mentioned in section 1.3.3, p. 6) they have lost almost 50% of their market share to direct insurers during the

last decade alone. New entrants to the industry not only increase competition, but also give rise to significant price sensitivity and low profit margins (Datamonitor, 2011a:16).

Based on the above discussions regarding the significance of a CRM approach and the challenges the South African short-term insurance industry is facing, the problem statement and focus of this study can be formulated. These are set out in the subsequent section.

1.4 PROBLEM STATEMENT

South African short-term insurers are finding it increasingly difficult to maintain their market value amidst current erratic economic conditions – with inflation, interest rates and exchange rates reaching new and unpredictable highs and lows (Jacks, 2008; SAIA, 2012:5). In addition, the short-term insurance industry is faced with two urgent challenges: the increasing number of direct short-term insurers entering the industry (PwC, 2012:14); and the significant decrease in customer retention rates (Datamonitor, 2011b:14).

These challenges present short-term insurers with a strategic imperative – they need to adopt a CRM approach, incorporating an integrated customer focus aimed at developing long-term relationships with customers (Anderson & Kerr, 2002:1; Buttle, 2009:2). If they are to succeed, short-term insurers need to develop a profound insight into their customers' perceptions of the service offering, their existing relationship with the insurer, their levels of satisfaction with the insurer, and their behavioural intentions towards the insurer (Baran *et al.*, 2008:391).

The aim of this study is, therefore, to determine how short-term insurance customers' service quality experiences and relational benefits that have been obtained, influence their levels of satisfaction and their intentions to remain with or communicate positively about their insurer. The results of the study have given rise to possible CRM-related aspects that short-term insurers can implement.

1.5 RESEARCH OBJECTIVES, HYPOTHESES AND THEORETICAL MODEL

Cooper and Schindler (2006:145) explain that the purpose of research objectives is to set specific, measurable, and attainable goals which serve as the foundation of a study. Therefore, in order to address the identified research problem, it is necessary to set a number of objectives for the proposed research.

In addition to the research objectives, a number of hypotheses are formulated which, as Malhotra (2010:53) notes, are statements or propositions about something that needs to be tested. Accordingly, the related literature on the subject of research needs to be consulted in order to utilise any insights obtainable from existing research (Malhotra, 2010:56).

The primary and secondary objectives, the hypotheses, the theoretical model, as well as the related literature are presented in the following sections.

1.5.1 Primary objective

The primary objective of this study is to determine the influence of selected CRM initiatives, such as service quality and relational benefits, on customer satisfaction and ultimately on behavioural intention.

1.5.2 Secondary objectives

In order to address the primary objective, the following secondary objectives have been formulated:

- 1) To investigate the service quality expectations and perceptions of short-term insurance customers.
- 2) To determine the relational benefits received by short-term insurance customers.
- 3) To measure the satisfaction levels of short-term insurance customers.
- 4) To determine the behavioural intentions of short-term insurance customers.

- 5) To determine whether differences exist between different groups of respondents in terms of each of the constructs (service quality, relational benefits, customer satisfaction and behavioural intention) measured in this study.
- 6) To determine the interrelationships between the selected CRM initiatives in leading to customer satisfaction and ultimately to behavioural intention.

1.5.3 Hypotheses

The following **alternative** hypotheses are formulated for the study:

- **H₁:** The expectations of respondents differ significantly from their perceptions for each of the four SERVQUAL factors.
- **H₂:** The expectations of direct insurance respondents differ significantly from their perceptions for each of the four SERVQUAL factors.
- **H₃:** The expectations of indirect insurance respondents differ significantly from their perceptions for each of the four SERVQUAL factors.
- **H₄:** Direct and indirect insurance respondents differ significantly in their expectations for each of the four SERVQUAL factors.
- **H₅:** Different groups of respondents differ significantly with regard to their expectations for each of the four SERVQUAL factors.
- **H₆:** Direct and indirect insurance respondents differ significantly in their perceptions for each of the four SERVQUAL factors.
- **H₇:** Different groups of respondents differ significantly with regard to their perceptions for each of the four SERVQUAL factors.
- **H₈:** Direct and indirect insurance respondents differ significantly in terms of each of the three relational benefits.
- **H₉:** Different groups of respondents differ significantly in terms of each of the three relational benefits.
- **H₁₀:** Direct and indirect insurance respondents differ significantly in terms of their levels of satisfaction with their insurers.

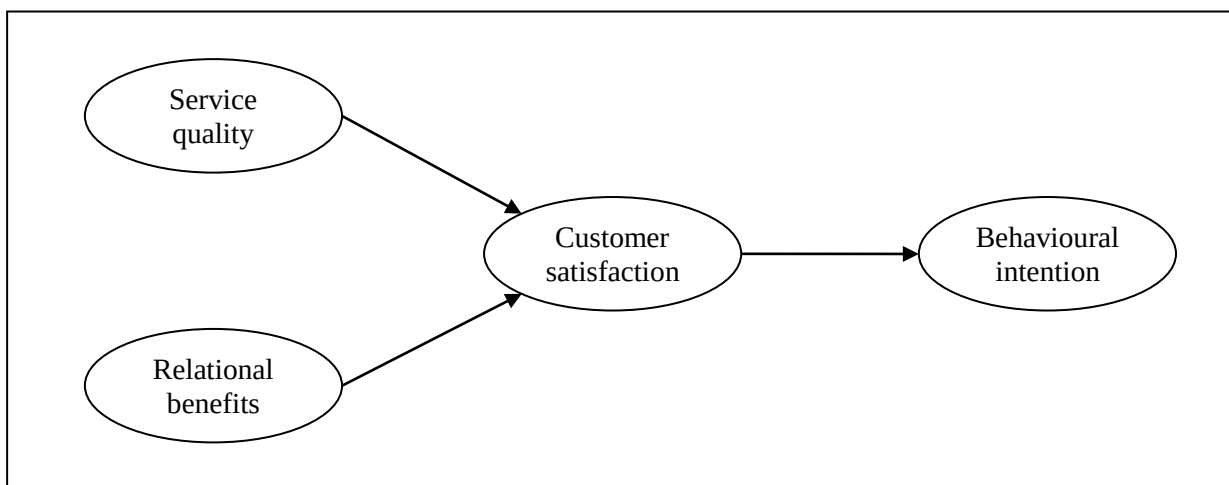
- **H₁₁:** Different groups of respondents differ significantly in terms of their levels of satisfaction with their insurers.
- **H₁₂:** Direct and indirect insurance respondents differ significantly in terms of each of the three behavioural intention factors.
- **H₁₃:** Different groups of respondents differ significantly in terms of each of the three behavioural intention factors.
- **H₁₄:** There is an interrelationship between the selected CRM initiatives in leading to customer satisfaction and behavioural intention.

In view of the objectives and hypotheses set out in the above sections, a theoretical model is proposed for this study in the following section.

1.5.4 Theoretical model

The theoretical model proposed for this study is based on secondary objective 6 and H₁₄ – indicating that there is an interrelationship between the selected CRM initiatives (service quality and relational benefits) that lead to customer satisfaction and behavioural intention – as well as the brief literature review presented above. The theoretical model proposed for this study is depicted in Figure 1.4.

Figure 1.4: Theoretical model



The first construct to be measured is service quality, which comprises of five dimensions (tangibles, reliability, responsiveness, assurance, and empathy) that are used to measure customers' perceptions of the business' service delivery. The second construct entails the “additional” benefits associated with the customer's relationship with the business – these are relational benefits. According to the literature of the field, service quality is positively related to the relational benefits that customers can experience from the business. These two constructs (service quality and relational benefits) furthermore have a positive impact on customer satisfaction, whereas customer satisfaction, in turn, serves as a predictor for behavioural intentions (positive word-of-mouth and customer loyalty).

Table 1.2 provides an outline that illustrates the link between the secondary objectives, the associated hypotheses, and the literature chapters of relevance to the objectives and hypotheses of the study.

Table 1.2: An outline of the secondary objectives, the associated hypotheses and literature chapters

Secondary research objective	Hypotheses	Literature chapter(s)
1	H ₁ to H ₇	Chapter 3: Customer-perceived service factors
2	H ₈ and H ₉	Chapter 3: Customer-perceived service factors
3	H ₁₀ and H ₁₁	Chapter 4: Customer satisfaction and behavioural intentions
4	H ₁₂ and H ₁₃	Chapter 4: Customer satisfaction and behavioural intentions
5	H ₁ to H ₁₃	Chapter 3: Customer-perceived service factors Chapter 4: Customer satisfaction and behavioural intentions
6	H ₁₄	Chapter 2: Customer relationship management Chapter 3: Customer-perceived service factors Chapter 4: Customer satisfaction and behavioural intentions

Once the research objectives and hypotheses have been formulated, the next step is to determine appropriate methods that can be used in order to achieve these objectives and to measure the hypotheses. The research methodology is accordingly described in the following section, while the detailed discussion of the method follows in Chapter 5.

1.6 RESEARCH METHODOLOGY

The purpose of this section is to provide a brief outline of the way in which the empirical research for the study was conducted – as noted, an in-depth discussion follows in Chapter 5. In the first place, the research design is explained, followed by a discussion of the questionnaire design, sampling, data collection, and data analysis.

1.6.1 Research design

For the purpose of this study, descriptive research was used. Descriptive research is, according to Cooper and Schindler (2006:194, 202), conducted in order to *describe* the marketing problem or opportunity in detail. It describes aspects such as the characteristics of products, people, groups, businesses or environments by address who, what, when, where and how questions.

1.6.2 Questionnaire design and pretesting

In order to collect the primary data for use in this study, a quantitative research approach was followed. The data was accordingly collected by means of a mall-intercept, person-administered survey method (section 5.3.3.2, p. 122), which required a structured questionnaire. The questionnaire was designed and pretested amongst a representative sample of 30 respondents from the study population.

Based on the feedback and results obtained, the questionnaire was finalised. It included the following sections (Appendix A, p. 327):

- Section A: General insurance information.
- Section B: Service quality expectations and perceptions.
- Section C: Relational benefits received, satisfaction levels, and behavioural intentions.
- Section D: Demographics.

The final questionnaire was then distributed amongst the sample, as is explained in the subsequent section.

1.6.3 Sampling design

The sampling design process entails involving a portion of a population that one uses in order to draw conclusions regarding the entire population (Cooper & Schindler, 2006:434). For the purpose of the current study, the target population can be summarised as set out in Table 1.3. Due to the absence of a sampling frame, the researcher had to provide direction in terms of participants who qualified to participate in the study.

Table 1.3: Summary of the research population

Dimension	Defined
Elements	All individuals who currently have short-term insurance, representing both direct and indirect short-term insurance.
Sampling unit	All individuals who currently have short-term insurance, representing both direct and indirect short-term insurance.
Extent	Gauteng Province, South Africa
Time period	2010

The study used non-probability sampling, which implies that the researcher had to use personal judgement to determine whether or not an element qualified to participate in the study. A convenience sample was drawn, since not all the short-term insurers could accurately be identified, and also because the target population was too large.

Finally, this study's sample size was largely determined on the basis of its nature and number of variables used. Since this study follows a descriptive research method, and because the questionnaire consists of numerous variables that have to be analysed, it was determined that the minimum sample size for the study should be at least 500 respondents. Although a sample size of 500 respondents was proposed, a final sample size of 891 was realised.

The following section relates to data collection, and explains the methods by means of which the necessary data was gathered.

1.6.4 Data collection

In general, fieldworkers are assigned to conduct interviews with respondents and complete questionnaires (Iacobucci & Churchill, 2010:328). In this study, fieldworkers (who were second-year students at the University of Johannesburg, taking Marketing research as a module as part of their degree) were assigned with distributing the questionnaires to respondents by means of mall-intercepts. Once the data had been collected, it could be analysed, as explained in the following section.

1.6.5 Data analysis

During data analysis, the primary data collected from the sample respondents is prepared and analysed (Malhotra, 2010:97). For the purpose of this study, the SPSS statistical package was used to capture and analyse the data. The data analysis process includes: (1) determining the reliability and validity of the results; (2) determining the distribution of the results; (3) analysing the descriptive results; and (4) testing hypotheses. The hypotheses will be tested by using the following statistical techniques:

- *t*-tests for independent groups;
- paired-samples *t*-tests for two dependent groups;
- one-way ANOVAs for two or more independent groups; and
- structural equation modelling to determine the relationships among a set of variables.

Based on the results obtained, a number of main findings were formulated with a view to address the secondary objectives as set out in section 1.5.2 (p. 11). Finally, conclusions and recommendations were formulated for each secondary objective.

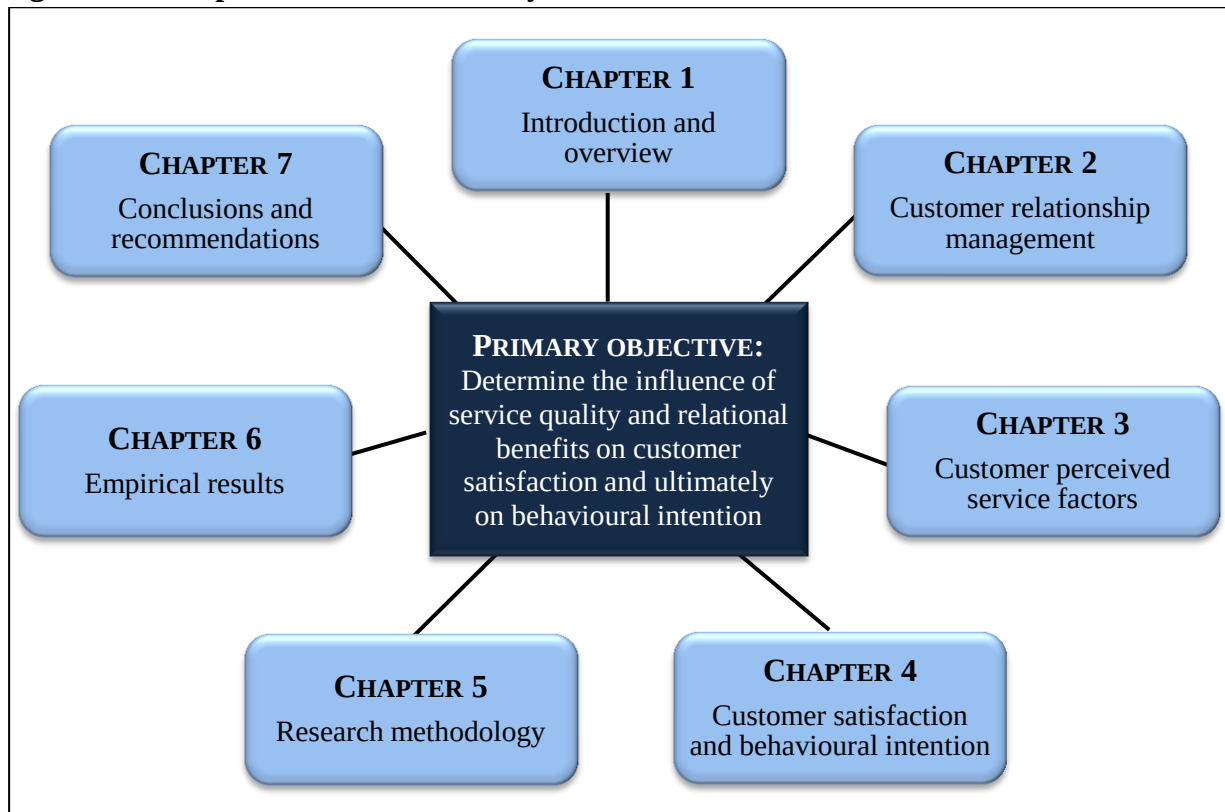
1.7 PROPOSED CONTRIBUTION OF THE STUDY

The researcher will be conducting an in-depth literature investigation of CRM and the identified CRM constructs, namely service quality, relational benefits, customer satisfaction, and behavioural intentions. This literature, combined with the empirical results, will be utilised to uncover the interrelationships between the CRM constructs, as well as to identify possible differences between different groups of short-term insurance respondents. Ultimately, a model will be proposed, providing South African short-term insurers with an instrument to improve their overall CRM efforts. The final contribution of this study is discussed in more detail in Chapter 7 (section 7.5, p. 300).

1.8 CHAPTER OUTLINE

The purpose of this section is to provide a chapter outline of what can be expected in the rest of the study, which is supported by the schematic illustration of the chapter structure in Figure 1.5.

Figure 1.5: Chapter outline of the study



- **Chapter 1** serves as an introduction and overview of the problem that constitutes the focus of this study, and to explain how the problem is addressed throughout the course of the study. It starts off with background information regarding the study, provides an overview of the short-term insurance industry, formulates the problem statement, research objectives, hypotheses and theoretical model, and concludes with a brief discussion of the research methodology.
- **Chapter 2** investigates the concept of CRM by discussing its emergence, development, role and importance; explaining its benefits and barriers; describing the measures for CRM initiatives and how they correlate, and concludes with a discussion of the role of CRM within the short-term insurance industry.
- **Chapter 3** presents an overview of the two factors that customers perceive as the most important during their consumption and evaluation of a service offering, by examining service quality and relational benefits. Service quality is firstly examined by providing a conceptualisation of the term, its contributions, measurement models, and management strategy. Secondly, relational benefits are discussed, by identifying the different types of benefits, their consequences, and measurement approach.
- **Chapter 4** addresses the nature of customer satisfaction and customers' behavioural intentions. At first, customer satisfaction is examined by defining the concept, explaining its importance, discussing its determinants, and describing methods for measuring customer satisfaction. Secondly, customer behavioural intention is explained, by examining two generic behavioural intention factors, namely customer loyalty and word-of-mouth. The chapter concludes with a discussion on the interrelationship between the various CRM initiatives this study focuses on.
- **Chapter 5** is dedicated to the research methodology applied in this study, which is based on the various stages of the marketing research process explained in detail in this chapter. The chapter consequently examines the research design, questionnaire design, sampling, data collection, and data analysis.

- **Chapter 6** presents the results obtained from the empirical research of the study. This chapter starts off with the different insurers with which respondents are insured with, followed by an outline of the sample profile of respondents. The remainder of the chapter proceeds according to the sequence of the questions as they appear in the questionnaire. The hypotheses formulated for the study are tested, and finally the main findings that are based on the results obtained for each question in the questionnaire are presented.
- **Chapter 7** presents the conclusions pertaining to each secondary objective, which are based on the main findings reached in Chapter 6. In addition, a number of recommendations are made. The chapter concludes with a discussion of the limitations of the study, as well as future research possibilities on the research topic.

1.9 CONCLUSION

This chapter serves as an introduction and overview of the problem that constitutes the focus of this study. It commences with background information regarding the study, followed by an overview of the short-term insurance industry. The problem statement, research objectives, hypotheses and theoretical model are formulated, and a brief discussion of the research methodology is provided. The chapter concludes with an overview of the chapters included in the study.

The following chapters provide a detailed literature review regarding the key issues under investigation. Chapter 2 presents an overview of CRM, covering aspects such as its importance and benefits, describing CRM measures, and its role within the short-term insurance industry.

CHAPTER 2

CUSTOMER RELATIONSHIP MANAGEMENT

2.1 INTRODUCTION

The aim of this chapter is to provide a number of relevant theoretical insights into the nature of customer relationship management. This chapter commences with a definition of the concept of CRM, which is followed by a discussion of the emergence and development of CRM. Thereafter, the related benefits and barriers to CRM, the implementation and the measures for CRM initiatives and ways in which these initiatives correlate are explained. The chapter concludes with a description of the role of CRM in the context of the short-term insurance industry.

2.2 CRM DEFINED

CRM (customer relationship management) has rapidly become one of the most well-known and popular terms in today's business environment. This three-letter acronym stands for an entirely new way of conducting business; it also requires the reinvention of the business around the customer. To understand this relatively new business and marketing approach, it is necessary to investigate the concept of CRM.

Since CRM forms the core of this study, it is imperative to define the term properly before examining its processes and workings. The following CRM definitions were adapted from existing marketing literature:

- Knox, Maklan, Payne, Peppard and Ryals (2003:19) provide a comprehensive definition of CRM, namely that CRM entails a strategic approach that aspires to increase shareholder value by developing profitable, long-term customer relationships. They also point out that this approach requires an overall integration of technology, people, operations and marketing capabilities.

- Payne and Frow (2005:168) similarly favour the holistic description of CRM, defining it as a comprehensive business strategy that aims to improve shareholder value through the development of quality relationships with key customers and customer segments.
- Raab *et al.* (2008:6) define CRM as a management approach in which the entire business is aligned towards the management of durable and profitable customer relationships. Business decisions, therefore, revolve around existing and potential customers and their relationships with the business.
- Another definition of CRM is provided by Buttle (2009:15) who identifies CRM as the fundamental business strategy based on expert customer data – and which is therefore enabled by information technology. By integrating internal business processes and functions with external networks, value is created for customers at a profit.

It is clear that a variety of definitions exist regarding the concept of CRM. There are, however, three main elements upon which most authors agree in terms of defining CRM:

A) CRM is a comprehensive business strategy

In other words, CRM is not meant exclusively for the marketing department, or for management only. Instead, CRM is a culture the entire business should adopt – a strategy that must be implemented business-wide (Anderson & Kerr, 2002:2).

B) CRM is about maximising customer satisfaction

The ability to identify and manage customers' individual needs enables the business to treat each individual customer differently (Greenberg, 2004:45), and personalised relationships initially develop in this manner. This kind of attention results in highly satisfied customers, which in turn motivates these customers to remain with the business over the longer term (Chen, 2012:207).

C) Optimising profits

By understanding and accordingly satisfying customers' needs, new customers can be attracted, current customers can be maintained and relationships with these customers can be developed into highly profitable, long-term partnerships – adding value to not only the customer, but also to the business (Peelen, 2005:6).

Many definitions also include technology as an important part of CRM initiatives. Payne (2006:20), however, notes that CRM is not simply a technology, and elaborates that the emphasis should not be only on the technological aspects of CRM. Instead, CRM should be approached from a strategic point of view, integrating the customer-focused mind-set throughout the entire business. This will help to maintain the focus on the customer, who really constitutes the basis of CRM initiatives (Buttle, 2009:12).

This study integrates the above definitions and defining elements, by offering the following definition on CRM:

CRM is a comprehensive business strategy, focused on optimising profits through the development of beneficial long-term customer relationships, by integrating business processes in such a way as to successfully satisfy customers' individualised needs.

2.3 THE EVOLUTION OF CRM

The different perspectives on the definition of CRM (section 2.2, p. 21) reflect the evolution of this concept – which Dibb and Meadows (2004:113) describe as the 'journey' from basic segmentation to relationship marketing to customer relationship management. This section accordingly discusses the evolution of CRM by explaining its origins, how it emerged, and how it developed over time. The section then concludes with a brief indication on the growth of the CRM industry.

2.3.1 The origins and emergence of CRM

Since its inception in the 1990s, CRM has captured the business world – developing into a topic of major significance in less than a decade (Knox *et al.*, 2003:ix). During this time CRM has undergone a substantial evolution, and has indeed become a business necessity. Even though CRM is a relatively new term, the principles behind it are not. According to Payne and Frow (2006:135), businesses have practiced CRM in some form or another for quite some time.

2.3.2 The emergence of CRM

Business structures – and with these, CRM – have evolved significantly over the years. The following sections explain how CRM emerged to develop into the successful initiative it is today.

2.3.2.1 Early 1970s

Initially, businesses were product-driven and were instead dominated by manufacturing. Planning and decision-making did not involve customers, and these processes were mainly aimed at the internal functioning of the business. Even though customers were not included in these processes, this way of doing things reduced the business' production costs. As a result, customers' demand for products usually exceeded the business' ability to supply. Fortunately for these businesses, customers' expectations were relatively low and their tolerance towards the variety of available products was high (Payne, 2006:7).

2.3.2.2 Late 1970s

By the end of the 1970s, however, customers' needs and desires began to exceed all bounds. Their expectations increased to such a degree that they were willing to subside to two-income families only to be able to afford and consequently also satisfy their needs. As a result, the demand for consumer goods reached record heights. Businesses had to adapt to these changes, which meant they had to begin to include the customer in their planning and manufacturing decisions (Greenberg, 2004:13). Practices such as manufacturing resource planning and

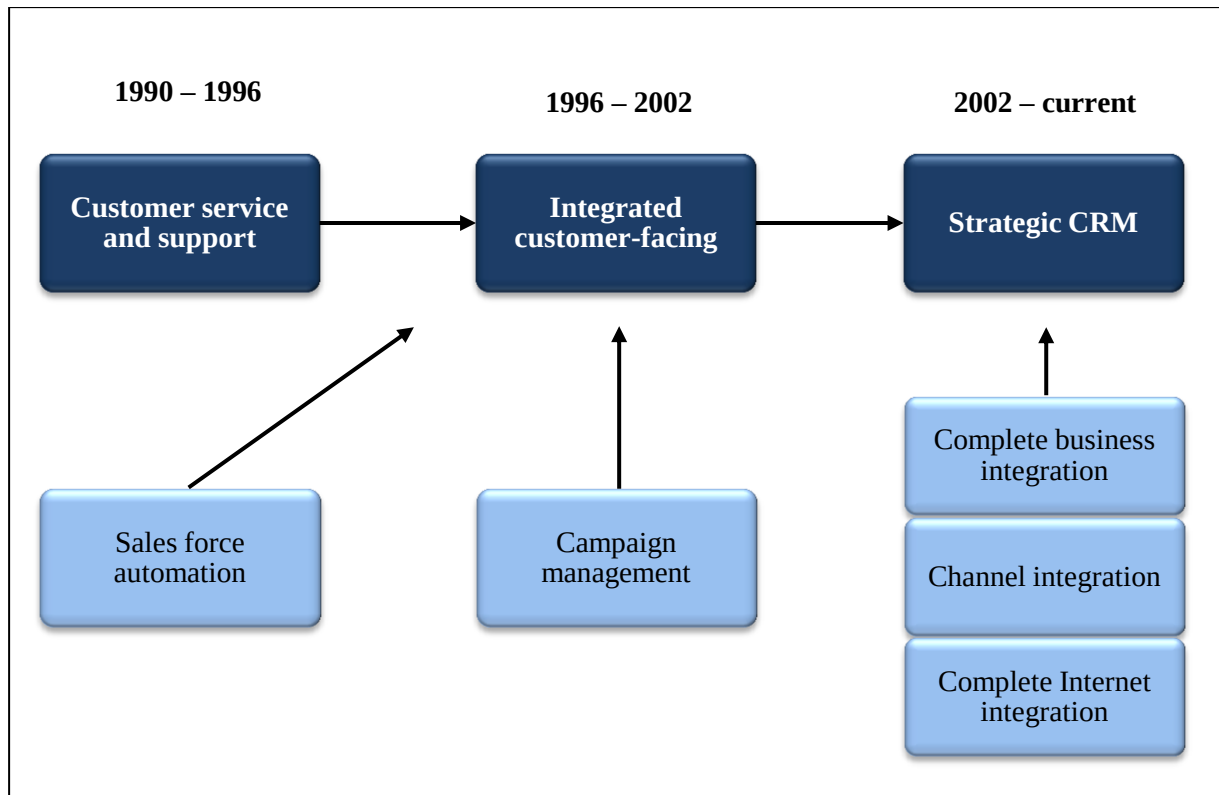
enterprise resource planning made their appearance. These tools made production processes more effective and efficient, and businesses systems became more accessible and acceptable (Baran *et al.*, 2008:50). However, even though this approach was driven by the customer's demand, it was still focused on the product.

2.3.2.3 Early 1990s

During this time a phenomenon entered the business world – the Internet. Customers were suddenly exposed to an endless amount of options, unlimited by their geographic location (Greenberg, 2004:14). As a result, customers' expectations increased considerably, and their actions became unpredictable – affecting their loyalty towards the business. For businesses, however, this new occurrence held either obliteration or significant changes in store (Bligh & Turk, 2004:7). To some extent, businesses were forced to adapt their strategies and activities; this meant they had to create products according to the specifications of the customer. Thus, businesses slowly became convinced that they had to move away from a product focus and rather move towards a customer focus – towards becoming customer-centric. As a result, this new customer-focussed approach brought about a new area of marketing, namely that of relationship marketing (Knox *et al.*, 2003:6). According to Payne and Frow (2006:137), the main concern of relationship marketing remains managing the business' relationships with its multiple stakeholders. These authors further point out that this marketing approach forms the basis for CRM – hence the emergence of CRM in the years that followed.

2.3.3 Timeline of CRM evolution

The relationship marketing era is also the period during which CRM emerged, and when it evolved into more than just another acronym. CRM became a vital part of any business' processes and activities, affecting the entire business (Peelen, 2005:13). Kumar and Reinartz (2006:20) describe CRM's evolution since the 1990s according to the timeline in Figure 2.1.

Figure 2.1: Timeline of CRM evolution

Source: Adapted from Kumar and Reinartz (2006:20).

2.3.3.1 The functional CRM approach (1990 – 1996)

According to Kumar and Reinartz (2006:20), CRM originally developed as two independent product offerings, namely sales force automation (SFA) and customer service and support (CSS). SFA tools were initially developed in order to address presale functions such as gathering prospect and customer information, telemarketing, generating leads, creating sales quotations, and placing sales orders. These functions provided the business with real-time information aimed at improving sales force productivity. CSS applications, on the other hand, mainly addressed after-sales activities such as help desks, and contact and call centres. By employing new technologies, the handling of customer inquiries was consequently improved (Baran *et al.*, 2008:51). Even though these two applications (SFA and CSS) were typically quite disconnected from each other and also from other business activities, they nonetheless resulted in overall sales and service improvement. The fragmented nature between presale-

and after-sales services suggested the need for an integrated business system that could be employed by all departments (Kumar & Reinartz, 2006:21).

2.3.3.2 The customer-facing CRM approach (1996 – 2002)

During this phase, CRM developed into an “integrated customer-facing approach” – which meant integrating the customer with presale- and after-sale activities. This approach led to the establishment of customer data warehouses, which provided businesses with the required demographic, behavioural, and contact data to initially facilitate CRM. Even though numerous businesses pursued the customer integration approach in the hope of reaping its expected benefits, these benefits remained elusive and the results were disappointing (Kumar & Reinartz, 2006:21). As a result, CRM technologies were employed in order to enhance the possibility of benefits, which gave rise to the introduction of CRM campaign management techniques. Businesses based these campaign techniques on customer data obtained from customer data warehouses. Consequently, businesses were able to target smaller, more focused customer segments by means of customised promotional campaigns (Baran *et al.*, 2008:51) – enabling an affordable integrated customer approach. Unfortunately, many businesses realised that CRM and CRM technologies were too difficult to implement or measure during this period, and these were thus unable to satisfy customers’ expectations effectively. A decision needed to be made – either to terminate any CRM initiatives, or to find a more strategic approach to CRM (Kumar & Reinartz, 2006:21).

2.3.3.3 The strategic CRM approach (2002 – current)

By the end of 2002, businesses finally managed to narrow the gap between customers’ expectations and their perceived benefits from their CRM experience. The key to a more strategic and successful CRM approach proved to be not only an integration of customers and the presale- and after-sale functions, but also an integration of the business’ partners and suppliers (Kumar & Reinartz, 2006:21). In other words, this entailed gathering customer data from each point of contact within the distribution channel – and from different partners and suppliers.

The integration of the Internet with business processes also contributed significantly to the further improvement of CRM practices. The Internet is indeed the ultimate link between the business, its customers and customer data, and its channel members – and allows direct interaction with data capturing, data updating, and data availability for future use (Baran *et al.*, 2008:52-54).

2.3.4 Growth of the CRM industry

Even though CRM is still considered to be a relatively new concept, it has already evolved into a valuable tool for most businesses. The global business market was quick to adopt this strategy when they discovered its lucrative nature (CRMinfoline, 2011c). The annual growth rate of the global CRM industry was approximated at 6.7% by 2006, and is estimated to increase to an annual average of 13% from 2007 to 2012. By this time, the CRM market will be worth approximately R29.6 billion, despite the economic recessions experienced in various countries (CRMinfoline, 2011a).

It is apparent that CRM is indeed a fast growing industry. Businesses are therefore likely benefit from its applications, not only in order to obtain and retain customers, but also to assist in reaching business goals during difficult times. CRM would certainly be an invaluable tool to have in an uncertain economy (Kumar & Reinartz, 2006:23).

2.4 THE IMPORTANCE AND PURPOSE OF CRM

Statistics has recently revealed an unsettling discovery – up to 70% of customers who end their relationship with a business do so due to poor customer service. Poor customer service is usually the result of a lack of customer-centricity, or an ineffective CRM strategy (CRMinfoline, 2011b).

The emergence of the more developed and enabled customer – in other words, a customer who is able to demand any possible product, at any given time, and at any geographic location – has affected the business-world's view of the customer (Payne, 2006:4-5). With the shift in focus

(from the product to the customer and the customer's needs), businesses had no choice but to adapt their strategies and processes, both internally and externally.

One of the most important reasons for adopting a CRM approach is certainly the business' ability to obtain and maintain competitiveness within a parity business environment – an environment of equal pricing, equal product offerings, and an endless amount of competitors (Barnes, 2006:4).

From the above overview on the evolution of CRM, it is clear that businesses are constantly confronted with change. CRM has developed as a result of these changes, and aims to facilitate and assist businesses, in order to prepare them for adapting to these changes. Baran *et al.* (2008:57-63) and Kumar and Reinartz (2006:7-16) emphasise the importance of CRM in addressing some of these changes; these will be discussed in the following sections.

2.4.1 Changing customers

It is clear that the profile of today's customer is anything but obvious. Businesses can no longer simply target "the customer" because customers have changed considerably over the last few decades. The customer market has become highly diversified – ranging over different age groups, including an assortment of races, social classes, gender positions and various other demographic indicators (Kumar & Reinartz, 2006:8). Dual income households have also become common place – and this is placing additional pressure on the customer in terms of time allocation. Consequently, customers have gradually evolved into highly educated, demanding and competent purchasers with extremely high expectations of suppliers in terms of pre- and post-sales service, product and service quality, and pricing demands (Knox *et al.*, 2003:8).

2.4.2 Changing marketplace

In the past, businesses mainly competed on the basis of product attributes or price. Since the recent shift in focus discussed above has meant a new emphasis on the customer, businesses have had to adapt their strategies because customers' demands became increasingly

heterogeneous, individualised and fragmented (Payne, 2006:11). As a result, the marketplace became globalised – while also showing a significant increase in the emerging number of businesses. Businesses have become increasingly competitive, not only in terms of product or price, but especially in terms of customers (Raab *et al.*, 2008:1-2). The goal of the business has now become the customer– specifically, the customer’s needs. Typically, the number of competing businesses has increased, and with that, the quality of competition has also increased. Price is no longer the main competitive leverage. Instead, high-quality products and services – customised according to the customer’s needs – are becoming the competitive measure (Baran *et al.*, 2008:57).

2.4.3 Changing effectiveness of the marketing function

Businesses mostly used mass marketing communication to convey information regarding their product or price. However, in light of the recent changes in the marketplace and customers’ diversified wants and needs, businesses are finding it increasingly difficult to satisfy their target audience with a single, all-purpose marketing approach. Mass marketing has indeed become an insufficient, unsuccessful, out-dated method of reaching prospective customers. With the newly implemented customer-focused approach – which requires more personalised and individualised attention – businesses are now forced to focus their marketing efforts towards retaining customers, adding value to these customers, and developing lasting and profitable relationships with them (Kumar & Reinartz 2006:14-15). The marketplace, in addition, is so overcrowded with the variety of media options and amount of “mass advertisements” that it seems to have become an almost impossible task for a business to market its products (Baran *et al.*, 2008:58).

2.4.4 Implications of these changes

With all of the changes mentioned above occurring in recent years within the market and business environment, businesses are faced with high-quality demands in terms of not only products or pricing, but also in terms of direct customer service delivery. Businesses are obligated to improve their understanding of the customer and his/her needs to, in the end, adapt their marketing strategies according to the desired value demand and personalised preferences

(Kasper, Van Helsdingen & Gabbott, 2006:154). This is because product-centred approach no longer measures up to the demands of the changing customer and related environment. To address this necessity, CRM with its customer-centric approach emerged, presenting businesses with a competitive way of meeting and satisfying these new demands (Kumar & Reinartz, 2006:16).

Successful CRM practices enable businesses to obtain the required customer information (demands and expectations) needed in order to satisfy customers' heterogeneous requirements. These include information on time of purchase, manner of purchase, and purchase response. This information can in turn be used to determine an effective marketing approach for targeted customers, in this way ensuring a personalised effect on presentation (Maklan, Knox & Ryals, 2007:223).

It is also apparent that a specific management approach is required to successfully adapt business practices according to environmental changes. According to Jobber (2010:796), the customer relationship management approach embraces the diverse contemporary customer market by focusing on satisfying existing customers instead of constantly attracting new customers; this means extending the business' involvement with customers with a view to retain them for a profitable period of time. Businesses are also more willing to adopt CRM practices in order to ensure that their advertising campaigns are as accurate as possible. With the decreasing effectiveness of mass marketing, CRM offers the opportunity to reduce advertising costs by targeting specified customers accurately (Payne, 2006:11).

The increased understanding of the customer market and the concomitant changes driving the marketplace enable businesses to employ the notion of customer-centricity. This means enabling the business to increase (or at least maintain) its market share by distinguishing itself in a uniquely competitive manner – more specifically, through successful CRM implementation (Baran *et al.*, 2008:57).

2.5 CRM SEGMENTS

Marketing experts typically divide CRM into three distinct segments, namely operational, analytical, and collaborative CRM. These segments illuminate the ability of CRM to provide an all-inclusive focus on serving the customer.

2.5.1 Operational CRM

Operational CRM entails the automation of the business processes associated with customer interactions. Typical business functions involved in operational CRM include marketing automation, sales force automation and service automation. *Marketing automation* enables businesses to develop, budget and execute advertising campaigns. *Sales force automation* focuses on lead management, opportunity management, customer contact management and sales forecasting. *Service automation* allows businesses to manage their service operations effectively, by supervising inbound customer calls through the call centre, directing service calls, and handling customer complaints (Buttle, 2009:5).

Operational CRM therefore focuses on improving the efficiency of a business' interactions with its customers, and in this way aims to achieve an increase in profitability (Payne, 2006:23). Even though operational CRM adds value to business processes – by integrating marketing databases, sales and customer support – this element in and of itself does not improve the business' understanding of its customers, nor does it strengthen its relationship with them (Buttle, 2009:81).

2.5.2 Analytical CRM

According to Payne (2006:23), analytical CRM includes the capturing, storing, extracting, processing, interpreting, and implementing of meaningful customer data obtained from the operational part of the business. This element provides a basis for analysing, modelling and evaluating related customer data with a view to ensure the development of a mutually beneficial relationship between the business and its customers. Buttle (2009:10) further elaborates that analytical CRM can improve the business' understanding of the customer, and

in this way will result in delivering better, more timely, and customised offerings. In the end, this combination enables the business to increase customer satisfaction and consequently to improve the relationship between buyer and supplier.

It is extremely important for businesses to understand the importance of applying analytical CRM, especially in order to obtain a competitive advantage in a highly competitive marketplace. However, analytical CRM cannot “function” without the data collected during operational CRM processes (Payne, 2006:23). Thus, what is needed is proper integration between operational and analytical CRM processes.

2.5.3 Collaborative CRM

Collaborative CRM facilitates the interactions that take place between a business, its customers and employees (Greenberg, 2004:49). These interactions usually include technological means of communication such as e-mails, conferences and websites that are dedicated to handle customer complaints. The challenge for businesses would be to implement these technological communication methods successfully, in order to enable relevant, timely and customised communication with its customers (Payne, 2006:24).

The ultimate function of collaborative CRM is to support the business’ employees (customer-facing and back-office) and customers to be able to access, distribute and share customer data. Thus, in effect, collaborative CRM integrates the operational and analytical CRM processes, and serves as a link between customer data collection and the implementers of this data. Consequently, collaborative CRM processes constitute the driving force behind the CRM phenomenon (Buttle, 2009:97).

2.6 BENEFITS OF CRM

From the above definition and discussion, one can surmise that the intentions of a CRM strategy are to improve the customer’s service experience, improve customers’ satisfaction, and ensure positive intentions (Zikmund, McLeod & Gilbert, 2003:3). By employing a CRM strategy, these intentions can be further supported by a number of benefits related to such a

strategy. The following sections explain the benefits of CRM to both the business and the customer.

2.6.1 CRM benefits to the business

CRM offers several advantages for businesses, some of which include:

- **Customer focus:** The basis of a CRM approach is a focus on the customer, and since the business' reason for existence is its customers' wants and needs, it is important that the business not only relates to its customers in this manner, but also focuses all of its business processes around them. By having a customer focus, the business can identify with its customers, empathise with their feelings and consequently satisfy their every need (Zikmund *et al.*, 2003:3).
- **Increased customer satisfaction:** With the implementation of a CRM strategy, the entire business adopts a "customer-focus mind-set". As a result, employees get to know and understand customers more thoroughly, in this way becoming empowered to meet customers' heterogeneous needs (Bligh & Turk, 2004:70). The business' ability to meet customers' expectations successfully by means of customised products and services improves overall customer satisfaction in the end (Berndt & Tait, 2012:42).
- **Increased customer retention:** Retaining customers and establishing customer loyalty are major objectives of CRM strategies and, as mentioned above, are the results of being customer focused. Once the business succeeds in exceeding customers' expectations – thus generating satisfied customers – the customer might be more willing to return to the business in future. Consequently, a relationship will develop between the business and its customers, which will encourage loyalty with the customer (Zikmund *et al.*, 2003:3). This will enable the business to obtain a higher retention rate of loyal customers, as well as a larger share of their wallet (Baran *et al.*, 2008:17).
- **Payment of a premium price:** Loyal customers are less price-sensitive and are therefore less likely to withdraw due to price increases. Customers' willingness to pay premium

prices is based on the satisfaction and confidence they have developed in their relationship with the business (Knox *et al.*, 2003:103). In other words, satisfied customers develop trust in the business, and when customers trust a supplier, they are more willing to pay premium prices and tend to yield a larger share of their spending (Raab *et al.*, 2008:8). Thus, established customers do not only continue to support the business, they also tend to increase their support over time.

- **Referrals:** Businesses that implement CRM successfully can also benefit from positive word-of mouth or referrals from its customers. Customers are more likely to refer family, friends and colleagues when they are satisfied with their relationship with the business. Since the referral usually comes from a trusted source, potential customers are more easily persuaded than by means of another form of paid-for communications (Barnes, 2006:121). Therefore, customer referrals not only ensure lower expenditures, but can also increase sales, market share and profits (Baran *et al.*, 2008:14; Bligh & Turk, 2004:75).
- **Reduced marketing costs:** CRM practices, as mentioned earlier, enable the business to obtain accurate customer data which can be used to focus marketing efforts on more responsive and accessible customers (Raab *et al.*, 2008:9). By focusing marketing efforts specifically on responsive customers, the business can ensure more accurate targeting, in the process filtering out unwanted or unprofitable customers. In effect marketing costs will decrease, since regular customers are less costly to sustain than replacing lost customers (Buttle, 2009:17).
- **Long-term profitability:** As the business experiences the above benefits (customer focus, satisfaction, retention, increased spending, referrals, and decreased marketing costs) its long-term profitability will also improve (Zikmund *et al.*, 2003:3). It is therefore important for the business to identify and utilise its high-profit customers, or alternatively to transform its low-profit customers into higher profit customers. The aim of CRM should consequently be the development of close relationships with highly profitable customers (Payne, 2006:137).

- **Competitive advantage:** All of the above-mentioned advantages provide the business with CRM's ultimate benefit – a competitive advantage. Once the business has established a profitable relationship with a satisfied customer – who is unlikely to turn to another business – that business has managed to strengthen its place in the marketplace, and has also therefore developed a significant competitive advantage over its rivals (Payne, 2006:9; Raab *et al.*, 2008:9).

2.6.2 CRM benefits to the customer

CRM is not only beneficial to the business, but also provides customers with several advantages. Gwinner, Gremler and Bitner (1998)'s relational benefits approach distinguished confidence, social, and special treatment benefits as some of the advantages that arise from a successful relationship between business and customer. High service quality levels and the avoidance of switching costs are also general benefits associated with CRM (Jobber, 2010:798).

- **Confidence benefits:** Gwinner *et al.* (1998:110) described confidence benefits as the customer's sense of reduced anxiety, faith in the service provider and feelings of trustworthiness. In essence, customers are attracted to the idea of having a long-term relationship with the business – if they feel confident with the quality of the products they buy and the services they receive. As customers experience safety and security in their relationship with the business, their confidence will increase. Customers generally consider confidence benefits to be of the utmost importance. This implies that the best direction that a business should take would be to make its customers feel secure in their choices, and to avoid patronising other businesses (Hennig-Thurau *et al.*, 2010:379).
- **Social benefits:** According to Hennig-Thurau *et al.* (2010:375-376), these benefits relate to the emotional part of the relationship, and are characterised by the personal recognition of customers by employees. Thus, wherever interpersonal contact takes place, social benefits can be developed. As the social relationship between a customer and employee increases, a “friendship” develops, resulting in an increase in the customer's commitment to the service provider. This gives rise to a positive relationship

between social benefits and customer satisfaction (Gwinner *et al.*, 1998:110). In other words, as the social relationship between the customer and employee increases, the customer's satisfaction with the service provider also increases (Gremler & Gwinner, 2000:100).

- **Special treatment benefits:** This refers to the benefits that customers can receive from the service provider in the form of discounts or individualised services. These special treatment benefits naturally enhance customers' satisfaction with the business' service offering, which in turn enhances their loyalty to the business (Hennig-Thurau *et al.*, 2002:236). Surprisingly, Gwinner *et al.* (1998)'s research established that customers perceive special treatment benefits as the least important of benefits. In other words, customers perceive confidence-related benefits as more important than enjoying an occasional discount or specialised service (Hennig-Thurau *et al.*, 2010:380).
- **Increased service quality:** With the implementation of CRM and the development of a long-term relationship, the business can determine its customers' needs and expectations with a greater measure of accuracy. The business can then aim its functions and processes towards exceeding these expectations, which will result in customer satisfaction. Customers experience high-quality offerings like these as exceptional customer service on the part of the business (Jobber, 2010:798).
- **Avoidance of switching costs:** Customers who are involved in a relationship with a business will tend to avoid the costs involved in switching to competitors. Even though competitors' offerings may initially seem attractive, most customers experience the psychological and financial costs of moving to the competitor as too much to bear (Jobber, 2010:798). Businesses should therefore attempt to establish a stable and satisfying relationship with the customer as soon as possible after acquisition.

2.7 BARRIERS TO SUCCESSFUL CRM

Even though numerous sources indicate that CRM is highly beneficial to both the business and its customers, many CRM failures have been reported (Buttle, 2009:ix). Most of these failures can be ascribed to a number of barriers that prevent the successful implementation of CRM.

2.7.1 Strategy-related barriers

According to Knox *et al.* (2003:11), CRM strategies should be based on the differentiated needs and behaviours of customers. Without a profound understanding of the individualised customer, CRM strategies might fail. On the other hand, if CRM strategies (based on customer differences) are not integrated throughout the entire business, these customised strategies will be of no use (Donaldson & O'Toole, 2007:129). Businesses should therefore ensure that CRM strategies are customised according to the needs of both the customer and the business. Also, business strategies should be adapted to enable CRM development and implementation (Bligh & Turk, 2004:35).

2.7.2 Decision-making barriers

Another aspect that could prevent the successful implementation of CRM is the lack of decision-making abilities. According to Donaldson and O'Toole (2007:147), many employees lack the required decision-making abilities or capacity to handle customer complaints and problems. As a result, customer problems remain unsolved, which result in depreciating the value of the relationship that has developed between the business and customer. This, in turn, can have very detrimental consequences that affect the profitability and sustainability of the business.

2.7.3 Management barriers

Managers who fail to recognise the importance and need for implementing CRM programmes also fail to see the importance of having a satisfied customer base. In such businesses (where managers do not support CRM), basic CRM strategies are bound to fail (Donaldson &

O'Toole, 2007:147). Even in businesses where CRM programmes have already been implemented, management's support is still required. If management is not willing to see the process through, and begins to question the effectiveness of CRM along the way, other employees within the business might also doubt its effectiveness (Bligh & Turk, 2004:47). It is therefore crucial that management should remain focused on the potential outputs of CRM, and to integrate CRM processes thoroughly throughout the business (Baran *et al.*, 2008:68).

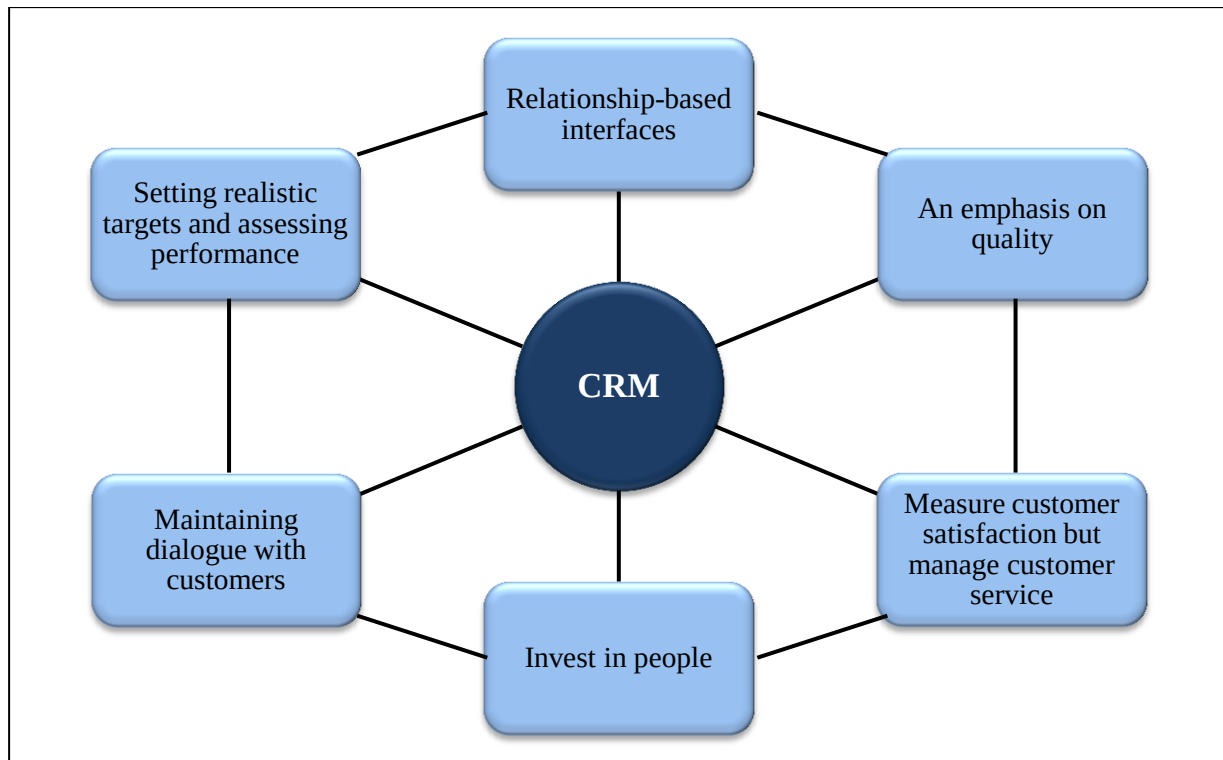
2.7.4 Business barriers

Since CRM requires a new approach towards conducting business and customer processes, CRM programmes are often resisted by employees. This reluctance is characterised by employees who are wary and sceptical of the potential successful and beneficial results. CRM results are, unfortunately, not quickly obtained. Rather, it is a slow and long-term process. Even though the development of sound customer relationships takes time, businesses will eventually experience the associated benefits of CRM (Donaldson & O'Toole, 2007:148).

2.8 IMPLEMENTATION OF CRM

Lovelock and Wirtz (2011:367) note that successful CRM implementation necessitates the integration of all the processes involved in the establishment and maintenance of successful customer relationships. However, since large businesses generally have multiple customer-contact points, it is unlikely that customers will interact with the same employee(s) over a succession of different contacts. Consequently, it is imperative that a CRM vision must be shared throughout the entire business (Berndt & Tait, 2012:176). Payne (2006:329) adds that a well-implemented CRM strategy will further enable a business to better understand, segment, and satisfy its target customers.

Donaldson and O'Toole (2007:145) identify several elements that need to be addressed with a view to ensure the successful implementation of a CRM strategy. Figure 2.2 illustrates the key elements as they relate to successful CRM implementation, which are discussed in the following sections.

Figure 2.2: Elements necessary for CRM implementation

Source: Donaldson and O'Toole (2007:145).

2.8.1 Relationship-based interfaces

The first element of successful CRM implementation relates to the interface that the business has created in order to establish relationships with its customers. This element of CRM implementation assists in identifying those customers a business might consider investing in (Donaldson & O'Toole, 2007:146).

Buttle (2009:68) explains that one of the most important aspects of implementing relationship-based interfaces is to ensure that the entire business adopts a shared CRM vision. Businesses should, however, not only have a shared CRM vision, but should also be able to execute this vision as was intended. Donaldson and O'Toole (2007:147-149) propose that the following relationship-based interfaces should receive attention:

- **Management-customer interface:** Even though it is impossible for management to have a personalised relationship with every one of their customers, managers should attempt to – in the least – be aware of customers' needs and reflect this awareness in their operations. Management can consequently conduct market research, and invest in complaints procedures and help lines as possible ways to improve this interface.
- **Staff-customer interface:** Customers often rate a business' performance based on their interactions with the staff. Businesses, therefore, need to keep in mind that their employees represent the business' image, and should ensure that these employees have good interpersonal and communication skills, positive attitudes, and excellent product knowledge in order to create a positive image.
- **Management-staff interface:** Businesses should, however, not only take management's involvement and employees' interactions with customers into account, but also the effect of relationships within the business. In other words, management should consider a relationship-orientated management style towards employees – conveying a message of certainty regarding a CRM approach.
- **Management-system interface:** Systems such as those used for order entry, order processing, enquiries and complaints, also have a significant effect on customers' perceptions of a business. Systems should not only include the use of new technologies in order to reduce expenses for the business, but should also take the customer and his/her needs into account. These systems, therefore, need to be set up in such a way that they facilitate the customer in a user-friendly manner.

2.8.2 An emphasis on quality

The second element of successful CRM implementation concerns quality. Kasper *et al.* (2006:175) propose that businesses seeking a competitive advantage should pursue overall quality. According to Donaldson and O'Toole (2007:149), this focus or emphasis on quality should, however, include more than simply providing an improved product/service offering. Quality can be incorporated by means of supporting services in the form of

product/service/contact customisation, adding value to the offering, and enhancing the quality of the relationship. To incorporate quality effectively throughout the business, its offering(s), and relationships, Donaldson and O'Toole (2007:151-152) suggest that the following aspects should be considered:

- **Product-related factors:** If a business is truly committed to its customers and relationships with them, it should also be committed to providing these customers with superior quality product offerings.
- **Customer-related factors:** Businesses should realise that customers are becoming increasingly well-informed and should, as such, involve customers on a continuous basis in everyday practices. Customer-input on market opportunities, wants, needs, changes, and solutions should therefore be integrated in business decisions. These contributions will, in the end, reward the business with satisfied customers.
- **Market-related factors:** Businesses should be proactive and innovative when dealing with market factors, such as competitors and intermediaries. By focusing on retaining relationships with intermediaries, the number and quality of competitors can be limited.

2.8.3 Measure customer satisfaction but manage customer service

After determining the type of relationship and developing an integrated business capable of delivering a suitable level of service quality, it is necessary to communicate *what* that level is to customers (Donaldson & O'Toole, 2007:154). Flint, Blocker and Boutin (2011:227) explain that, if a business is confident about its service quality levels and delivery capabilities, it will be able to influence customers' expectations of its performance. Service quality generally has a significant influence on customers' experiences and overall satisfaction with a business.

In addition, Oliver (2010:182) explains that customers with low expectations and who receive average service offerings, tend to have a higher level of satisfaction than those customers with high expectations who receive average service. It is therefore imperative that businesses should not only ensure superior quality offerings, but also manage customers' pre-determined

expectations regarding these offerings as a way to minimise potential dissatisfaction (Donaldson & O'Toole, 2007:155).

2.8.4 Investing in people

The fourth element of successful CRM implementation involves investing in people. Donaldson and O'Toole (2007:156) explain that an integrated business aim of delivering superior service quality is not possible without the cooperation of the entire business, its processes and employees. It is therefore important that businesses should also focus on the development of internal relationships.

According to Kasper *et al.* (2006:72), employees are often considered as marketers of the business who are capable of influencing customers' satisfaction and relationships based, significantly, on their own levels of satisfaction. Therefore, internal relationships need to be managed if a business wants to be effective in its relationships with its customers. Part of the development of internal relationships is the adaptation of employees' approach towards each other and towards customers, which might result in reluctance on the part of employees. To overcome possible employee reluctance, Berndt and Tait (2012:184) propose investing in employees' training, continuous communication, and encouraging staff participation and involvement.

2.8.5 Maintaining dialogue with customers

Building relationships with customers is practically impossible if the business does not have a good understanding of who its customers really are and what they truly desire. In order to develop a better understanding of customers, it is critical to build customer intelligence, which includes the process of gathering customer information; building a historical database; and developing an understanding of current, potential, and lapsed customers (Harris, 2010:73).

By employing skilful person-to-person communication with customers, the necessary customer intelligence can be gathered regarding customers' needs and expectations. From this, the

product/service offering can be adapted according to customers' needs, hence improving the overall quality of the business' offering (Donaldson & O'Toole, 2007:157).

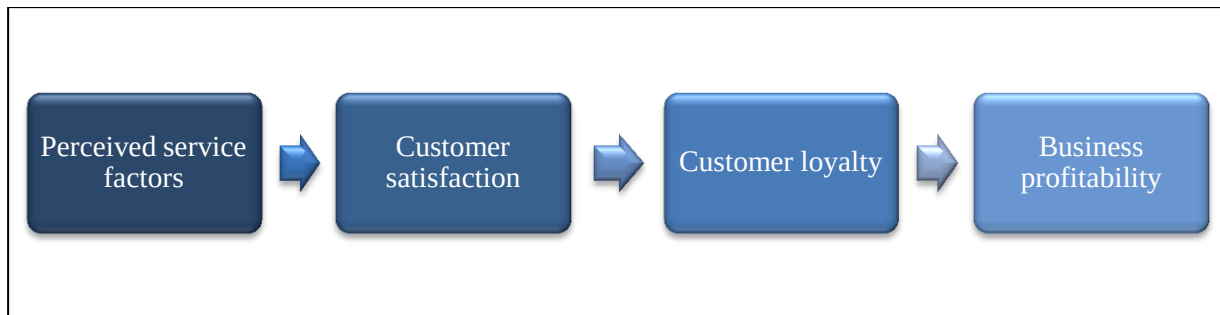
Berndt and Tait (2012:184) add that communication is essential for developing long-term relationships with customers in order to share information and create collaborative relationships between a business, its employees and its customers. However, since employees only communicate what they know or are familiar with, it is critical that they are completely conversant with the business' service policies (Donaldson & O'Toole, 2007:156) – hence the necessity of the previous element, namely investment in people (section 2.8.4, p. 43).

2.8.6 Setting realistic targets and assessing performance

In order to develop long-term relationships, a business needs to establish realistic service delivery targets, which are according to Donaldson and O'Toole (2007:158), based on the assessment and measurement of performance. By means of a performance analysis, the business will obtain a clear image regarding issues requiring attention or revision (Kasper *et al.*, 2006:480). One way to measure relationship performance is to determine current customer loyalty – which might, to some extent, be misleading, since not all loyal customers necessarily signify the development of a long-term relationship (Baran *et al.*, 2008:324). It is therefore necessary to implement and evaluate all the elements (customer service, customer satisfaction and customer loyalty) that are required for building a sustainable relationship.

2.9 MEASURING CRM INITIATIVES

Several scholars – including Ekinici *et al.* (2008); Olorunniwo *et al.* (2006); Wetsch (2006); Xu *et al.* (2006) – have identified the basic variables involved in evaluating or measuring a business' CRM initiatives as service quality, customer satisfaction and customer loyalty. The findings of these scholars indicate that a positive relationship exists between customer-perceived service factors (such as service quality) and customer loyalty, and that this relationship is mediated by customer satisfaction. The result is that this combination of variables will ultimately increase the business' overall profitability (Figure 2.3).

Figure 2.3: The satisfaction-profit chain

Source: Adapted from Baran *et al.* (2008:318) and Kumar and Reinartz (2006:157).

Baran *et al.* (2008:397) confirm that these variables (service quality, relational benefits, customer satisfaction and customer loyalty) can serve as measures of the success of a business' CRM initiatives. Thus, for the purpose of this study, these variables have been used to measure the selected short-term insurers' CRM initiatives. The following sections (2.9.1 to 2.9.3, p. 45-48) address each of the variables, while section 2.10 (p. 49) explains the interrelationship between these variables.

2.9.1 Customer-perceived service factors

Xu *et al.* (2006:95) have found that the two service factors perceived by customers as the most important ones during the measurement of CRM initiatives are the customer's perceived service quality and perceived relational benefits. The following sections will only describe these two service factors briefly, since a more detailed discussion of their contribution to measuring CRM initiatives will follow in Chapter 3.

2.9.1.1 Service quality

Parasuraman, Zeithaml and Berry (1988:15) define service quality as the measurement of how well the business' service delivery conforms to customers' wants and expectations. In other words, service quality can be seen as the ability of the business to meet or (preferably) exceed customer expectations (Szwarc, 2005:31). Parasuraman *et al.* (1988:23) have further identified five dimensions that customers generally use to evaluate the provided service quality (Table 2.1), namely tangibles, reliability, responsiveness, assurance, and empathy.

Table 2.1: The dimensions of service quality

Dimension	Definition	Example
Tangibles	Physical facilities, equipment, and appearance of personnel	Up-to-date call-centre facilities
Reliability	The business' ability to perform the promised service dependably and accurately	Maintaining error-free records
Responsiveness	Employees' willingness to assist customers and provide prompt service	Prompt reply to customers' requests or service problems
Assurance	Knowledge and courtesy of employees and their ability to inspire trust and confidence	Professional and knowledgeable personnel
Empathy	The caring, individualised attention the business provides its customers	Treating the customer as an individual and not a number

Source: Adapted from Parasuraman *et al.* (1988:23, 38).

There is usually a visible difference between customers' perceived quality and the actual service quality they receive. It is therefore important that businesses should identify any possible quality gaps between what the customer expects and the actual service delivered, since service quality can distinguish a business in a highly competitive market (Brink & Berndt, 2004:47).

2.9.1.2 Relational benefits

Due to the intangible nature of services and the interpersonal focus of service businesses, a strong customer focus is important in the service industry. It is commonly accepted throughout the marketing literature that service businesses should see the development and maintenance of lasting relationships with their customers as crucial to the success and profitability of their business (Vivek, Beatty & Morgan, 2012:131).

However, the implementation of a CRM strategy should not only benefit the business, but also the customer. By engaging with service suppliers in an effective relationship, customers are more likely to be satisfied with the service obtained (Barnes, 2006:6) which means that other alternatives may tend to appear less attractive – thus ensuring a certain degree of commitment

(Gil-Saura & Ruiz-Molina, 2011:1120). The benefits that customers experience from a relationship with the business have already been discussed in section 2.6.2 (p. 36).

2.9.2 Customer satisfaction

Lamb, Hair and McDaniel (2009:10) and Perreault and McCarthy (2006:5) describe customer satisfaction as the difference between customers' pre-set expectations and their current experiences. Thus, when a business' service quality meets the "acceptable" level of customers' expectations, customers tend to experience satisfaction. On the other hand, if the business' performance falls short of the customer's expectations, the customer is dissatisfied; and if performance exceeds the customer's expectations, the customer will be highly satisfied or delighted (Buttle, 2009:21).

According to Barnes (2006:19), customers do not expect the unexpected from their suppliers. However, when businesses do succeed in meeting, or perhaps exceeding, customers' expectations, the outcomes are rather rewarding.

2.9.3 Behavioural intentions

According to Wilson *et al.* (2012:426), behavioural intentions can be described as indicators of customers' willingness to keep a sustainable relationship with the business. However, without the ability to exceed customers' basic expectations, the probability of maintaining a relationship with them is limited (Barnes, 2006:19).

Hennig-Thurau *et al.* (2002:237) and Zeithaml, Berry and Parasuraman (1996:37) argue that customers' behavioural intentions can be indicated by measures such as repurchase intentions, word-of-mouth, loyalty, complaining behaviour, and price sensitivity. Since the two key outcomes of customers' behavioural intentions have been identified in the marketing literature as customer loyalty and positive customer word-of-mouth communication, this study will only explore these two aspects.

2.9.3.1 Word-of-mouth

Ladhari (2007:1093) describes word-of-mouth as the informal communications between a customer and others concerning the evaluation of goods or services. Word-of-mouth communication is seen as one of the most powerful forces in influencing buying decisions, since potential customers view these personal communications as a more reliable source than non-personal information (Podnar & Javernik, 2012:146). The major contribution of word-of-mouth is not only its ability to spread a positive word within the market, but also to successfully attract new customers (Molina, Martín-Consuegra & Esteban, 2007:257).

2.9.3.2 Loyalty

Loyalty can be described as the commitment of customers to re-buy a preferred product or service from the same business in future, despite any situational influences and marketing efforts which could potentially change their buying behaviour (Peelen, 2005:32). The research of Hennig-Thurau *et al.* (2002:240) furthermore indicates that, of all the variables researched, customer satisfaction has the strongest direct impact on customer loyalty. Therefore, since the ultimate goal of CRM is to create loyal customers, businesses should ensure constantly satisfied customers, by delivering quality services (Brink & Berndt, 2004:32).

However, as Barnes (2006:22) rightfully emphasises, the business should not stop at simply satisfying customers' expectations. In order to ensure the development of long-lasting relationships, while making use of the opportunity to instil loyalty in customers, the business should attempt to continuously exceed customers' basic expectations. Customers will not hesitate to leave a relationship if they are dissatisfied with the level of the business' service quality. On the other hand, customers will be more willing to remain in the relationship if they are satisfied with the service experience – they will thus remain loyal (De Matos, Vieira & Veiga, 2012:2207).

A number of benefits are associated with retaining loyal customers, such as decreases in sales and marketing costs, lower transaction costs, increases in sales due to positive word-of-mouth, increases in the number of repurchases and increases in the value of purchases (Xu *et al.*,

2006:85). The most important benefit, however, of customer loyalty remains the significant increases in the business' profitability. Reichheld and Sasser (1990) note that an increase in customer retention of only 5% can increase the business' profits by 25-95% (see also Rigby, Reichheld & Dawson, 2003:1). Thus, businesses that employ CRM successfully and that strive towards retaining loyal customers are most likely to become successful and profitable market leaders (Payne, 2006:254).

2.10 INTERRELATIONSHIPS OF THE MEASURES FOR CRM INITIATIVES

Several studies have been conducted on the three measures for CRM initiatives – these were discussed in section 2.9 (p. 44). Most of these studies arrived at the same conclusion: these three measures are interconnected. The following sections explain the interrelationship between these constructs and the influence they have on one another.

2.10.1 Customer-perceived service factors and customer satisfaction

A number of scholars – including Kaura and Datta (2012:44), Ledden, Kalafatis and Mathioudakis (2011:1247), Vibha, Nravichandran and Jain (2011:23) and Xu *et al.* (2006:95) – have found that customer-perceived service factors (service quality and relational benefits) have a direct impact on customers' levels of satisfaction. In other words, if the business' service quality – or the benefits offered in the relationship with the business are inadequate, the business could risk losing potentially valuable customers. As a result, the business could also lose revenues as well as its competitive advantage in the marketplace (Oliver, 2010:181).

2.10.2 Customer-perceived service factors and behavioural intention

The relationship between customer-perceived service factors and behavioural intention, on the other hand, were found to be indirect. Service quality and relational benefits by themselves do not influence customers' intentions to remain loyal to the business; neither do these increase the possibility of them personally communicating their experiences to others (Xu *et al.*, 2006:95). However, despite the fact that customer-perceived service factors influence loyalty

and positive word-of-mouth indirectly, Olorunniwo *et al.* (2006:68) emphasise that these service factors are nonetheless important drivers of behavioural intentions.

2.10.3 Customer satisfaction and behavioural intention

The most important contribution to customer satisfaction literature is the finding that customer satisfaction is a significant and important predictor of customers' behavioural intentions (Oliver, 2010:372-373; Payne & Frow, 2004:529). If customers are satisfied with the level of service quality and the benefits received from their relationship with the business, they are likely to become loyal to the business or at least communicate positively about their encounters. It is, however, important to keep in mind that satisfied customers do not necessarily mean loyal customers. Loyal customers, on the other hand, are almost always satisfied (Barnes, 2006:17). Businesses should thus attempt to ensure the loyalty of their satisfied customers in order to reap the benefits of their long-term, profitable relationships.

According to Martin *et al.* (2008:223), customer satisfaction serves as a mediator between customer-perceived benefits and behavioural intentions, and this implies that customers should first be satisfied with the level of service quality and relational benefits before they will become loyal to the business. It is thus apparent that these three constructs (customer-perceived service factors, customer satisfaction and behavioural intentions) should be viewed and measured separately, in order to determine customers' overall evaluation of the service offering.

2.11 CRM AND THE SHORT-TERM INSURANCE INDUSTRY

Given the nature of the insurance industry – where most buyers do not generally connect with their agent or broker after the initial purchase of the policy – many insurers assume that CRM is a waste of time and money. As a result, only 59% of the short-term insurance industry has implemented a CRM strategy (Weinberger, 2004:14). This is, unfortunately, where these insurers stand the chance to lose a considerable amount of customers and revenues.

The insurance industry, according to Weinberger (2004:14), is still mainly focused on its products, instead of on its customers – a state of affairs that might be ascribed to the fact that the traditional view of the “customer” entailed the agent, and not the insured. Greenberg (2004:261) also notes that most insurers use CRM only in an attempt to decrease the risk of loss. This deficient customer-focus and limited mind-set have resulted in a lack of adequate and accurate customer information, which in turn diminished insurers’ ability to understand and meet their customers’ expectations (Ciraulo & Auman, 2002:27).

In the context of the current erratic state of economic conditions – with inflation, interest rates and exchange rates reaching new highs and lows – South African insurers are under enormous pressure (Jacks, 2008). Since the insurance industry is strongly influenced by economic factors such as these, insurers might find it increasingly difficult to maintain their positions in this unsteady marketplace (Datamonitor, 2011b:7) – especially without a successful CRM strategy in place. Evidently, insurers will have to focus on retaining profitable customers; not only to decrease their risk of loss, but also to ensure their survival in an unsure market (Ciraulo & Auman, 2002:27).

The insurance industry has been identified as one of the industries that can benefit most from a CRM approach, if implemented correctly and timely (Jain, Jain & Dhar, 2007:38). However, any insurer wishing to adapt its business’ strategies and processes to the customer-focused approach needs to reap more than one reward. Apart from the general benefits of CRM (section 2.6.1, p. 34), Greenberg (2004:264) has identified a number of additional benefits specifically applicable to insurers namely:

- accurate reporting on lapsed policies;
- insights into the major factors influencing this lapse;
- the use of predictive analytics on who is likely to lapse in the near future;
- proactive, rules-based analysis of account behaviour; and
- an early-warning alert system.

The changes in today's business environment are forcing all businesses to rethink and re-strategise their basic business processes – and insurers are no exception in this regard. By means of the implementation of a successful and effective CRM strategy, insurers can maintain their industry's profitability.

2.12 CONCLUSION

This chapter emphasised the importance of CRM to the business, by providing a background on the evolution of CRM and explaining the various benefits involved for both the business and its customers. The different constructs that can be used to measure the success of CRM initiatives have also been discussed, with a clear indication of the ways in which these constructs are interconnected. This chapter concludes by indicating the importance and benefits a CRM approach can hold for the insurance industry.

CHAPTER 3

CUSTOMER-PERCEIVED SERVICE FACTORS

3.1 INTRODUCTION

An aspect that one needs to investigate when measuring CRM initiatives pertains to customer-perceived service factors. This forms the starting point of an evaluation of customers' perceptions of a good CRM strategy. Since the ultimate goal of this study is to determine these "CRM experiences", it is necessary to first determine customers' perceptions and expectations of the service offering and the service relationship.

This chapter therefore discusses the two service factors customers perceive as most important during their consumption and evaluation of a service offering. Service quality as service factor is firstly examined by providing a conceptualisation of the term, its contributions, measurement models, and management strategy. Secondly, relational benefits are discussed, by identifying the different types of benefits, their consequences, and measurement approach.

3.2 RATIONALISING CUSTOMER-PERCEIVED SERVICE FACTORS

As explained in Chapter 2 (section 2.9.1, p. 45) customer-perceived service factors form part of the CRM evaluation process. In many instances, only service quality as service factor is evaluated and measured. Gwinner *et al.* (1998) have, however, noted that service quality is not the only important aspect that has a bearing on customers' perceptions of the service and service provider. In their research Gwinner *et al.* (1998), Hennig-Thurau *et al.* (2002), and Xu *et al.* (2006) have introduced relational benefits as part of service perceptions – reasoning that the benefits that customers experience from their relationship with the service provider also influence their satisfaction with the service and provider.

For this reason, the remainder of this chapter will be dedicated to a detailed discussion of each of these important service factors, their contributions or consequences, and the implications of these for the short-term insurance industry.

3.3 CONCEPTUALISATION OF SERVICE QUALITY

Service quality – as conceptualised in earlier literature – is the result of a comparison between what is expected from a service provider and the way in which the service provider actually performs (Parasuraman & Zeithaml, 2002:340). Based on this conceptualisation, Parasuraman *et al.* (1988:15) emphasised that service quality essentially involves *perceived quality* – in other words, how the quality of the service is experienced.

Parasuraman and Zeithaml (2002:338) further elaborate on the topic of service quality by highlighting that perceived service quality is whatever the *customer* perceives it to be. The level of conformance of a business' service quality to a certain set of standards should thus be guided by the customer's point of view, and not in terms of how management sees it (Grönroos, 2007:73).

Service quality can therefore be formally defined as the discrepancy that results from a comparison between a customer's perceptions of a service delivery and the customer's initial expectations of the service provider (Palmer, 2011:262; Parasuraman & Zeithaml, 2002:340).

3.3.1 Service quality dimensions

In the process during which customers form their perceptions of a service provider's quality delivery, they evaluate certain aspects of service quality. Grönroos (2007:73) proposes two general dimensions that customers use to evaluate service quality: a technical dimension and a functional dimension. The technical dimension refers to those aspects that customers actually receive from their interactions with a service provider (Palmer, 2011:261) – in other words, the technical quality of the outcome of the service delivery (Grönroos, 2007:73). The functional dimension refers to the way in which the service is delivered to the customer (Palmer,

2011:261) – in other words, the process of service delivery (Parasuraman & Zeithaml, 2002:340).

The research of Parasuraman, Zeithaml and Berry (1985), on the other hand, identified ten dimensions that are used by customers when they evaluate service quality. Table 3.1 lists these initial dimensions, with a short definition of each dimension.

Table 3.1: General service quality dimensions

Dimension	Definition
Credibility	Trustworthiness, believability, honesty of service provider
Security	Freedom from danger, risk, or doubt
Access	Approachability and ease of contact
Communication	Listening to customers and keeping them informed in language they can understand
Understanding the customer	Making the effort to know customers and their needs
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials
Reliability	Ability to perform the promised service dependably and accurately
Responsiveness	Willingness to help customers and provide prompt service
Competence	Possession of the skills and knowledge required to perform the service
Courtesy	Politeness, respect, consideration, and friendliness of contact personnel

Source: Adapted from Parasuraman *et al.* (1985:47).

It is clear from the above service quality dimensions (Parasuraman *et al.*, 1985:47) that customers use more than just one aspect to evaluate quality, and that service quality should indeed be recognised as a multidimensional construct (Zeithaml *et al.*, 2009:111).

In subsequent research, Parasuraman *et al.* (1988) found a high degree of correlation between some of the ten dimensions noted above, which suggests that these might be interrelated. In the end, these ten dimensions were combined to form five specific service quality dimensions that apply across a variety of service contexts, including assurance, empathy, reliability,

responsiveness and tangibles (Lovelock & Wirtz, 2011:420; Parasuraman *et al.*, 1988:31). The following subsections provide a more detailed explanation of this final set of dimensions.

3.3.1.1 Assurance

Assurance can be defined as the knowledge and courtesy of employees, and their ability to inspire trust and confidence with customers (Grönroos, 2007:84). According to Zeithaml *et al.* (2009:114), the assurance dimension is especially important for “high-risk” services, or services of which customers might feel uncertain about their ability to evaluate the outcome.

3.3.1.2 Empathy

Empathy can be described as the caring, individualised attention with which a business provides its customers (Parasuraman & Zeithaml, 2002:341). According to Grönroos (2007:84), this implies that the business understands its customers and is willing to act in their best interest. Empathetic businesses make customers feel unique and important by providing them with personalised or customised services. In being caring and understanding, businesses improve communication channels with their customers – which ensure easy and reassuring access to their resources (Lovelock & Wirtz, 2011:420).

3.3.1.3 Reliability

Reliability refers to the business’ ability to perform a promised service dependably and accurately (Palmer, 2011:269). This means that the service provider delivers on its promises by providing its customers with accurate, timely and error-free service the first time (Grönroos, 2007:84). Parasuraman and Zeithaml (1988:37), Vibha *et al.* (2011:23), and Zeithaml *et al.* (2009:113) – researchers in various service industries – have found that “reliability” is one of the most important determinants of customers’ perceptions of service quality. Since customers want to deal with businesses that keep their promises (specifically promises about service outcomes and core service attributes), all businesses have to be aware of their customers’ expectations of reliability.

3.3.1.4 Responsiveness

Responsiveness as a service quality dimension refers to the willingness of employees to assist customers and to deliver prompt service (Lovelock & Wirtz, 2011:420). Responsiveness is achieved by attending to customers in a timeous manner, reducing their waiting-time length, and responding to their questions, requests, complaints and problems (Grönroos, 2007:84). Since customers' requirements for responsiveness and promptness can differ significantly from the business' standards, Zeithaml *et al.* (2009:114) emphasise that the business can only excel in this dimension if the process of service delivery and request handling are viewed from the customer's point of view.

3.3.1.5 Tangibles

Tangibles can be defined as the appearance of physical facilities, equipment and materials used by a service provider, as well as the appearance of employees in direct contact with customers (Grönroos, 2007:84; Palmer, 2011:269). Tangibles therefore serve as the physical representation of a service that customers use to evaluate quality. This service quality dimension, depending on the type of service, is often found to be one of the least important customer evaluation criteria, since tangibles are generally emphasised in service businesses where the customer physically visits the establishment.

Even though tangibles are often used to enhance a service provider's image, many businesses combine tangibles with another dimension to create a service quality strategy for the business. It should be noted that, if businesses completely ignore the "tangibles" aspect of a service strategy, this can confuse or even destroy an otherwise good strategy (Zeithaml *et al.*, 2009:115).

3.3.2 Service quality attributes

In addition to the above service quality dimensions and their related attributes, Grönroos (2007:82-83) and Zeithaml *et al.* (2009:123-127) identify other sources of customer pleasure and displeasure during service encounters, including recovery, adaptability, spontaneity, and

coping. These aspects demonstrate additional attributes that customers consider as important during their service consumption process.

- **Recovery** refers to incidents of service failure where employees are required to respond to customers' complaints and disappointments. Employees' responses in this situation influence customers' perception (favourably or unfavourably) of the service encounter and provider.
- **Adaptability** entails the service provider's ability to provide in customers' special needs or requests, and requires a certain level of customisation on the part of the business. A business or employee's willingness and devotion to meet customers' special requirements will, in the end, affect customers' perceptions.
- **Spontaneity** refers to employees' unprompted and unsolicited actions when taking care of customers and their problems. This means that employees think for themselves in their interactions with customers by providing special attention and treating customers like royalty.
- **Coping** describes employees' behaviour when handling customer problems and complaints. This includes employees' skills in taking care of their duties by handling negative customer encounters effectively.

From the above discussions, it is clear that customers use several criteria (or dimensions) when evaluating a business' service quality. Service quality can thus also be seen as the evaluation of customers' perception of reliability, assurance, responsiveness, empathy, and tangibles (Zeithaml *et al.*, 2009:103). It should, however, be kept in mind that these quality dimensions might differ between service industries. The research of Chaniotakis and Lymperopoulos (2009), Ekinici *et al.* (2008), Parasuraman and Zeithaml (1988), and Sachdev and Verma (2004) all found that these dimensions differ depending on their targeted service industry. Some of these researchers reduced the number of quality dimensions, and others stipulated the need for a more detailed set of dimensions.

The fact remains that these five service quality dimensions are only a guideline of the most basic criteria customers use to evaluate their perceptions of a business' service quality (Parasuraman *et al.*, 1988:31), and can – according to Baran *et al.* (2008:399) – be adapted to fit the characteristics of a specific service or industry.

3.4 CONTRIBUTIONS OF SERVICE QUALITY

Several researchers (Chaniotakis & Lymperopoulos, 2009; Dagger, Sweeney & Johnson, 2007; Ekinci *et al.*, 2008; Olorunniwo *et al.*, 2006) have determined that service-quality perceptions can influence customers' behaviours – whether directly or indirectly via customer satisfaction. Thus, if customers were to experience a positive service quality, they are more likely to recommend the service provider to others, to increase their volume of purchases, or may even agree to pay a premium price for the service (Parasuraman & Zeithaml, 2002:341). Ekinci *et al.* (2008:48) also found that positive service quality perceptions will increase the possibility of customers re-visiting the service provider in future.

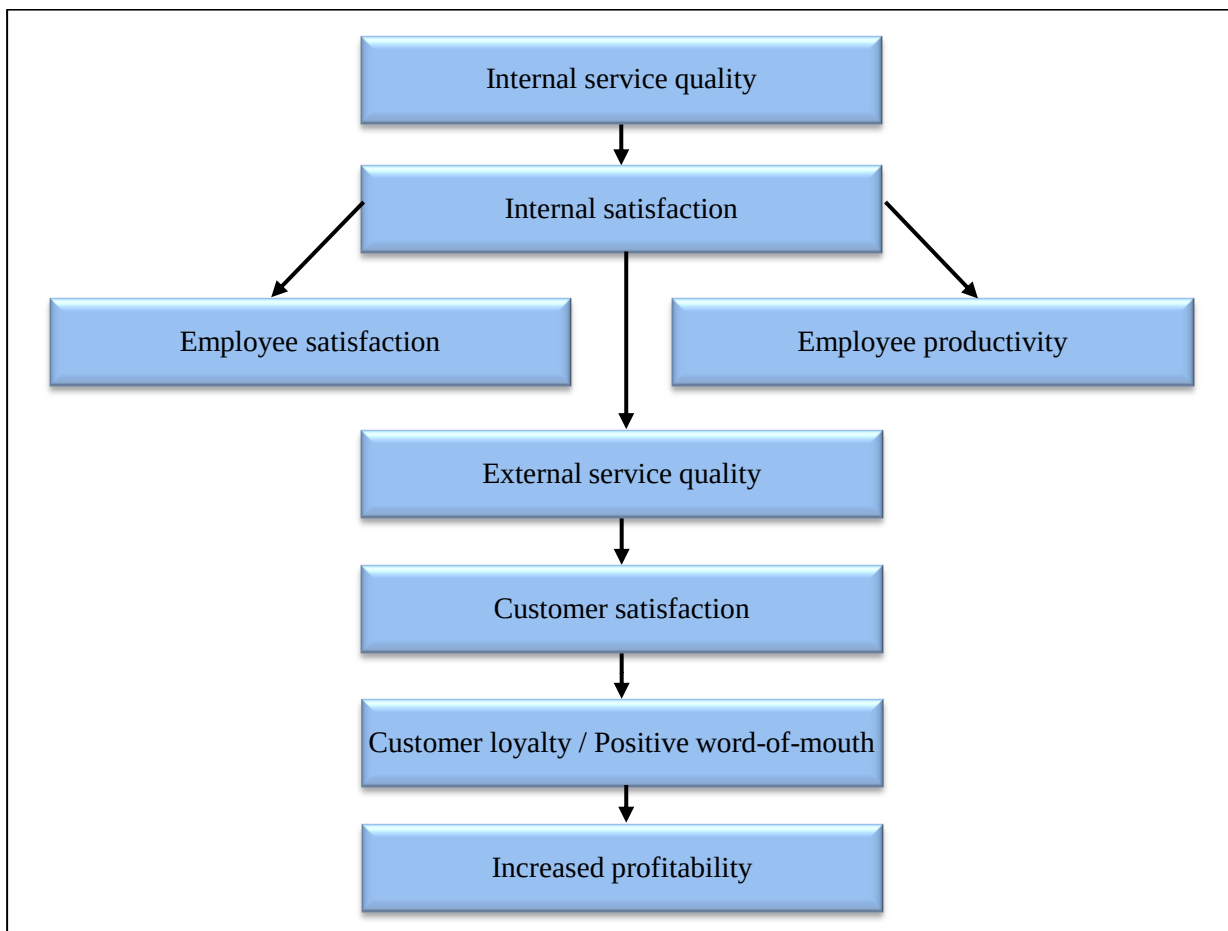
These behavioural consequences can, in turn, provide the business with a competitive advantage, and in this manner enhance its position in the marketplace. A business' competitive advantage – according to Grönroos (2007:75) – is highly dependent on the quality of its goods and services. Thus, in order for service providers to maintain or improve their competitive edge, they will have to ensure excellent service quality based on the criteria (or dimensions) customers use to evaluate service quality.

Another result of delivering high service quality is that it improves the business' financial performance. Bates, Bates and Johnston (2003:180) found that service providers with high service quality offerings had a significantly higher profit margin than service providers with lower service quality offerings. This finding appeared to apply to both small and large businesses.

The service-profit chain, as depicted in Figure 3.1, supports these “consequences” of service quality by suggesting that service quality influences not only certain customer behaviours, but also the business' profitability (Palmer, 2011:265). From the service-profit chain illustration, it

is clear that service quality begins within the business, who must work towards internal satisfaction (employee satisfaction) and productivity (employee productivity), before being able to provide quality services externally to customers. Customers tend to be more satisfied with higher quality services, therefore positively influencing their behaviours (such as loyalty or positive word-of-mouth), which finally rewards the service provider with increased profitability (Baran *et al.*, 2008:396; Parasuraman & Zeithaml, 2002:343).

Figure 3.1: The service-profit chain



Source: Adapted from Heskett, Sasser and Schlesinger (2003:19).

3.5 MEASURING SERVICE QUALITY

Businesses need to identify those aspects of a service that require improvement if they want to ensure optimal customer satisfaction (Zeithaml *et al.*, 2009:151). In order to determine

customers' perceptions of the quality of a particular service, and whether the service meets their needs, performance measurement practices need to be in place.

Given the abstract nature of service quality, Grönroos (2007:83) suggests that the best way to measure service quality is measuring customers' evaluations of the service. Due to the complexity of such an operation, it is to be expected that several views exist regarding the measurement of customers' service quality perceptions. Palmer (2011:267) identifies three frameworks for measuring service quality: performance-only measures, disconfirmation models, and importance-performance approaches.

3.5.1 Performance-only measures

Performance-only measures are based exclusively on customers' rating of a service's performance, and completely exclude customers' expectations of the service. Palmer (2011:268) states that the reason for this is lodged in the difficulty of actually measuring expectations, since "expectations" is such a complex term to conceptualise. The measurement of expectations was also excluded from these measures, the reason being practical difficulties. Since expectations would generally be measured before the consumption of a service, it was found to be impractical to attempt to measure performance (after consumption) and expectations simultaneously.

Confronted with these difficulties, Cronin and Taylor (1992) developed the SERVPERF instrument. This instrument requires the customer to rate only the performance of a particular service, thus eliminating the need to measure retrospectively formed customer expectations (Cronin & Taylor, 1992:63).

According to Grönroos (2007:88), the SERVPERF instrument is less complicated to use, and data analysis is much easier than most other service quality measures.

3.5.2 Disconfirmation models

A disconfirmation model operates on the basis of the difference between customers' expectations and perceptions of a particular service offering – hence the term “disconfirmation” (Palmer, 2011:269). Parasuraman *et al.* (1988:13) emphasised that, since customers are the final customers of services, they can be the only judges of real service quality, and it follows that all other judgements are considered irrelevant. For this reason, Parasuraman *et al.* (1988) developed a unique service quality measure – SERVQUAL – that is used to determine what customers expect from services and what their perceptions are of these services.

The SERVQUAL instrument has been widely applied to various service types and industries, and has proven to be a successful approach towards measuring and managing service quality (Buttle, 2009:244). Even though this instrument is more than 20 years old, it is still used in modern-day studies (Chaniotakis & Lympieropoulos, 2009; Dagger *et al.*, 2007; Olorunniwo *et al.*, 2006), and is also still regarded as a valid, applicable and practical measure.

3.5.2.1 The SERVQUAL instrument

In its basic form, the SERVQUAL instrument contains 22 service attributes that are grouped into the five general service quality dimensions (section 3.3.1, p. 54) namely assurance, empathy, reliability, responsiveness and tangibles (Parasuraman & Zeithaml, 2002:350). When responding, customers complete a series of scale questions, based on the 22 service attributes, firstly to measure the level of service they would expect from a particular service provider – referred to as the “expectations section” of the SERVQUAL instrument. Secondly, these customers are asked to rate their perception of the service delivered by this business – based on a similar scale and on the same service attributes (Lovelock & Wirtz, 2011:420). This second part refers to the “perceptions section” of the SERVQUAL scale.

If the perceived performance ratings are lower than the initial expectations of customers, this would be an indication of a poor quality service. The opposite indicates a good quality service

(Parasuraman *et al.*, 1988:31). Appendix B (p. 332) provides an example of the “perceptions section” of the SERVQUAL scale, its dimensions, attributes, and instructions to respondents.

Parasuraman and Zeithaml (2002:350) and Zeithaml *et al.* (2009:154) have identified a number of purposes for which the data (gathered through the SERVQUAL instrument) can be used, including:

- to determine the average difference between customers’ perceptions and expectations, based on each service attribute;
- to evaluate a business’ service quality along each of the SERVQUAL dimensions;
- to calculate a business’ overall SERVQUAL score (taking into account the service quality gap on each dimension, as well as the relative importance of the dimension);
- to track customers’ expectations and perceptions (on the SERVQUAL attributes and/or dimensions) over time;
- to compare a business’ SERVQUAL scores against those of competitors;
- to identify and examine customer segments that differ significantly in their evaluations of a business’ service performance; and
- to evaluate internal service quality.

3.5.3 Importance-performance analysis

One of the main weaknesses of the disconfirmation approach is its failure to identify service attributes that are important to the customer. Importance-performance analysis fundamentally compares the customer’s performance evaluation of particular service attributes with the importance of each of these attributes to the customer (Palmer, 2011:275). As a result, high performance of a relatively important service attribute (to the customer) could indicate that the service provider is overdoing this aspect of service quality. On the other hand, if a relatively important service attribute underperforms, this specific service might require additional attention from management.

3.6 MANAGING SERVICE QUALITY (THE GAP ANALYSIS APPROACH)

The evidence presented in section 3.4 (p. 59) demonstrates offering exceptional service quality contributes significantly to not only the customer, but also to the service provider. However, the improvement of service quality poses a major challenge for many businesses, since: (1) service is abstract and complex in nature, (2) “customer expectations” are difficult to conceptualise and interpret, and (3) it is difficult to ensure high levels of service quality for all customers (Palmer, 2011:270).

To effectively manage and improve service quality, these above-mentioned challenges needed be addressed. Parasuraman *et al.* (1985) therefore developed an approach to identify, evaluate and manage all challenges influencing the level of service quality – the “Gaps Model of Service Quality”.

3.6.1 The Gaps Model of Service Quality

The Gaps Model, according to Doyle (2005:150), refers to the process of identifying the gaps that exist in a market, together with whatever means and measures that can be used to fill such gaps. Gaps like these usually originate in unfulfilled customer needs and expectations. Based on the service quality definition (section 3.3, p. 54), the definition of service quality can be expanded to refer to the difference (or the *gap*) between customers’ service expectations and perceptions. The ultimate goal of the Gaps Model is to identify possible “gaps” or breaks in the business-customer relationship which can lead to quality shortfalls (Buttle, 2009:204).

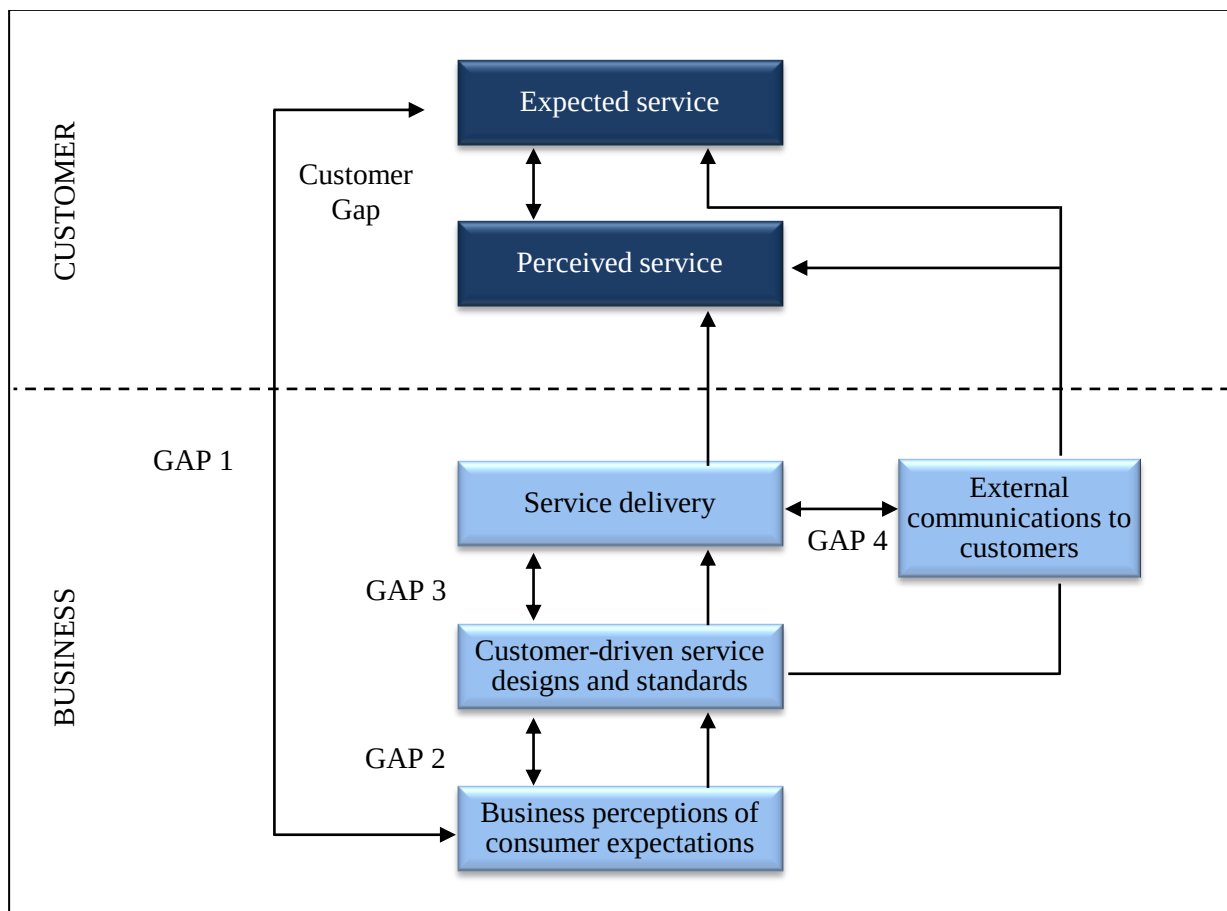
Businesses can therefore use the Gaps Model to identify possible causes of poor service quality, by evaluating the differences between customer expectations and business offerings (Zikmund *et al.*, 2003:156). This enables businesses to identify and focus on specific service quality problem areas. According to Parasuraman *et al.* (1985:43), the key features of the Gaps Model are to gain insights about:

- the key service quality attributes from the business and customers’ point of view;
- the discrepancies (gaps) between the perceptions of customers and service providers; and

- to develop a thorough understanding of the implications for service providers when closing identified gaps.

The Gaps Model, as shown in Figure 3.2, provides an explanation of how service quality emerges in the business. The top half of the model represents those elements that relate to the customer, while the lower half represents the elements that relate to the business.

Figure 3.2: The Gaps Model of Service Quality



Source: Parasuraman and Zeithaml (2002:346).

Grönroos (2007:114-115) briefly describes the different components of this model as follows:

- **Expected service** is a function of customers' past experiences, personal needs, and word-of-mouth recommendations (which are also influenced by the business' *external communication* efforts).

- **Perceived service** refers to the manner in which customers have experienced a service offering, and is the outcome of a series of *internal* decisions and activities.
- **Business perceptions of customer expectations** direct the decisions that the business will take about the service quality (based on *customers-driven service designs and standards*); these will follow when *service* delivery takes place.
- **External communications to customers** influence the customer's perception of the service, as well as the service they expect.

As seen in Figure 3.2 (p. 65), five discrepancies can be identified between the various components of the model – also called the “five service quality gaps”. Palmer (2011:270) refers to these gaps as the result of inconsistencies in the service quality management process, which can be divided into two basic categories: (1) the customer gap (top half of the model), and (2) the provider gaps (bottom half of the model).

3.6.1.1 The customer gap

The customer gap refers to the difference between customers' expectations and perceptions of a service's quality (Seth, Deshmukh & Vrat, 2004:917). In order for a business to deliver quality service, Zeithaml *et al.* (2009:32) emphasise that this gap (the difference between customer expectations and perceptions) needs to be closed, or at least be minimised.

Under perfect (but highly unlikely) circumstances, customers' expectations and perceptions would be identical, leaving the business with the perfect level of service quality (Zeithaml *et al.*, 2009:33). According to Grönroos (2007:118), the customer gap can give rise to one or more of the following:

- poor levels of quality;
- bad word-of-mouth;
- a negative impact on the corporate or local image; and/or
- lost business.

3.6.1.2 The provider gaps

The following four gaps tend to occur within the business that offers the service being evaluated – hence the term “provider gaps”. These four provider gaps, shown in the bottom half of Figure 3.2 (p. 65), are the underlying causes of the customer gap (Zeithaml *et al.*, 2009:33).

A) Provider gap 1: The listening gap

The listening gap refers to the difference between a customer’s expectations of a service and the business’ understanding of those expectations. This gap is thus a result of the service provider’s inaccurate perception of customers’ quality expectations (Seth *et al.*, 2004:916). Grönroos (2007:115) and Quester, McGuiggan, Perreault and McCarthy (2004:534) explain that the key factors causing this gap can include:

- an inadequate market research orientation;
- inaccurate interpretation of customer expectation information;
- lack of upward communication;
- an inefficient organisational structure that obstructs the flow of information; and/or
- an insufficient relationship focus.

B) Provider gap 2: The service design and standards gap

Lovelock and Wirtz (2011:424) define the service design and standards gap as the difference between the business’ understanding of customer expectations, and the development of service according to customer-driven service designs and standards.

A common problem that businesses experience during service quality management is the difficulty of translating customers’ expectations into service-quality specifications. In addition, service providers often regard customer expectations as unreasonable or unrealistic, and therefore tend to disregard these “uncalled-for” quality changes (Quester *et*

al., 2004:534). Parasuraman and Zeithaml (2002:347) emphasise that customer-driven standards are different from conventional performance standards in that they are based on essential customer requirements that are measured by customers (instead of by means of business requirements and standards). This gap can be the result of a number of aspects (Zeithaml *et al.*, 2009:37):

- poor service design;
- absence of customer-driven standards; and/or
- inappropriate physical evidence and servicescape.

C) Provider gap 3: The service performance gap

The service performance gap entails that customer-driven service standards are not met by the business' performance in the service production and delivery process. Although service quality standards might be set, it does not necessarily follow that high quality service levels will be obtained (Parasuraman & Zeithaml, 2002:347). According to Zeithaml *et al.* (2009:39), the gap in service performance can be caused by one or more of the following aspects:

- complicated or rigid specifications are set;
- employees who do not understand the roles they are playing in the business;
- the failure to match supply and demand;
- problems with service intermediaries; and/or
- insufficient internal marketing.

D) Provider gap 4: The communication gap

According to Lovelock and Wirtz (2011:423), the communication gap indicates the difference between service delivery and the service provider's external communications (marketing efforts). It follows that the promises that the service provider made through marketing communications are not consistent with the actual service they delivered.

Broken promises can occur for a number of reasons, including (Parasuraman & Zeithaml, 2002:348):

- lack of integrated service marketing communications;
- the business failing to perform according to promises;
- inappropriate pricing;
- inadequate internal communications; and/or
- ineffective management of customer expectations.

3.6.2 Improving service quality – closing the gaps

The Gaps Model is an effective way of identifying discrepancies between a service provider and customer perceptions of service performance. In order to ultimately improve customers' perceptions of service quality, the above-mentioned gaps that result within the service delivery process need to be addressed (Buttle, 2009:205). Consequently, the difference between a service provider's offering and the customer's perceptions about this offering will decrease (Grönroos, 2007:119).

3.6.2.1 Customer gap

If a business wants to ensure that it will deliver quality services, the customer gap needs to be closed. Parasuraman and Zeithaml (2002:346), however, emphasise that the customer gap will only close once the four other gaps (provider gaps) have been closed (or at least minimised). Businesses should thus first address the provider gaps, which will automatically lead to the closing of the customer gap.

3.6.2.2 Provider gap 1: The listening gap

Parasuraman and Zeithaml (2002:348) are of opinion that the listening gap can only be closed if businesses make an effort to obtain more detailed and accurate information on their customers' expectations of their services. By applying various research approaches, businesses

can better observe and appreciate customers' needs and requirements. In other words, the better a business understands the individual needs of a customer, the more the listening gap will decrease (Dimitriadis & Stevens, 2008:504). Lovelock and Wirtz (2011:426) proposed the following methods to close this gap effectively:

- improve market research procedures (questionnaire design, sampling), and repeat research studies periodically;
- provide an effective customer feedback system;
- increase interactions between managers and customers; and
- facilitate and encourage communication between employees and management.

3.6.2.3 Provider gap 2: The service design and standards gap

In an attempt to close the service design and standards gap, businesses must match customer expectations with new service innovations and actual service process designs. Dimitriadis and Stevens (2008:505) add that if effective customer-defined service standards are set, these can help to decrease the provider gap significantly. According to Zeithaml *et al.* (2009:37), one of the most important ways to avoid this gap is to design service standards clearly, without oversimplification, incompleteness, subjectivity and bias. In addition, Lovelock and Wirtz (2011:426) identify the following ways in which to close the service design and standards gap:

- get the customer service process right by applying a systematic customer-focused process for designing service processes;
- set and reinforce measurable customer-focused service standards for the entire business; and
- ensure that employees understand and accept service goals and standards.

3.6.2.4 Provider gap 3: The service performance gap

Most services are delivered by people to people – and this requires an intensive human resource management approach. Closing the service performance gap can therefore seem quite difficult, since people management requires continuous motivation, education and support

(Lovelock & Wirtz, 2011:426). According to Grönroos (2007:117), employee and customer satisfaction are positively related, meaning that employees directly influence the quality of the service delivery process (influencing the quality of the service itself). Consequently, Parasuraman and Zeithaml (2002:349) recommend the following methods to address the service performance gap:

- recruit and train employees in accordance with customer service standards;
- measure employee performance frequently, and give regular feedback sessions on these performance standards;
- install the right technology, equipment and support processes; and
- educate customers on their roles and responsibilities in the service delivery process.

3.6.2.5 Provider gap 4: The communication gap

In order to bridge the communication gap, businesses need to manage their service promises to customers. This requires the alignment of the business' internal and external messages with a view to ensure that integrated marketing communication is achieved (Zeithaml *et al.*, 2009:43). As a result, Grönroos (2007:118) suggests that messages from employees to customers, as well as messages from the business to employees should be carefully coordinated to limit all possible problems that can surface during any communication process. The following methods can be used to close the communication gap (Lovelock & Wirtz, 2011:427; Quester *et al.*, 2004:534-535):

- educate marketing managers about operational capabilities;
- ensure that marketing messages create realistic customer expectations;
- pre-test all marketing messages prior to public release, to ensure that the target audience interprets it as intended; and
- communicate (and explain) all service performance limitations to customers.

3.7 RELATIONAL BENEFITS

Despite the benefits that customers receive in the form of quality services (from the core service offering), they are also likely to receive benefits derived simply from their being in a relationship with the service provider (Vázquez-Carrasco & Foxall, 2006:207). These additional benefits that customers receive above and beyond the core service performance are referred to as relational benefits (Hennig-Thurau *et al.*, 2002:234), and are the result of having been in a long-term relationship with a service provider.

Since the primary focus of CRM is the customer-business relationship (Zikmund *et al.*, 2003:3), it is clear that customers should receive some form of benefit from this relationship in order to remain loyal to a business. According to Payne (2006:111), if a business can establish a reliable relationship with a customer, alternative relationships might seem less attractive for the customer, thus reducing the chances of customers considering other service providers (Zeithaml *et al.*, 2009:182).

3.8 TYPES OF RELATIONAL BENEFITS

Based on the research of Gwinner *et al.* (1998), it seems as if most of the benefits that customers derive from a relationship with a service provider can be grouped into three categories: social benefits, special treatment benefits, and confidence benefits (Lovelock & Wirtz, 2011:373).

3.8.1 Social benefits

Over time, customers can develop a sense of familiarity and even form a social relationship with a service provider (Zeithaml *et al.*, 2009:183). The benefits that customers derive from this close relationship are known as social benefits, and relate to the emotional part of the customer-business relationship. These benefits include, among others, personal recognition of customers, a sense of belonging, being known by name, and feelings of familiarity and friendship towards the service provider (Hennig-Thurau *et al.*, 2002:234).

3.8.2 Special treatment benefits

Hennig-Thurau *et al.* (2002:234) describe special treatment benefits as the result of employees' "special" behaviours towards those customers who have developed a relationship with the service provider. In these relationships, customers can receive benefits in the form of economic and customisation benefits (Vázquez-Carrasco & Foxall, 2006:207). Economic benefits include price breaks or discounts, as well as non-pecuniary benefits such as receiving faster service than other customers, or time saved in searching for another service provider. Customisation benefits include customers' perception of preferential treatment, extra attention and individualised additional services not available to other customers (Lovelock & Wirtz, 2011:374; Zeithaml *et al.*, 2009:184).

3.8.3 Confidence benefits

According to Martín-Consuegra, Molina and Esteban (2006:102), confidence benefits describe a combination of psychological benefits customers experience. These benefits relate to customers' feelings of security and comfort with the service provider in knowing what to expect in the service encounter (Grönroos, 2007:38). In a trusting customer-business relationship, customers are confident in the business' performance. As a result, they are less anxious regarding their purchasing processes, since they know that they will receive the business' highest level of service and feel confident that operation risks are limited (Lovelock & Wirtz, 2011:375; Martín-Consuegra *et al.*, 2006:102-103).

3.9 CONSEQUENCES OF RELATIONAL BENEFITS

In their analysis of the different types of relational benefits, Hennig-Thurau *et al.* (2002:235) found that these benefits can have significant influences on the outcomes of the service-profit chain. These relational benefits do not only influence the customer and his/her perceptions of the service, but also affect their satisfaction levels, as well as their behavioural intentions.

3.9.1 Social benefits

According to Grönroos (2007:39), social benefits can develop through any type of interpersonal contact. It is clear, therefore, that social benefits concern the relationship itself, rather than the performance or the level of service quality.

Customers who are in a positive social relationship with a service provider will experience the benefits related to this relationship. The influence of these benefits might cause customers to manifest their satisfaction through loyalty and commitment to the service provider (Zeithaml *et al.*, 2009:183). The research of Hennig-Thurau *et al.* (2002:243) and Xu *et al.* (2006:95) have found that social benefits are indeed positively related to the customer's commitment and loyalty to the relationship, and hence the business as well. Thus, the customer's commitment to a service provider will increase as the social relationship between the customer and service worker increases (Martín-Consuegra *et al.*, 2006:103).

Since most customers perceive quality based on their interactions with service employees – and people in general desire personal recognition – Gremler and Gwinner (2000:97) propose that social benefits will also increase customers' satisfaction with the service provided.

3.9.2 Special treatment benefits

A business' offer of special treatment is often perceived as part of the service performance itself. Offering special benefits such as discounts or individualised services can encourage customers to remain in their relationship with the business (Martín-Consuegra *et al.*, 2006:102). Hennig-Thurau *et al.* (2002:236) emphasise that, as a business increases the amount and level of special treatment benefits, emotional barriers to switching will increase. As a result, loyalty and commitment on the part of the customer will certainly intensify.

However, even though special treatment benefits have a direct bearing on customers' degree of satisfaction, and consequently on their loyalty and commitment, Zeithaml *et al.* (2009:184) mention that most customers perceive these benefits as less important than social or confidence benefits. Hennig-Thurau *et al.* (2002:236) furthermore suggest that, instead of focusing on the

economic aspects of special treatment benefits (which can easily be imitated by other service providers), businesses should rather focus on non-financial benefits as a sustainable source of competitive advantage.

3.9.3 Confidence benefits

Confidence benefits are commonly regarded as having the most important influence on and advantages to customers. This means that customers prefer feelings of safety and trust in a service provider, rather than some form of price discount (Xu *et al.*, 2006:95). If these feelings and assurances are promoted within customer-business relationships, the possibility of achieving customer commitment and loyalty will be much higher (Vázquez-Carrasco & Foxall, 2006:213). Hennig-Thurau *et al.* (2002:242) also found that confidence benefits have a positive influence on customer satisfaction. This is based on the notion that high levels of trust and confidence in a service provider will result in lower anxiety during customers' purchasing actions. As a result, Grönroos (2007:39) suggests that businesses can maintain committed and loyal customer relationships by making customers feel more secure in their choices and purchases.

From the above discussion, it is clear that these relational benefits closely correlate with customers' perceptions of the business' service delivery. These benefits also influence customers' satisfaction with the service delivery and their potential loyalty to the business.

3.10 MEASURING RELATIONAL BENEFITS

In order to improve relationships with customers, businesses should keep the various benefits customers expect from the service delivery process in mind. However, in order to know how customers perceive these benefits, and to determine how important these benefits are to them, the business should attempt to measure these perceptions (Molina *et al.*, 2007:256). The most basic approach followed in measuring relational benefits is the application of the instrument developed by Gwinner *et al.* (1998).

After extensive empirical research Gwinner *et al.* (1998) have identified 16 items that can be used to successfully measure customers' perceptions of the three relational benefit concepts (social-, special treatment-, and confidence benefits). Customers accordingly rate the importance of each of these items for the service they have received by means of an adjustable scale, ranging from "very weak relationship" to "very strong relationship". By calculating the ratings on these items, businesses can effectively determine the benefits that are most often received, and can also determine which of these benefits are most important to the customer (Gwinner *et al.*, 1998:107-108). Appendix C (p. 334) lists these items in correlation with their related benefit type.

Finally, Gwinner *et al.* (1998:109) indicate that each of these three relational benefit factors demonstrates a strong positive relationship with generally accepted relationship marketing outcomes. In other words, these benefits are significant for ensuring the delivery of important behavioural outcomes such as loyalty, positive word-of-mouth, commitment and satisfaction.

3.11 CUSTOMER-PERCEIVED SERVICE FACTORS AND THE SHORT-TERM INSURANCE INDUSTRY

Short-term insurance is a truly service-based offering. The core benefit that can be obtained from an insurance product is "peace of mind" (Palmer, 2011:46). Since the service offering is essentially the only aspect that short-term insurers can use to satisfy customers, this industry will likely base most of its practices and strategies on the concept of service quality. In addition, many insurers base their positioning strategy on pricing (Ciraulo & Auman, 2002:27), which means that this area of excellence is also limited.

Clearly, the short-term insurance industry is highly dependent on most of the service quality dimensions. According to Gayathri, Vinaya and Lakshmisha (2005:130), assurance and empathy are the most important dimensions for short-term insurers, since agents or brokers are relied upon to build a trusting relationship with customers with a view to establish confidence and security with customers, to ensure their commitment to the relationship (Zeithaml *et al.*, 2009:114).

Tangibles as service quality dimension make up one of the least important factors to short-term insurers, on the other hand. Since many policy holders do not physically visit the service provider and policies are a once-off procurement, physical facilities, appearances and product presentations, are of little importance to insurers (Hernon & Nitecki, 2001:700).

Consequently, in order to measure customers' (policy holders') perceptions of insurers' service quality, one need to bear in mind that not all service quality dimensions that are evaluated will have the desired outcomes. Attributes in specific areas will have to receive more attention and understanding on the part of the insurer. The SERVQUAL instrument is ideal to use in the insurance industry, and can be applied effectively to measure customers' perceptions and expectations of the insurer's service quality (Jain *et al.*, 2007:38; Wells & Stafford, 2005:471)

Insurers are also highly dependent on successful long-term relationships with their customers, and should attempt to maintain excellent relations with them (Payne, 2006:110). It follows that insurers rely heavily on customers' perceptions of their service. Insurers will therefore have to emphasise to customers the benefits associated with having a relationship with them; whether social, special treatment or confidence benefits.

3.12 CONCLUSION

This chapter presented an overview of the concepts of service quality and relational benefits – both important customer service constructs. The five dimensions of service quality and the application of the measurement model (SERVQUAL) on these dimensions were explored. The service-profit chain was also investigated in order to emphasise the contributions of service quality, and in an attempt to effectively manage service quality, the Gaps Model was discussed together with several methods that are typically used to close these gaps. In conclusion, the various benefits customers can obtain from a relationship with a service provider were identified. The consequences of these benefits were explained, and a measure that can be used in this regard was discussed. In the next chapter, customer satisfaction and behavioural intention will be explored.

CHAPTER 4

CUSTOMER SATISFACTION AND BEHAVIOURAL INTENTION

4.1 INTRODUCTION

This chapter discusses customer satisfaction and behavioural intention as CRM constructs. In the first instance, customer satisfaction is explored by defining the concept, explaining its importance, discussing its determinants, and describing methods for measuring customer satisfaction. Secondly, customer behavioural intention is examined, by explaining customer loyalty and word-of-mouth as components of behavioural intention. The chapter concludes with a discussion on the interrelationship between the various CRM initiatives on which this study focuses.

4.2 CONCEPTUALISATION OF CUSTOMER SATISFACTION

Kasper *et al.* (2006:105) are of the opinion that improvements in customer-perceived service factors, such as service quality and relational benefits, result in higher levels of customer satisfaction. The following sections set out to provide a definition of the concept of customer satisfaction, to indicate the importance of customer satisfaction, to describe a model for customer satisfaction, and finally, to explain the relation between customer satisfaction and perceived service factors.

Many scholars agree that customer satisfaction is a fundamental construct in marketing research (Luo & Homburg, 2007:133). Without customers, businesses have no reason to exist. However, without *satisfied* customers, businesses will exist with great difficulty – this means that satisfied customers are a strategic imperative for most businesses (Martin *et al.*, 2008:224). In order to improve the understanding of customer satisfaction, the following definitions of this concept were adapted from marketing literature:

- Giese and Cote (2002:15) broadly define customer satisfaction as an emotional *response* (of varying intensity) pertaining to a particular *focus* (such as pre-set expectations, the product or service itself, or the consumption experience) at a particular *time* (after consumption, after choice, or based on experience accumulated over time).
- Raab *et al.* (2008:60) define customer satisfaction as the correspondence between a potential customer's expectations of a product or service, and his/her perceptions of the product or service that is in fact provided.
- Oliver (2010:8) provides a more detailed definition of customer satisfaction, describing it as the customer's, "pleasurable level of consumption-related" fulfilment response regarding the product/service – and/or its features – offered. This fulfilment response level can be described as either under- or over-fulfilment.
- Finally, Harris (2010:2) presents a rather basic definition of customer satisfaction as, "... the customer's overall feeling of contentment with a customer interaction".

From the above definitions, it is evident that customer satisfaction entails a comparison of pre-set product/service expectations with the actual product/service offering received from the business. Based on these definitions, the following definition of customer satisfaction can therefore be formulated for the purposes of the current study:

Customer satisfaction is the customer's response to, and evaluation of the perceived discrepancy between pre-set expectations and the actual performance of the product or service as perceived after consumption.

In addition, two components of the customer satisfaction concept can be distinguished, namely transaction-specific satisfaction and cumulative satisfaction (Baran *et al.*, 2008:319; Ekinici *et al.*, 2008:38):

- **Transaction-specific satisfaction** refers to an immediate post-purchase evaluation of a customer's interaction (purchase and consumption experience) with a product or service.
- **Cumulative satisfaction** is an evaluation based on a customer's overall purchase and consumption experience with a product or service over time.

Since – as Baran *et al.* (2008:319) explain – cumulative satisfaction is more useful towards determining the effectiveness of a business' customer retention efforts, this study will implement the cumulative satisfaction perspective.

4.3 IMPORTANCE OF CUSTOMER SATISFACTION

Customer satisfaction is further consistently identified as a key antecedent to customer loyalty as well as repurchase intentions (Seiders, Voss, Grewal & Godfrey, 2005:26). Because the focus of a customer-centred business approach is to develop and maintain long-term and profitable relationships with customers with a view to ensure loyal and committed customers, it is important that businesses should understand customers' expectations and meet and/or exceed these expectations (Martin *et al.*, 2008:224).

According to Rust and Huang (2012:48), poor service delivery and business practices generally result in lost customers (current and potential). In addition to the loss of customers, several cost-related issues can include (Machado & Diggines, 2012:150):

- costs that arise from complaint handling;
- costs associated with providing refunds;
- costs associated with possible legal action (taken by aggrieved customers); and
- costs related to corrective public relations.

Apart from the above-mentioned cost-related issues, Egan (2008:127) further adds that the cost incurred from attracting customers (i.e. marketing costs) can also have a significant financial impact on a business and its survivability. As a result, businesses should aim to instead retain

profitable customers for as long as possible – this also means constantly measuring and improving satisfaction levels. Several benefits are associated with establishing and improving high levels of satisfaction:

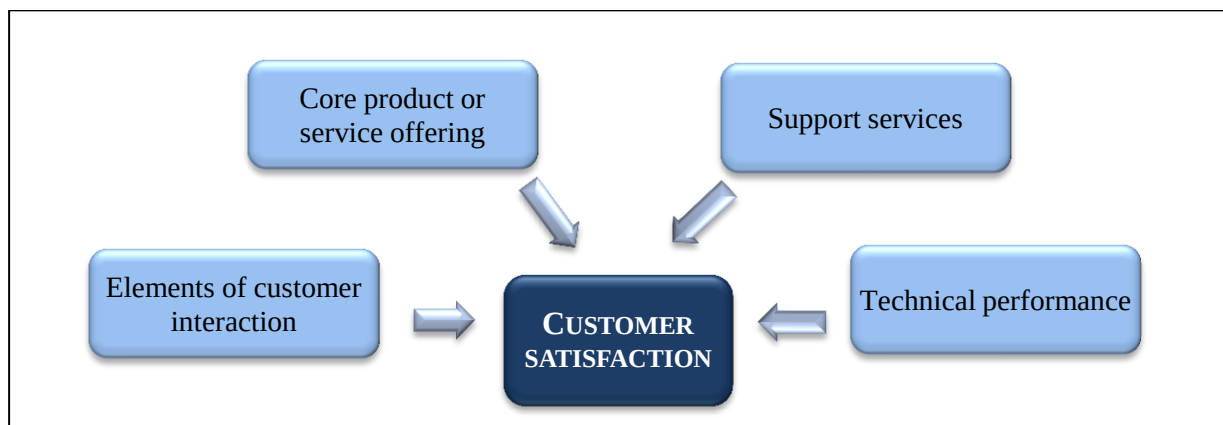
- **Saving time:** Instead of wasting time on attempting to solve problems caused by poor offerings, time can rather be spent improving an already good offering (Machado & Diggines, 2012:150).
- **Customer loyalty and repeat business:** Satisfied customers generally tend to be more loyal towards a business that meets or exceeds their needs, resulting in repeat purchases (Oliver, 2010:5).
- **Decreasing price sensitivity:** Customers are often willing to pay more for the satisfaction of receiving a higher quality offering than to take the risk associated with moving to a lower-priced business (Raab *et al.*, 2008:64).
- **Protection against price competition:** The advantage of lower customer price sensitivity can also protect a business from price competition within the marketplace (Fornell, Mithas, Morgeson & Krishnan, 2006:11).
- **Costs are reduced:** Satisfied customers generally require less encouragement to repurchase, therefore lowering the business' marketing expenses (Machado & Diggines, 2012:150).
- **Enhanced reputation:** A business that continuously satisfies its customers gradually develops a reputation in the marketplace, and consequently attracts more customers (Machado & Diggines, 2012:150).
- **Positive word-of-mouth:** Loyal customers can further reduce the business' marketing costs when they communicate positively to prospective customers about the business and its offering (Raab *et al.*, 2008:64).

- **Better working environment:** Businesses that pride themselves on high levels of customer satisfaction generally provide better working environments. As a result, employees are more motivated to deliver quality services (Parumasur & Roberts-Lombard, 2012:9).

4.4 DETERMINANTS OF CUSTOMER SATISFACTION

After having defined customer satisfaction and explained its importance and benefits, it is essential to understand what determines whether customers are satisfied or not. Understanding these determinants is imperative, as they provide valuable insight into those strategies that a business needs to implement in order to achieve customer satisfaction. The four main determinants of customer satisfaction (Figure 4.1 for a graphic representation) are discussed below.

Figure 4.1: Determinants of customer satisfaction



Source: Adapted from Egan (2008:128).

- **Core product or service:** According to Zeithaml *et al.* (2009:110), the basic product or service offering of a business provides the best opportunity for differentiation in a competitive marketplace. Based on the quality of the offering, customers will compare their expectations or previous experiences with their perceptions of the actual product received (Machado & Diggines, 2012:152). This comparison determines the customer's level of satisfaction with the core offering.

- **Support services:** In addition to the core product or service, customers' levels of satisfaction are also influenced by additional support services. Thus, even though a business might provide exceptional quality products or services, the customer can still be dissatisfied with the business. As a result, businesses should also focus on providing quality supplementary and support services to customers as a way to enhance their core offering (Egan, 2008:128).
- **Technical performance:** Technical performance relates to the business' ability to deliver the core product or service offering and the support services correctly during each customer interaction. Although the business might have a high quality offering which is accompanied by quality support services, customers might still experience dissatisfaction if the business is unable to maintain these standards at all times (Egan, 2008:129; Zeithaml *et al.*, 2009:110).
- **Elements of customer interaction:** The way in which customers are treated by the business and its employees also significantly influences their satisfaction levels (Egan, 2008:129). Because customers' emotions or feelings towards a business interaction have a bearing on their satisfaction with the business, Hennig-Thurau *et al.* (2002:234) propose that the business should focus on providing appropriate social, special treatment and confidence benefits (as discussed in section 3.9, p. 73). These benefits will improve customers' interaction experience with the business, resulting in higher levels of satisfaction.

4.5 MEASURING CUSTOMER SATISFACTION

From the above discussion of the importance and determinants of customer satisfaction, it has become clear that customers evaluate the business – its core product/service offering, supporting services, abilities to consistently provide quality products and/or services, and the customer interaction – based on their pre-set *expectations* and post-purchase or post-consumption *perceptions*. Machado and Diggins (2012:148) aptly summarise customer satisfaction in the form of an equation: “*Satisfaction = perceptions – expectations*”.

According to Golder, Mitra and Moorman (2012:12), the comparison of customers' expectations with their perceptions is commonly referred to by marketers as the Expectancy Disconfirmation Model of Satisfaction, wherein satisfaction is measured by the discrepancy between expectations and perceptions. Lovelock and Wirtz (2011:58-59) summarise the Expectancy Disconfirmation Model by highlighting three possible outcomes:

- **Confirmed expectations:** If the delivered service meets the customer's expectations, expectations are simply confirmed.
- **Positive disconfirmation of satisfaction:** If the delivered service exceeds the customer's expectations, the outcome is positive disconfirmation, which results in customer satisfaction.
- **Negative disconfirmation of satisfaction:** If, however, the provided service falls short of the customer's expectations, the customer will be dissatisfied.

It is thus evident that customers' expectations and perceptions lie at the heart of their satisfaction with a specific business or its service offering. Consequently, these two concepts – expectations and perceptions – are discussed, followed by an overview of specific methods used for measuring customer satisfaction.

4.5.1 Customer expectations

Machado and Diggines (2012:139) describe expectations as a customer's pre-purchase or pre-consumption beliefs regarding the performance of a service. These beliefs are used as the standard of reference against which the service performance is measured. Since customers furthermore compare their expectations with their service experiences (perceptions), it is important to have sound knowledge of customers' pre-set performance expectations of the business.

According to Hoffman and Bateson (2006:313), customers' levels of expectations vary depending on their points of reference. Businesses therefore need to have a clear

understanding of the following aspects regarding expectations, in order to manage their strategies effectively.

4.5.1.1 Levels of customer expectations

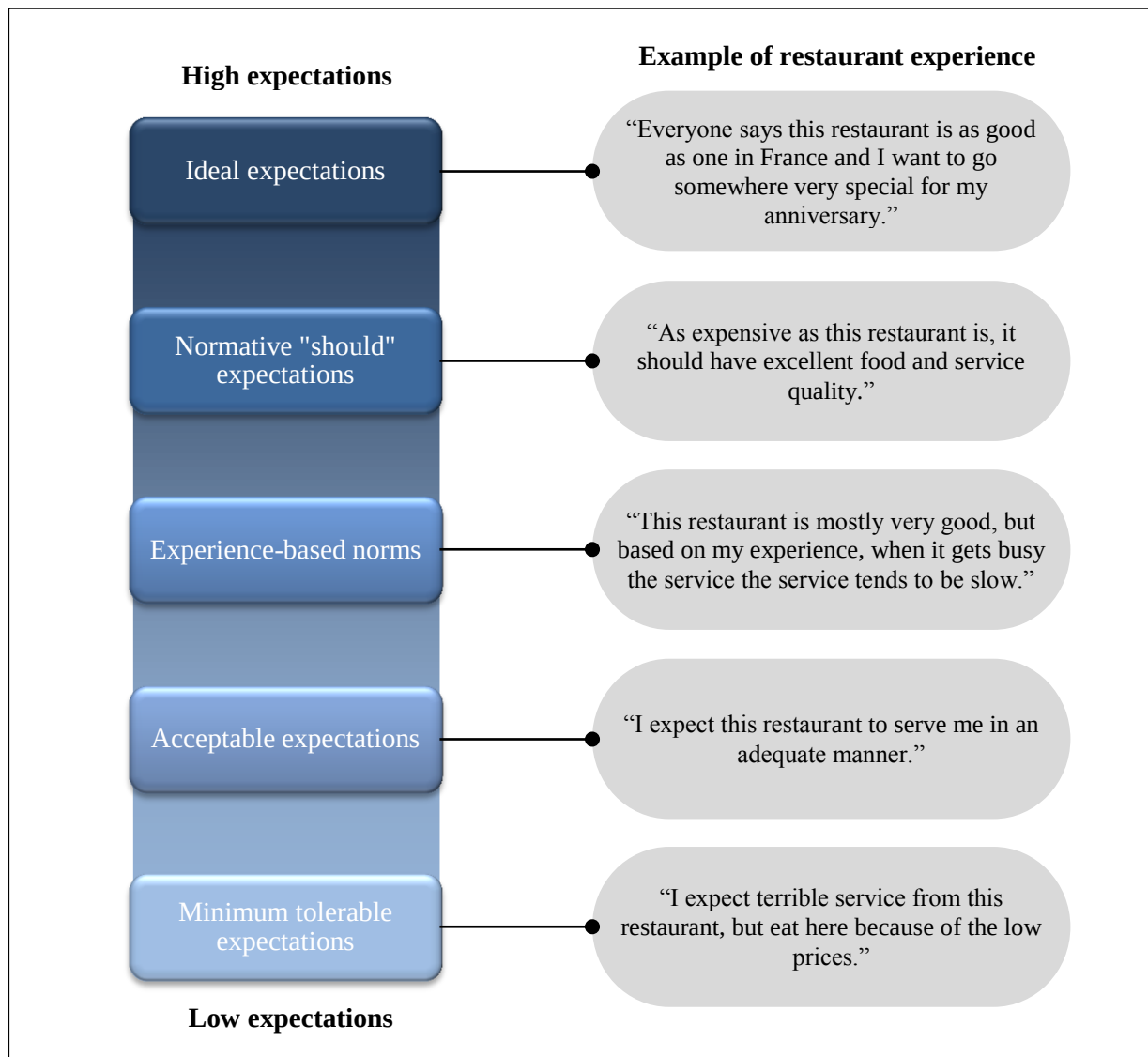
Initially, the process of comparing customers' expectations with their perceptions seems rather basic. However, when customer expectations include individuals' personal needs and wishes; and when at least three different levels of expectations can be distinguished, the comparison process becomes somewhat more complicated.

Wilson *et al.* (2012:51) refer to Teas (1993:18-34)'s work, by applying the service experience of a restaurant to the different possible levels of customers' expectations. The result, as illustrated in Figure 4.2, is a continuum with customer expectation levels ranging from high (top) to low (bottom), including: ideal expectations, normative "should" expectations, experience-based norms, acceptable expectations, and minimum tolerable expectations (Hoffman & Bateson, 2006:313).

- **Ideal expectations:** Ideal expectations (at the top of the customer expectations continuum) represent the highest level of customers' service expectations. These expectations reflect the *desired* level of service customers hope to receive (Palmer, 2011:330). Thus, as Hoffman and Bateson (2006:313) explain, ideal expectations indicate customers' idea of a "perfect" service encounter, and entail the level of service quality that a customer essentially desires from a service provider.
- **Normative "should" expectations:** According to Raab *et al.* (2008:62), normative "should" expectations refer to the normal level of service quality standards that customers expect from a service provider – the quality they expect from the business in general.
- **Experience-based norms:** Experience-based norms are described by Wilson *et al.* (2012:52) as the service provider's performance as experienced by the customer on previous occasions. In other words, customers expect or predict to receive a certain level

of service quality based on their previous experiences with that specific service provider or product (Lovelock, Wirtz & Chew, 2009:42).

Figure 4.2: Levels of customer expectations



Source: Adapted from Wilson *et al.* (2012:53).

- **Acceptable expectations:** Acceptable expectations refer to customers' anticipation to receive a reasonable level or standard of service quality. These service standards can, according to the customer, be achieved by means of reasonable service efforts on the part of the business and its personnel (Raab *et al.*, 2008:62). These expectations are also

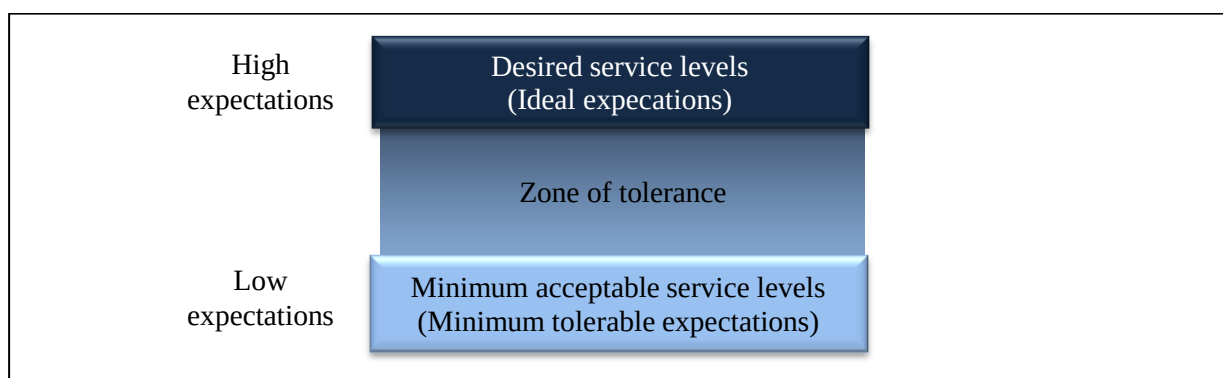
considered to be the threshold level of adequate service – that is, the level of service that the customer is willing to accept (Wilson *et al.*, 2012:53).

- **Minimum tolerable expectations:** The bottom level of service performance acceptable to the customer is represented by the customer's minimum tolerable expectations. These are the minimum service quality standards that the customer will accept without being dissatisfied (Hoffman & Bateson, 2006:314).

The above levels of customer expectations are, according to Wilson *et al.* (2012:54), the reason why two similar businesses can offer different quality services and yet both still keep customers satisfied.

One of the key characteristics of services is its heterogeneous nature. Since services can hardly ever be delivered in the same way, at the same quality level, or even by the same employees, customers have to be willing to accept a variation in service delivery (Hoffman & Bateson, 2006:314). Customers who expect and accept this variation in service develop a *zone of tolerance*. As shown in Figure 4.3, Lovelock and Wirtz (2011:49) explain the zone of tolerance as the reflection between the differences of the customer's *desired* service levels (ideal expectations) and *minimum acceptable* service levels (minimum tolerable expectations).

Figure 4.3: Zone of tolerance



Source: Adapted from Palmer (2011:332).

The size of the zone of tolerance can, however, vary between individual customers, depending on factors such as competition, price, or importance of specific service attributes (Lovelock *et al.*, 2009:42). Some customers will therefore have narrow zones of tolerance, allowing a smaller variation in service standards from providers, whereas other customers will allow a larger variation in service quality.

Whatever the size of the zone of tolerance, service providers should keep in mind that a relatively small change in service standards could have a significant impact on how customers perceive the business and its service quality (Wilson *et al.*, 2012:58). Once outside the range of the zone of tolerance, the service will grab the customer's attention in either a positive or negative way.

According to Palmer (2011:330), customers will be content with the service quality even if it falls slightly below their desired service levels. However, if the service falls below their minimum acceptable service levels, customers will become frustrated and dissatisfied with the business and its service offering. On the other hand, Lovelock and Wirtz (2011:49) indicate that customers will be very pleased and satisfied with the business' service offering if the service exceeds their desired service levels – thus performing above the zone of tolerance.

4.5.1.2 Factors influencing customer expectations

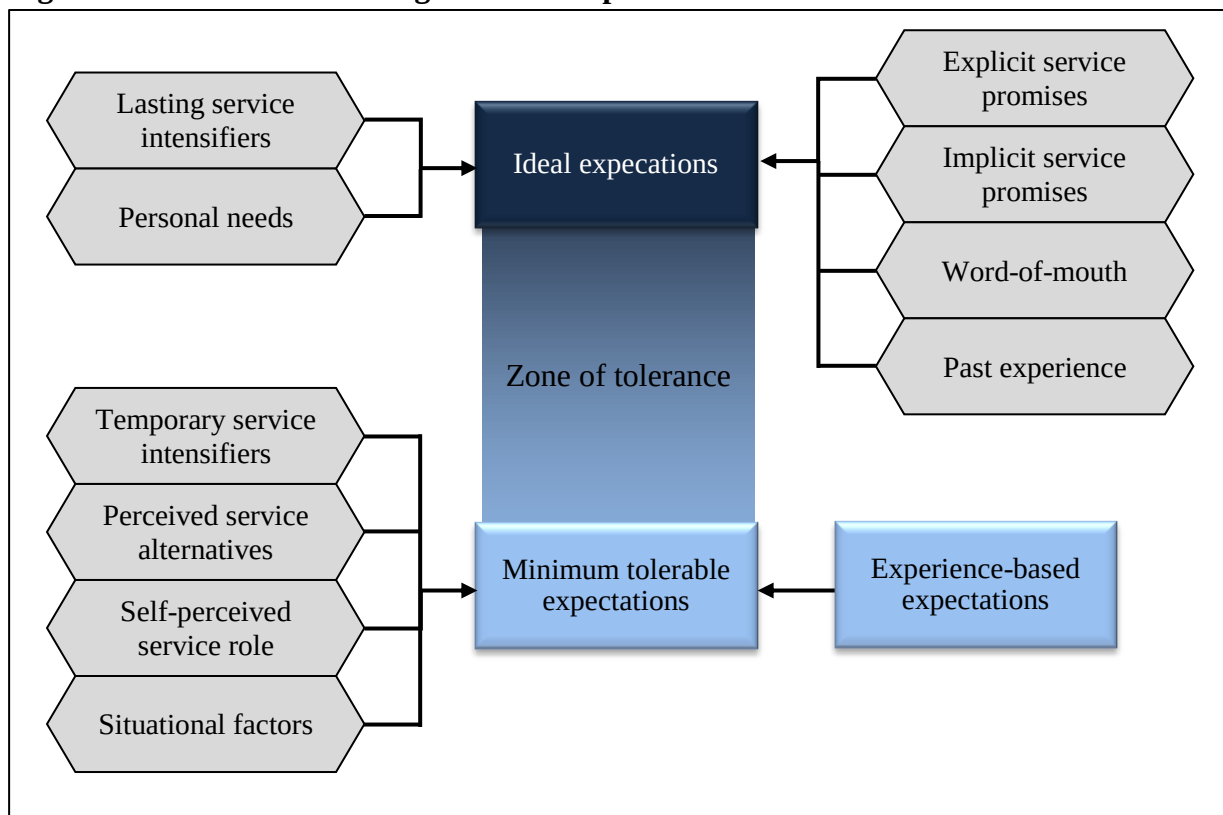
Since expectations play such an important role in determining customers' satisfaction levels with the business and its quality of services, marketers must have a thorough understanding of the factors that shape and influence these expectations. In the following sub-sections, a number of the aspects that influence customers' expectations are explained by focusing on three of the main levels of customer expectations: ideal expectations (desired service levels), experience-based norms (predicted service levels), and minimum tolerable expectations (minimum acceptable service levels). Figure 4.4 summarises the influences on each of the expectation levels respectively.

A) Factors influencing ideal expectations

As indicated in Figure 4.4, two of the most significant influences on ideal expectations (or customers' desired service levels) are lasting service intensifiers and personal needs.

- **Lasting service intensifiers**, as described by Wilson *et al.* (2012:58), are personal factors that remain stable over time and which influence the customer's sensitivity to service performance.
- **Personal needs** refer to the customer's own physical, social and psychological needs necessary to ensure his/her well-being. These needs form the basis of customers' desire in services, determining what customers ideally want from a specific service. Customers' personal needs will vary in terms of the amount of needs, types of needs, as well as need intensity (complicated or simple needs) (EUPAN, 2008:16).

Figure 4.4: Factors influencing customer expectations



Source: Adapted from Wilson *et al.* (2012:63).

B) Factors influencing ideal and experience-based expectations

Four additional factors that can be distinguished that affect ideal expectations and also influence customers' experience-based expectations; these are (Figure 4.4):

- **Explicit service promises** include the service provider's advertising, personal selling, contracts, and other methods of communication (public or private) with its customers (Raab *et al.*, 2008:61). Customers expect, to an extent, certain service features that have been promised to them via public or private communications (advertisements or sales representatives). These service promises influence both ideal and experience-based expectations (Wilson *et al.*, 2012:66), by shaping customers' general desires as well as their predictions regarding what will transpire during their next service encounter with the business.
- **Implicit service promises** are service-related indicators that influence what customers can expect the service to be like. Some of the most common implicit service promises include aspects such as the price of the service and tangibles surrounding the service (for example, the physical appearance of buildings) (EUPAN, 2008:16). If, for example, the price of a service is high or increases, the customer will expect the service to be of similarly high quality.
- **Word-of-mouth** includes indirect communications regarding the business' service to the customer (Raab *et al.*, 2008:62). These communications are generally instigated by parties other than the business itself who have already experienced the business service offering, and who have nothing to gain personally from "spreading the word". Word-of-mouth communication is furthermore seen, as noted by Wilson *et al.* (2012:66), as one of the more influential types of communications, since it is usually a form of unbiased "marketing" from external, independent parties. Parties such as these can include family, friends, colleagues, and so forth.
- **Past experience** is based on the customer's previous transactions with the specific service provider, or exposure to a similar type of service. Depending on the type of

service in which the customer is interested, past experience may have a significant influence on the customer's ideal or future expectations of the service (Hoffman & Bateson, 2006:317).

C) Factors influencing minimum tolerable expectations

Minimum tolerable expectations refer to the minimum level of service the customer is willing to accept without being dissatisfied. Wilson *et al.* (2012:61) state that these expectations are generally influenced by short-term aspects that are more variable than the other expectations' influencers. Minimum tolerable expectations can be influenced by five factors (Figure 4.4, p. 89): temporary service intensifiers, perceived service alternatives, self-perceived service role, and situational factors (Hoffman & Bateson, 2006:318). The five determining factors of minimum tolerable service expectations are (Hoffman & Bateson, 2006:318-319; Wilson *et al.*, 2012:61-64):

- **Temporary service intensifiers** include personal, short-term (temporary) factors that raise a customer's awareness of his/her need for a specific service. A customer's minimum tolerable service expectation can, for example, be increased by an emergency situation requiring urgent service delivery (assistance).
- **Perceived service alternatives** refer to those services that customers believe they can obtain from other service providers, or which they can produce themselves. If customers have various service providers to choose from, or if they have the ability to produce the service themselves, their minimum tolerable service expectation levels will be relatively higher than in contrasting situations. If the customer, however, is faced with a limited service offering (not re-producible) he/she will be much more tolerant in accepting the available level of service.
- The customer's **self-perceived service role** is the customer's perception of the degree to which he/she influences the level of service received. Since the customer is often involved in the service production process, he/she can have a direct influence on the

outcome of the service. Thus, when customers have a strong self-perceived service role, their minimum acceptable level of service expectations is increased.

- **Situational factors** refer to those service performance conditions that lower the overall service quality, but which customers understand are beyond the control of the service provider. If unplanned or unpredicted situations occur which could lower the level of service quality, and the customer is aware of these circumstances, the customer's zone of tolerance will expand to accommodate lower service levels. Factors that could affect the business and its service levels include accidents, power outages or natural disasters.

4.5.1.3 Importance of customer expectations

Customer expectations, as noted in the above discussion, form an integral part of determining customers' satisfaction levels. Thus, if a business is able to identify customers' zone of tolerance, and is able to function on a level above this zone, it will be able to satisfy customers. Furthermore, if businesses are able to compare customers' minimum tolerable service levels with their desired service levels, customer satisfaction levels can be measured and increased (Hoffman & Bateson, 2006:319). Buttle (2009:49) explains that the benefits associated with good customer satisfaction levels are considerable (section 4.3, p. 80), and should be pursued by the service provider.

In the end, all of the above-mentioned information on customers' expectations and their satisfaction with service levels can be combined with a view to improve not only quality services, but overall business processes and relationships.

4.5.2 Customer perceptions

Kasper *et al.* (2006:186) define customer perceptions as the process by which an individual selects, organises and interprets stimuli into a meaningful and coherent picture. In other words, perception refers to how the customer personally experiences the service(s) received, in other words, whether these experiences are favourable or unfavourable (Machado & Diggines, 2012:147). Zeithaml *et al.* (2009:32) accordingly emphasise that customer perceptions are

always considered relative to customers' expectations. This notion coincides with the definition of customer satisfaction (section 4.2, p. 78), where the importance of both customers' expectations as well as their perceptions of a service encounter were emphasised. Therefore, in order to determine customers' true satisfaction with a service provider, both their expectations and perceptions should be measured.

4.5.3 Methods for measuring customer satisfaction

According to Machado and Diggines (2012:154), various direct or indirect methods can be used to determine customer satisfaction levels. *Direct methods* entail asking customers for their opinions, and are generally obtained by means of surveys. *Indirect methods* include tracking and monitoring the evidence of interactions, such as sales records, profits and customer complaints. According to Hoffman and Bateson (2006:301), direct methods – although more time-consuming and expensive than indirect methods – provide the most in-depth information. Some of the more popular methods used to measure customer satisfaction include (Berndt & Tait, 2012:54; Machado & Diggines, 2012:154):

- **Post-transaction surveys:** Businesses assess customers' satisfaction immediately after completing the transaction and while the service encounter is still fresh in their minds. These surveys provide proactive information on customers' satisfaction, and identify possible areas for improvement.
- **Mystery customers:** A “fake” customer (in the form of a trained employee) visits the business and gathers information on how the service interaction process is handled by an employee. The purpose of a mystery customer is to evaluate an individual employee during an actual service encounter – the results of which are used as constructive employee feedback.
- **Customer satisfaction indices:** The customer satisfaction index (CSI) is based on conducting regular interviews with numerous customers, and enables the tracking of changes in customer satisfaction measures over time. These indices further allow one to

compare customer satisfaction levels over a wide range of different industries and businesses.

- **SERVQUAL surveys:** By implementing a SERVQUAL survey, the business can determine whether there is a discrepancy between the customer's expectations and perceptions of the business' service offering. Raab *et al.* (2008:61) explain that, if customers' perceptions are higher than his/her expectations, this would indicate that the customer is satisfied, whereas the opposite is true for customers whose expectations are higher than their perceptions.

From the above discussions on ways of measuring customer satisfaction, it is clear that customers' expectations-perceptions comparison will result in either satisfaction or dissatisfaction. According to Raab *et al.* (2008:63), depending on whether the customer is satisfied or dissatisfied, different behavioural reactions can arise – and therefore customers' behavioural intentions are elaborated upon in the following sections.

4.6 CONCEPTUALISATION OF BEHAVIOURAL INTENTION

Several researchers (Fornell *et al.*, 2006; Keiningham, Perkins-Munn & Evans, 2003; Rust & Huang, 2012; and Seiders *et al.*, 2005) found that satisfied customers generally tend to have positive reactions towards their service provider; whereas dissatisfied customers tend to have negative reactions. These reactions (whether positive or negative) are generally referred to as customers' behavioural intentions (Ajzen, 2002:665). According to Raab *et al.* (2008:64), customers reveal either favourable or unfavourable behavioural intentions, based on whether they are satisfied or dissatisfied with their service provider.

Unfavourable customer behaviour based on *dissatisfaction* can include (Jones & Taylor, 2007:48; Raab *et al.*, 2008:64):

- the customer **rejecting** the business, brand, or product by considering alternative options;
- the customer conveying negative opinions (**negative word-of-mouth**) regarding the product and/or business to acquaintances; and

- the customer confronting the business by **complaining** about a poor product/service offering.

Favourable customer behaviour that accompanies *satisfaction* can include (Choy, Lam & Lee, 2012:13; Raab *et al.*, 2008:64; Tsoukatos & Rand, 2006:504):

- the customer's tendency to purchase other products from the same business in the future (**repurchase**);
- the customer's propensity to remain **loyal** to the business, wishing to form a relationship with the business – based on the belief that this business offers more value;
- the customer noticing and valuing the services offered by the business, and being **willing to pay more** for those services; and
- the customer disclosing positive opinions (**positive word-of-mouth**) regarding the product and/or business to acquaintances, thus actively recommending the product and/or business to others.

For the purpose of this study, the focus will only be on customer loyalty and word-of-mouth communications, as these two constructs are not only relatively simple to measure, but they are also two of the more popular constructs in representing customers' behavioural intentions (Jones & Taylor, 2012:63; Olorunniwo *et al.*, 2006:60; Saha & Theingi, 2009:355).

4.6.1 Customer loyalty

The following sections provide additional background on customer loyalty, by conceptualising customer loyalty, and also set out to explain how businesses can build customer loyalty.

4.6.1.1 Conceptualisation of customer loyalty

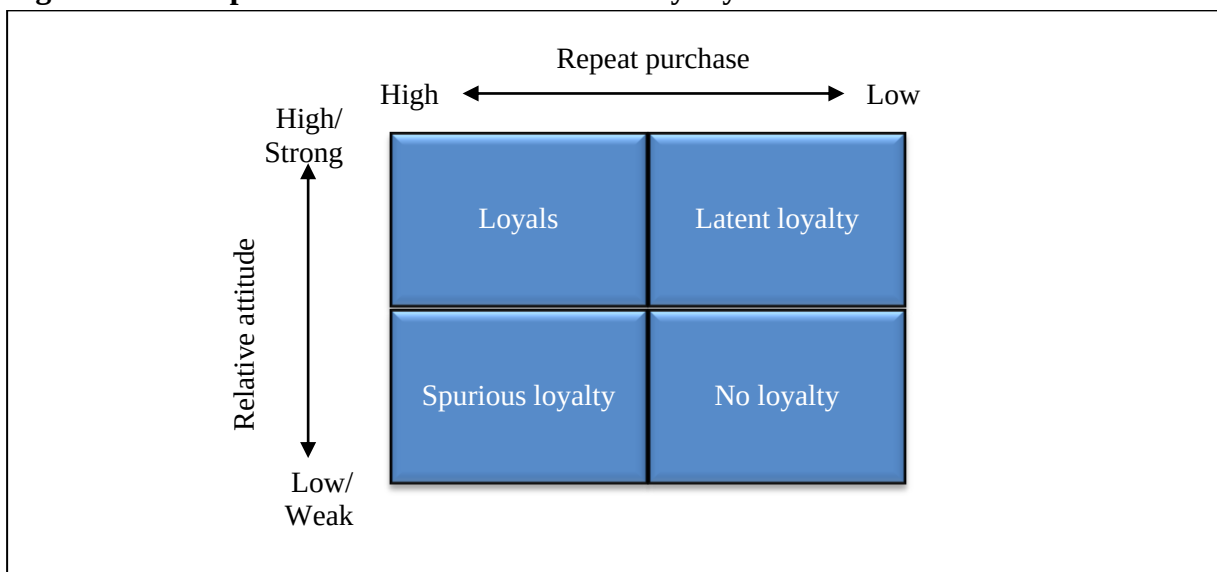
According to Kumar and Shah (2004:318), customer loyalty has traditionally been defined as a behavioural measure (*behavioural loyalty*) that measures customers' probability of purchase,

probability of repurchase, purchase frequency, and purchase sequence. In other words, it entailed the loyalty of a customer as observed from the customer's purchase behaviour.

In addition to this definition, Buttle (2009:45) notes that loyalty can also be defined in terms of customers' attitudes (*attitudinal loyalty*) – which represent a customer's long-term commitment to the business, indicating the customer's beliefs, feelings and future usage intentions (Reichheld, 2003:48).

However, Kumar and Shah (2004:319) – based on Dick and Basu (1994)'s research – emphasise that, in order to realise “true” loyalty, businesses should implement a more comprehensive approach to customer loyalty by focusing on both behavioural and attitudinal loyalty. From Dick and Basu's (1994:101) comprehensive model of customer loyalty, four forms of loyalty can be identified based on relative attitudinal strength and repeat purchase behaviour (Figure 4.5).

Figure 4.5: Comprehensive model of customer loyalty



Source: Dick and Basu (1994:101).

The four forms of loyalty identified from the comprehensive model in Figure 4.5, include the following (Buttle, 2009:45-46; Egan, 2008:134):

- **Loyals:** Customers have a strong relative attitude (i.e. long-term commitment intention) toward the business, and repurchase frequently from the business.
- **Spurious loyalty:** Customers have high levels of repeat purchase, but weak relative attitude (i.e. deliberately dissatisfied, and no intention of long-term commitment). These customers generally only stay with the business because they have no other option.
- **Latent loyalty:** Customers have a strong relative attitude, but may be prevented from repurchasing from the business. This might be ascribed to geographical restrictions, or to a situation where the product/service is not available when and where the customer desire.
- **No loyalty:** Customers have a weak relative attitude as well as low repurchase intentions. Thus, no loyalty exists, and these customers generally do not intend to revisit.

According to Rowley (2005:575), “loyals” are of significant importance to businesses, as long-term relationships can be developed with customers in this group – adding to the long-term benefits of the business. Consequently, Rowley (2005) expands on Dick and Basu’s (1994) findings by subdividing the “loyals” category into four distinct loyalty orientations, namely captive, convenience-seekers, contented, and committed. Table 4.1 summarises customers’ typical behaviour, attitudes, and switching triggers associated with each loyalty orientation.

Table 4.1: Loyalty orientations

Loyalty orientation	Typical behaviour (i.e. behavioural loyalty)
Captive	Continues to purchase or use a product/service because the customer has no other choice.
Convenience-seeker	Engages in regular repeat purchase transactions – associated with routine, low involvement purchases.
Contented	Evaluates offerings based on qualities, but previous and existing engagement is an opportunity for the business to improve the relationship with the customer.
Committed	Barely considers other businesses and/or offerings, and is willing to “add value” to the encounter.

Table 4.1: Loyalty orientations (continued)

Loyalty orientation	Typical attitude (i.e. attitudinal loyalty)
Captive	Neutral to the product/service offering. Has had previous experience with the offering which does not cause them to perceive the business and/or the offering in a negative light.
Convenience-seeker	No particular attitude to the product/service offering, except that some offerings may be associated with convenience.
Contented	A positive attitude towards the product/service offering, which may be shared with acquaintances, if their advice is requested.
Committed	Engages in positive and delighted word-of-mouth communications with other customers or potential customers.
Loyalty orientation	Triggers causing customers to switch
Captive	Alternative offerings available at times of major decisions. New businesses entering the market. Changes in circumstances that cause the customer to become less “captive”.
Convenience-seeker	Susceptible to promotions from other businesses. Changes in circumstances that redefine the “convenience” offering, such as geographic relocation.
Contented	Better value (deal) elsewhere. Service delivery or product failure. Product development lagging behind competitors.
Committed	Repeated or significant service delivery or product failure. Inadequate service or product recovery arrangements. A new product from a competitor that offers identifiable added value.

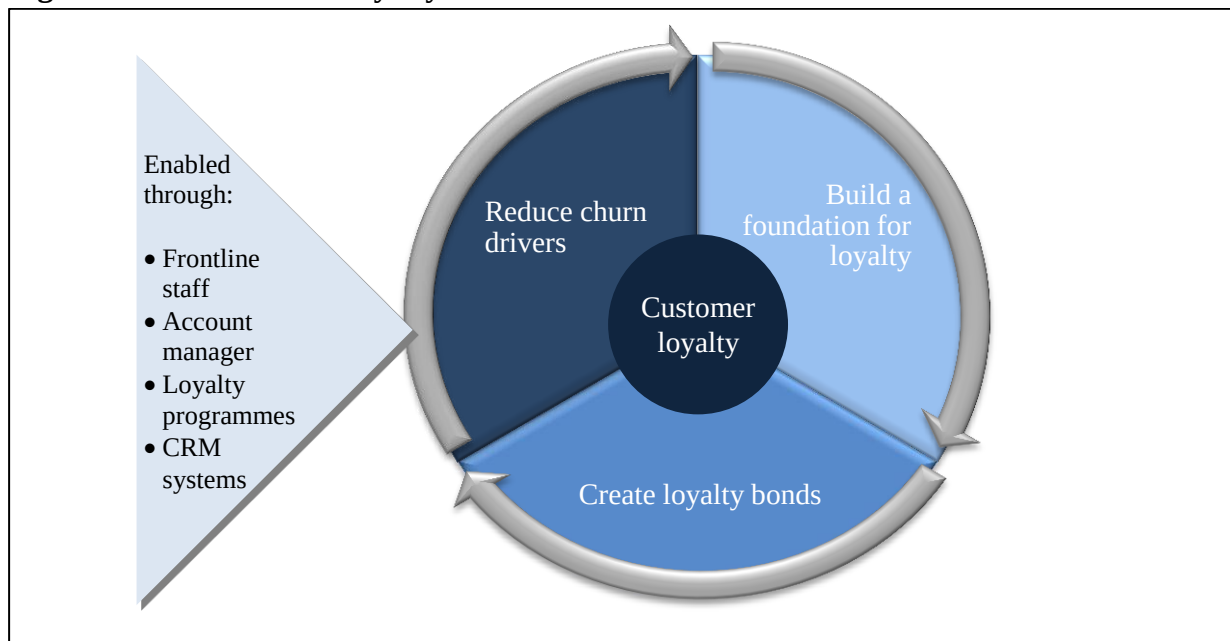
Source: Adapted from Rowley (2005:576-577).

From the above conceptualisation of loyalty, it is evident that several forms of customer loyalty and loyalty orientations can be distinguished. Based on this understanding of customer loyalty, businesses can identify and utilise true loyal customers (“loyals”) (Terblanche & Boshoff, 2010:6). However, according to Lovelock and Wirtz (2011:345), numerous businesses are still unsuccessful in realising true customer loyalty, and therefore propose the implementation of an organising framework on building customer loyalty.

4.6.1.2 Building customer loyalty

Lovelock and Wirtz (2011:345) have compiled “The Wheel of Loyalty” (Figure 4.6) as a framework to develop customer loyalty. This framework, as briefly discussed below, comprises of three sequential strategies: (1) build a foundation for loyalty; (2) create loyalty bonds; and (3) reduce churn drivers.

Figure 4.6: The wheel of loyalty



Source: Adapted from Lovelock and Wirtz (2011:345).

A) Build a foundation for loyalty

First, a business needs a solid foundation for creating customer loyalty. This includes identifying and targeting those customers who are well matched with the business and its product/service offerings, and are most likely to become profitable, long-term customers (Oliver, 2010:457). According to Reichheld (2006:76), businesses should therefore not focus on obtaining high quantities of customers, but rather on high quality (valuable) customers.

In addition, Lovelock and Wirtz (2011:346) suggest that businesses should adopt a strategic approach towards retaining and upgrading profitable (valuable) customers, and

that they should consequently also end relationships with those customers who are of little value to the business. The final aspect of this strategy relates to a previous discussion in section 2.8.3 (p. 42), regarding the measuring of customer satisfaction through the management of service quality. In order to ensure that a proper foundation is in place for creating customer loyalty, businesses have to be able to satisfy their customers, and this is achieved by offering high quality services (Donaldson & O'Toole, 2007:154).

B) Create loyalty bonds

The second strategy towards building customer loyalty entails that businesses should develop close bonds (relationships) with their customers. This notion is based on the premise that the business already has a relationship with the customer, and that it should aim at “deepening” this relationship by adding value to the customer – in the form of additional services, customised products/services, and financial/nonfinancial loyalty rewards (Moore, Ratneshwar & Moore, 2012:259).

C) Reduce churn drivers

The final strategy in “The Wheel of Loyalty” includes the reduction of customer defections – also known as customer churn (Harris, 2010:141). By developing an understanding of the reasons for customer defections, and by reducing or eliminating those reasons, businesses will be more likely to realise true customer loyalty (Kon, 2004:3). Based on the research of Keaveney (1995), Lovelock and Wirtz (2011:359) highlight the following reasons for customer defections or switching behaviour:

- core service failures, such as service mistakes and billing errors;
- uncaring, impolite, and unresponsive service encounters;
- high, increasing, unfair, and/or deceptive pricing;
- inconvenient location or office hours;
- competition offering better service;
- unethical behaviour on the part of the business; and

- involuntary issues, such as the customer moving away, or the business closing.

By being aware of the above-mentioned causes of customers defecting, businesses can address these issues beforehand or as soon as possible thereafter. This will enable the business to effectively resolve complaints and implement service recovery procedures, which might result in truly loyal customers (Kon, 2004:3).

The following section concludes the discussion on behavioural intention by explaining word-of-mouth as the second customer behavioural intention factor as a focus of this study.

4.6.2 Word-of-mouth

Ladhari (2007:1093) describes word-of-mouth as the informal communications between a customer and others concerning the evaluation of goods or services. Word-of-mouth communication is seen as one of the most powerful forces in influencing buying decisions, since potential customers view these personal communications as a more reliable source than non-personal information (Podnar & Javernik, 2012:146). The major contribution of word-of-mouth is not only its ability to spread a positive word within the market, but also to attract new customers successfully (Molina *et al.*, 2007:257).

Word-of-mouth is often researched from two points of view. On the one hand, some researchers (Kumar & Shah, 2004:319; Vázquez-Carrasco & Foxall, 2006:208; Worthington, Russell-Bennett & Härtel, 2010:247) consider word-of-mouth as a result of customer loyalty, in the sense that loyal customers tend to communicate positively about their delightful service experiences.

On the other hand, word-of-mouth is also considered to be a behavioural intention construct in its own (Macintosh, 2007:152; Molina *et al.*, 2007:256; Raithel, Sarstedt, Scharf & Schwaiger, 2012:512), indicating that word-of-mouth communications are not dependent on loyalty (or disloyalty), but rather depends on customers' satisfaction (or dissatisfaction) with a business. This study subscribes to the latter orientation, and views word-of-mouth communication as a behavioural intention construct which arises from customers' satisfaction levels.

According to Lee and Neale (2012:365-366), it is important that businesses should keep in mind that word-of-mouth communications can be positive or negative in nature. Positive word-of-mouth communications are generally the result of customer satisfaction or delight, and entail customers complimenting and relating pleasant and vivid experiences (Ladhari, 2007:1093). Negative word-of-mouth communications result from customer dissatisfaction, and include customers complaining about the business, and relating unpleasant or unsatisfactory experiences (Ladhari, 2007:1093; Vázquez-Carrasco & Foxall, 2006:208).

In conclusion, Macintosh (2007:150) emphasises the importance of word-of-mouth especially in service industries, because potential customers do not have the opportunity to test or consume a physical product for quality purposes. Consequently, potential customers are profoundly dependent on the experiences and referrals of existing customers.

To provide a complete picture of the CRM initiatives focused on in this study, the final section of this chapter explains the interrelationships between the perceived service factors (Chapter 3), customer satisfaction (section 4.2, p. 78) and behavioural intentions (section 4.6, p. 94).

4.7 PERCEIVED SERVICE FACTORS, CUSTOMER SATISFACTION AND BEHAVIOURAL INTENTION

Based on the extensive literature review of service quality (section 3.3, p. 54), relational benefits (section 3.8, p.72), customer satisfaction (section 4.2, p. 78) and behavioural intention (section 4.6, p. 94), it is evident that these three concepts are interconnected in many ways. Several researchers – including Kaura and Datta (2012), Ledden *et al.* (2011), Vibha *et al.* (2011) and Xu *et al.* (2006) – have found that customer-perceived service factors (i.e. service quality and relational benefits) have a direct impact on customers' level of satisfaction. Ladhari (2007:1101), Oliver (2010:372-373) and Raithel *et al.* (2012:520) further indicate that satisfaction generally results in behavioural intention.

Thus, if the business' service quality, or the benefits offered in the relationship with the business are inadequate, customers will be dissatisfied. As explained in section 4.6 (p. 94), dissatisfied customers tend to have negative behavioural intentions – such as disloyalty

(switching) and negative word-of-mouth – toward the business. However, if customers are satisfied with the business' service quality and relational benefits, they are likely to have positive behavioural intentions towards the business, such as remaining with the business (loyalty) and communicating positively about the business (positive word-of-mouth).

4.8 CONCLUSION

This chapter explored the concepts of customer satisfaction and behavioural intentions. First, customer satisfaction was investigated by defining the concept, explaining its importance, and discussing the various aspects that determine satisfaction. In addition, the measurement of customer satisfaction was discussed by means of an explanation of customer expectations, customer perceptions, and specific measuring methods. Secondly, behavioural intentions were discussed, with specific focus on customer loyalty and word-of-mouth intentions. The chapter concluded with an explanation of the interrelationships between the CRM initiatives this study focuses on, namely service quality, relational benefits, customer satisfaction, and behavioural intentions. The research methodology is set out in the next chapter.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

This chapter focuses on the research methodology followed in this study, and is structured to reflect the marketing research process as illustrated in Figure 5.1. The various stages of the marketing research process are discussed and applied to the specific area of this study, including the formulation of the research problem and objectives, the research design, and the design of the data collection and sampling method. The final part of this chapter focuses on the collection and analysis of the primary data, from which findings will be extrapolated.

5.2 MARKETING RESEARCH

Proctor (2005:3) explains that marketing research is an integral part of the marketing function, since it supports the entire marketing decision-making process. Marketing research provides important information on customers' perceptions of a business and its products or services. If marketing research is applied correctly, it identifies weaknesses, strengths, trends and behaviours, which all assist in developing an efficient marketing strategy (Burns & Bush, 2010:35).

5.2.1 Marketing research defined

Multiple definitions of marketing research are available in marketing literature. Some of the prominent marketing research definitions include:

- The American Marketing Association (AMA) approved (in October 2004) the following comprehensive definition of marketing research (AMA, 2012): “Marketing research is the function that links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and

problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve the understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyses the results, and communicates the findings and their implications.”

- McDaniel and Gates (2010:7) define marketing research as, “...the planning, collection, and analysis of data relevant to marketing decision-making and the communication of the results of this analysis to management”.
- Zikmund and Babin’s (2012:5) definition of marketing research reads as follows: “...the application of the scientific method in searching for the truth about marketing phenomena. These activities include defining marketing opportunities and problems, generating and evaluating marketing ideas, monitoring performance, and understanding the marketing process.”
- Tustin, Ligthelm, Martins and Van Wyk (2005:7), in turn, conclude that marketing research, “...is the systematic and objective collection, analysis and interpretation of information for decision-making on marketing problems of all kinds by recognised, scientific methods.”

Even though there are various definitions of marketing research – some cryptic and others more comprehensive – most of the elements comprising these definitions are congruent. Consequently, the following definition of marketing research can be formulated based on the above variations:

Marketing research entails a systematic process that collects, analyses and interprets data about all marketing problems or opportunities, by means of recognised, scientific methods. Marketing research identifies the research problem, designs the data collection method, manages and implements that data collection method, analyses the results, and presents the results and their implications to marketing decision-makers.

5.2.2 Importance of marketing research

Churchill, Brown and Suter (2010:15) propound that marketing research is imperative, since it allows researchers to test and evaluate marketing concepts. Various types of information can be obtained and interpreted, such as customer attitudes and intentions, as to assist in decision-making. McDaniel and Gates (2010:7) furthermore suggest that marketing research enables businesses to obtain an understanding of what customers perceive as important, which is significant in determining customer satisfaction and customer retention patterns. As a result, marketing research can offer a competitive advantage in an insecure marketplace.

The importance and value of marketing research becomes evident in light of the following aspects of decision-making (Burns & Bush, 2010:38-39; Zikmund & Babin, 2012:12-19):

- Marketing research can monitor the competitive marketplace, in order to recognise potential problems and identify opportunities to enrich marketing efforts.
- It can also be used to generate, refine and evaluate certain marketing actions or strategies that can be implemented in the marketplace.
- Marketing research can monitor marketing performance by informing managers whether proposed marketing strategies were properly executed and whether objectives were obtained.
- As a result, marketing research can improve the business' overall marketing process.

5.2.3 Limitations of marketing research

Although the value of marketing research is clear from the above discussion, Aaker, Kumar and Day (2011:15) believe that researchers need to be aware of, and understand its limitations as to obtain adequate and accurate results. The following aspects can limit marketing research:

5.2.3.1 Timing

Comprehensive research takes time, which is one resource that may not always be available in today's highly competitive marketplace (Cant, Gerber-Nel, Nel & Kotze, 2008:6). In many

situations, decisions need to be taken immediately, often not based on thoroughly researched facts and information. Marketing research can thus only be conducted if sufficient time is available before the information is required for the specific marketing decision (Zikmund & Babin, 2012:17).

5.2.3.2 Type and nature of information sought

The decision as to whether to conduct marketing research depends on the type and nature of the information sought. Zikmund and Babin (2012:17) explain that if the required information is readily available within the marketing function, marketing research is not necessary. Time and money will be saved by making use of this information instead of implementing a new research process. If, however, the information is insufficient for addressing the problem at hand, marketing research will have to be undertaken. Wiid and Diggines (2009:10) further suggest that extensive research needs to be limited to important decisions only – research on everyday decisions is excessive and unnecessary.

5.2.3.3 Cost-benefit analysis

Due to the fact that research is generally quite expensive, marketing managers need to perform a cost-benefit analysis before conducting the research. Wiid and Diggines (2009:10) suggest that research should only be conducted if:

- the return on investment generated by the research project justifies the expenditure;
- the quality of the marketing decision is significantly increased and justifies the expenses;
and
- the research cost represents the best application of funds.

5.2.3.4 Availability of resources

Aaker *et al.* (2011:16) and Wiid and Diggines (2009:10) emphasise that researchers should confirm, before attempting the research project, that sufficient financial and human resources are available. The availability of these resources will ensure that accurate and reliable results

are obtained and implemented. If resources desiccate before finalising the research project, the entire research project can be rendered worthless.

5.3 THE MARKETING RESEARCH PROCESS

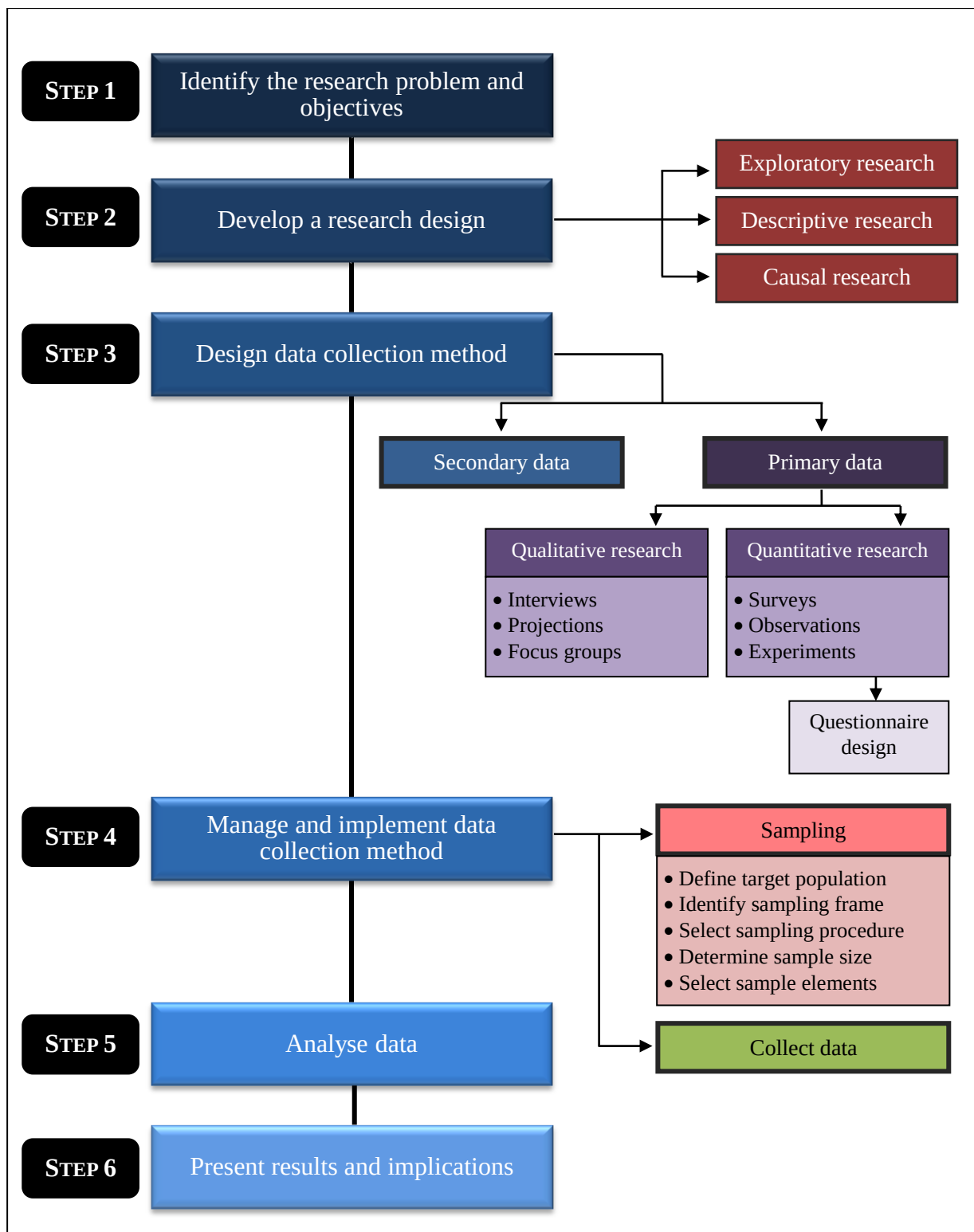
From the definitions listed in section 5.2.1 (p. 104), it is apparent that the marketing research process entails a number of certain steps. Some researchers fragment the marketing research process into more detailed sections, whereas others mainly provide a broad outline of the major steps.

Shiu, Hair, Bush and Ortinau (2009:51), for example, only identify four phases of the marketing research process, namely: (1) determine the research problem; (2) select the appropriate research design; (3) execute the research design; and (4) communicate the research results.

Wiid and Diggines (2009:30), on the other hand, propose 11 steps: (1) identify and define the marketing problem; (2) determine research objectives; (3) develop a research design; (4) conduct secondary research; (5) select primary research method; (6) design the data-collection tool; (7) design the sample frame; (8) gather the data; (9) prepare and process the data; (10) analyse the data; and (11) interpret the results and compile research report.

None of these processes are in fact perfectly correct or incorrect, but **for the purpose of this study**, the marketing research process will be based on the definition presented in section 5.2.1 (p. 104). Figure 5.1 illustrates the marketing research process, which also serves as a framework for the rest of this chapter.

Figure 5.1: The marketing research process and framework followed in this study



Source: Adapted from Bradley (2010:36) and McDaniel and Gates (2010:76).

5.3.1 STEP 1: Identify the research problem and objectives

The *first* step in the marketing research process is to define the research problem to be investigated carefully and accurately. This step also includes the specification of the research objectives that are intended to support the research problem by indicating specific areas that require further attention (Iacobucci & Churchill, 2010:29). Wiid and Diggines (2009:32) explain that, in order to solve a problem or utilise an opportunity in the market, it has to be clearly defined. The research problem and its rationale have been substantiated in section 1.4 (p. 10), and the primary objective of this study emanates from there.

The primary objective of this study is to determine the influence of selected CRM initiatives such as service quality and relational benefits on customer satisfaction and, ultimately, on behavioural intention.

The following secondary objectives support the primary objective:

- 1) To investigate the service quality expectations and perceptions of short-term insurance customers.
- 2) To determine the relational benefits received by short-term insurance customers.
- 3) To measure the satisfaction levels of short-term insurance customers.
- 4) To determine the behavioural intentions of short-term insurance customers.
- 5) To determine whether differences exist between different groups of respondents in terms of each of the constructs (service quality, relational benefits, customer satisfaction and behavioural intention) measured in this study.
- 6) To determine the interrelationships between the selected CRM initiatives in leading to customer satisfaction and ultimately to behavioural intention.

5.3.2 STEP 2: Develop a research design

The *second* step in the marketing research process is to determine the research design, which according to Wiid and Diggines (2009:53), simply means outlining or planning for the research project. A suitable research design ensures that relevant research problems are addressed, and

that mistakes and inaccuracies are eliminated in order to increase the ultimate validity of the research findings (Zikmund & Babin, 2012:42). The various research design frameworks can be classified into three basic categories: exploratory, descriptive and causal.

5.3.2.1 Exploratory research

The primary goal of exploratory research is to investigate a relatively unknown situation with a view to gain ideas and insights for further research (Iacobucci & Churchill, 2010:60). Zikmund and Babin (2012:42) emphasise that exploratory research is not supposed to provide conclusive and accurate results, but rather to develop an understanding of the basic problem of research needed. As a result, exploratory research is usually conducted with the expectation that more research will have to follow in order to provide valid and conclusive outcomes.

Exploratory research is flexible in terms of the research methods used, and include methods that broaden knowledge, identify problem areas and develop hypotheses on the research topic. Methods used for conducting exploratory research generally include literature searches, experience surveys, focus groups and interviews (Wiid & Diggines, 2009:55).

5.3.2.2 Descriptive research

Descriptive research is, as the name implies, conducted in order to *describe* the marketing problem or opportunity in detail. It describes aspects such as the characteristics of products, people, groups, businesses or environments by addressing who, what, when, where and how questions. Descriptive research is based on the assumption that researchers already know or understand the underlying relationship among the variables of the research problem (Feinberg, Kinnear & Taylor, 2013:57). Methods used for descriptive research include longitudinal and cross-sectional studies.

A) Longitudinal studies

According to Cant *et al.* (2008:34), longitudinal studies involve the repetitive measurement of the same sample of elements (also known as the panel) over time.

Measurement is conducted at various points in time, throughout which the panel remains relatively constant. Two types of longitudinal studies can be distinguished (Churchill *et al.*, 2010:108):

- **Continuous or true panels** are fixed samples of respondents of which the same variables are repeatedly measured over time. Each panel member is thus measured on the same characteristic or aspect every time.
- **Discontinuous or omnibus panels** are fixed samples of respondents who are measured repeatedly and whose variables change from measurement to measurement. Each panel member is thus measured on a different characteristic or aspect every time.

B) Cross-sectional studies

Blumberg, Cooper and Schindler (2011:199) explain that cross-sectional studies involve obtaining information from a given sample of population only once. The two main characteristics that distinguish cross-sectional studies from longitudinal studies are that (Wiid & Diggines, 2009:56):

- This type of study provides only an overview of the variables of interest at a single point in time, as opposed to the bigger picture of the situation (one needs to remember that changes may occur).
- The sample of elements is typically selected to represent the target population.

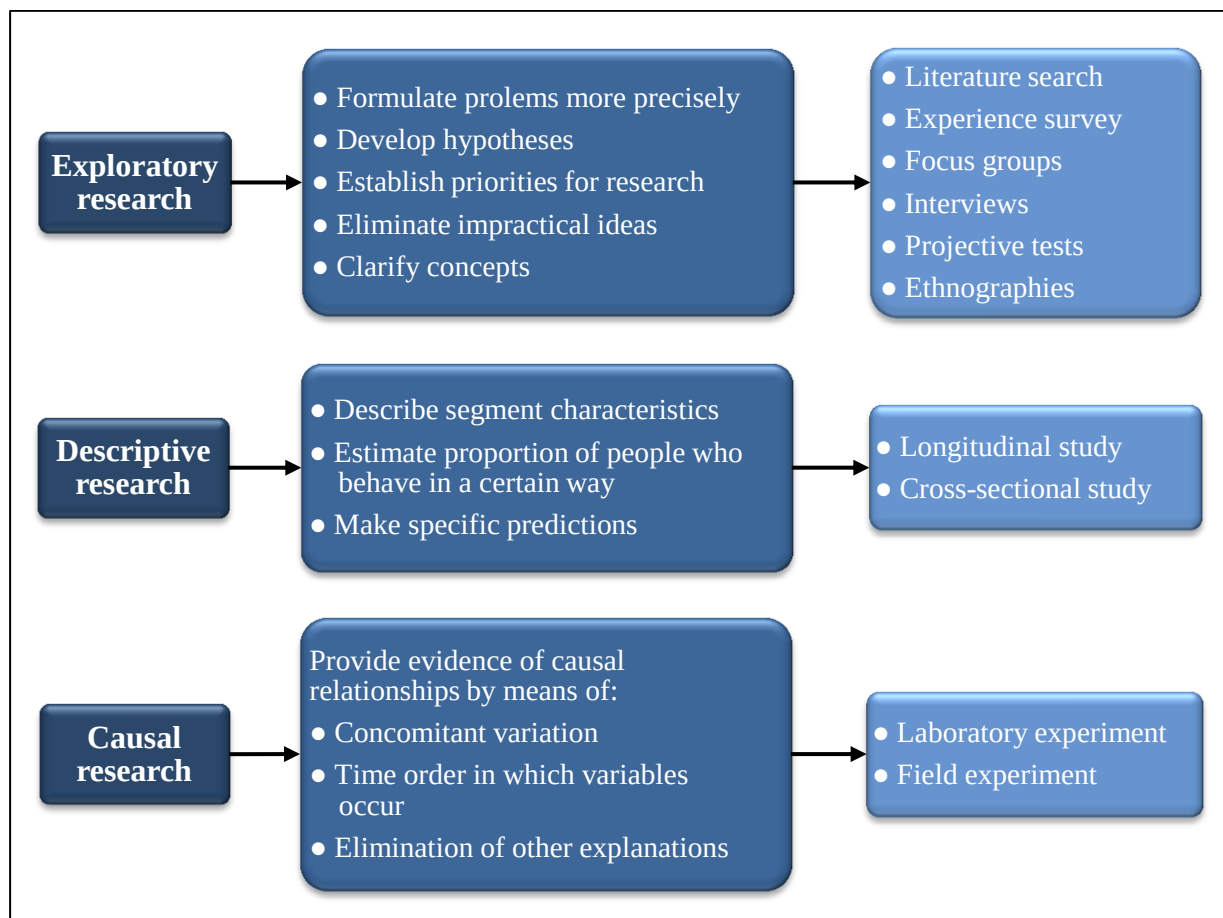
5.3.2.3 Causal research

Causal research is conducted with a view to reveal whether one variable causes or determines the value of another variable (Tustin *et al.*, 2005:87). In other words, the cause and effect between the dependent and independent variables is determined. If a business is aware what is required to cause or create certain outcomes, it can adapt its decisions in such a way as to control these outcomes. This, in contrast to descriptive or exploratory research, presents the business with a significant amount of control (Zikmund & Babin, 2012:44).

Causal research is often associated with experimental procedures, since according to Churchill *et al.* (2010:117), causality can only be demonstrated when some form of experimental control is applied. *Laboratory experiments* – where the exact conditions are recreated in an artificial environment in order to control and manipulate variables – and *field experiments* – where experiments are conducted in a natural setting, and variables cannot be controlled – are generally applied to conduct causal research (Wiid & Diggins, 2009:56).

Different uses have been identified for each of the research designs discussed above. Researchers should know and understand these uses in order to apply the correct research design effectively to the problem at hand. It is also important to have knowledge of the different types of research methods related to these research designs. Figure 5.2 provides an overview of the three kinds of research designs, its uses and types (or methods).

Figure 5.2: Types of research designs



Source: Iacobucci and Churchill (2010:60).

In this study, the literature review chapters emphasised the importance of service quality and satisfaction in the short-term insurance industry, which formed the basis from which the research problem could be formulated. Knowledge therefore exists about the research problem, and since no recent proof supports the presence of adequate service quality and satisfaction levels within this specific industry, **this study undertook descriptive research** as to obtain a more complete understanding of the current market situation, draw conclusions from these findings and make specific predictions. The “who, what, when, where and how” questions will be covered by: surveying short-term insurance (what) customers (who) in the Gauteng area (where) on how often they use or make contact with their insurance providers (when), what they expect from their providers and what they actually perceive (how). This study is cross-sectional in nature, since it will only provide an overview of the variables of interest at a single point of time; and the sample will be representative of the target population.

5.3.3 STEP 3: Design data collection method

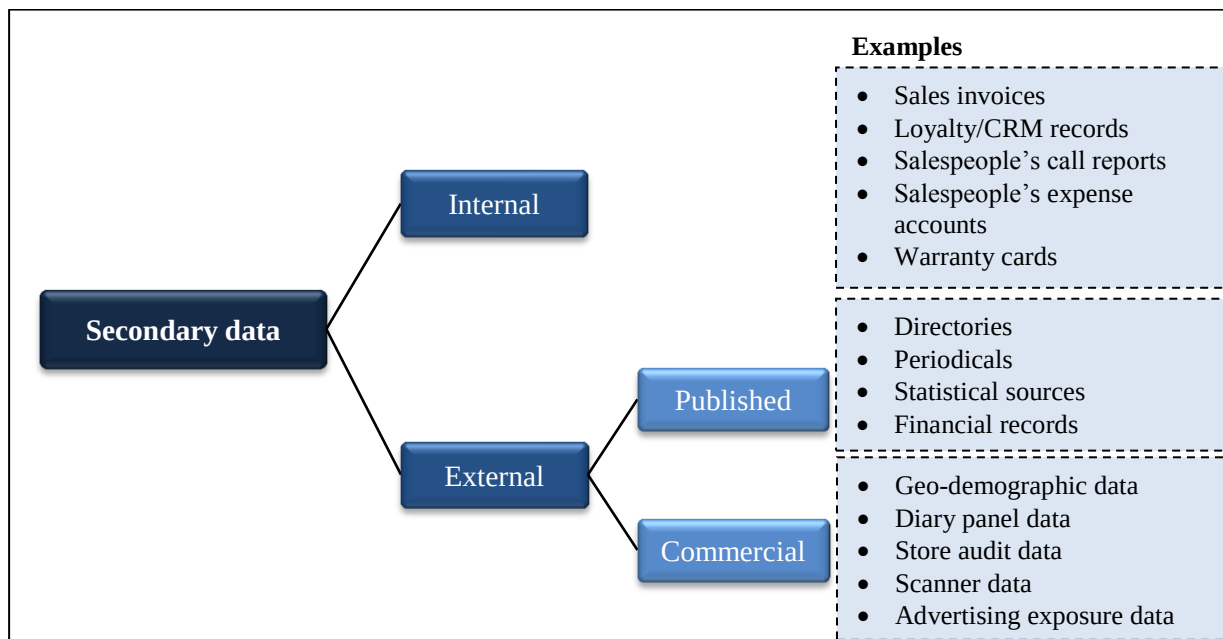
The *third* step in the research process is designing or selecting a relevant data-collection method. This step, according to McDaniel and Gates (2010:78), should then describe all those aspects of the study which include aspects such as describing the research design methods used in the study, as well as the questionnaire layout itself. Once a research problem has been defined and clearly specified, the research process logically turns to data collection, which should focus on gathering data that can be processed into information for effective use in marketing decision-making. Two data sources are available to support the research process and its findings, namely secondary and primary data (Cant *et al.*, 2008:66), and these are consequently discussed.

5.3.3.1 Secondary data sources

Iacobucci and Churchill (2010:142) emphasise that data collection efforts should be initiated based on existing, readily available secondary data. Secondary data is described as data that already exists, that was gathered for a previous purpose and not for the study or problem at hand (Shiu *et al.*, 2009:45). It is usually historical and already assembled and does not require access to respondents on their opinions (Malhotra, 2010:106; Zikmund & Babin, 2012:123).

Secondary data is most commonly classified by source, whether internal or external (Aaker *et al.*, 2011:106). Internal data is collected within the business for which the research is being conducted; external data is obtained from sources outside the business. Figure 5.3 provides an overview of the various internal and external secondary data sources, including sources such as sales invoices, loyalty records, directories, financial records, geo-demographic data and store audit data.

Figure 5.3: Types of secondary data sources



Source: Adapted from Iacobucci and Churchill (2010:149).

Churchill *et al.* (2010:147) and Malhotra (2010:107) have identified the most significant advantages of secondary data as its ability to save the researcher a considerable amount of time and money. In addition, Wiid and Diggines (2009:71) list the following advantages of secondary data sources:

- it requires less effort to collect secondary data than primary data;
- it can support the collection of primary data by providing more primary data research methods;
- in certain situations, it can be more accurate than primary data, since information on past events can be obtained accurately from secondary sources; and

- it provides comparative data that makes for a more illuminating interpretation of primary data.

Despite the advantages of employing secondary data in research, it also poses some limitations to the research process. McDaniel and Gates (2010:102-103) identify the major disadvantages associated with applying secondary data as the lack of availability, lack of relevance, inaccuracy, and insufficiency of this type of data. These are briefly extrapolated below.

- **Lack of availability:** Some research problems are of such a nature that the available secondary data simply does not fit into its perspective (Churchill *et al.*, 2010:150). In order to address problems like these, very little or no secondary data would suffice and primary data sources would mainly be consulted.
- **Lack of relevance:** Since secondary data has initially been collected for use in different research situations, such data rarely fits the current research problem perfectly. This is because the measurement units in which secondary data is expressed often differ from those required for the research project; and even if these units are the same, the classification boundaries might not meet the conditions (Iacobucci & Churchill, 2010:146). Thus, as different types of secondary data sources define and classify terms differently, the use of these sources may be limited to very specific research situations.
- **Inaccuracy:** At times, research errors occur during data collection and analysis – these may have a bearing on the accuracy and validity of the data collected (Wiid & Diggines, 2009:72). This type of faulty data would consequently make for poor secondary data sources. Researchers should thus, according to Zikmund and Babin (2012:124), attempt to determine the reasons why these errors occur, or they should at the very least be able to identify data that is most likely to be correct.
- **Insufficiency:** Finally, researchers are often faced with large volumes of secondary data which might be accurate and relevant to the research project, but which is still not sufficient for bringing closure to the research problem (McDaniel & Gates, 2010:104).

For the purpose of this study, secondary data was obtained by means of an extensive literature review (Chapters 2 to 4). The literature review focused on expanding the researcher's knowledge of theoretical constructs such as CRM (Chapter 2), service quality (sections 3.3 - 3.6, p. 54-71), relational benefits (sections 3.8 - 3.10, p. 72-75), customer satisfaction (sections 4.2, p. 78-93) and behavioural intentions (section 4.6, p. 94-101), as well as the interrelationships of these constructs. Most of the secondary data was obtained from published, external sources, with a view to ensure validity and accuracy. The secondary data obtained through this literature review was consequently incorporated when developing the primary research instrument used in this study (Appendix A, p. 327).

5.3.3.2 Primary data sources

Cant *et al.* (2008:88) indicate that primary data does not exist prior to the research project, and is collected with a view to address the specific research problem under investigation. Primary data can be collected by means of qualitative or quantitative research.

Qualitative research, as described by Wiid and Diggins (2009:86), involves the collection, analysis, and interpretation of data that cannot be meaningfully reviewed in the form of numbers. This research method is generally not very structured, and is based on small samples that provide insights to, and an understanding of, the research problem.

Quantitative research, on the other hand, entails the collection of data from larger, more representative samples. Quantitative research data is typically obtained through empirical assessments, which are measured and analysed mathematically and statistically. These findings are then used to produce broadly representative data of the total population and forecasts of future events under different conditions (Zikmund & Babin, 2012:93). Table 5.1 provides a comprehensive comparison of the general differences between qualitative and quantitative research.

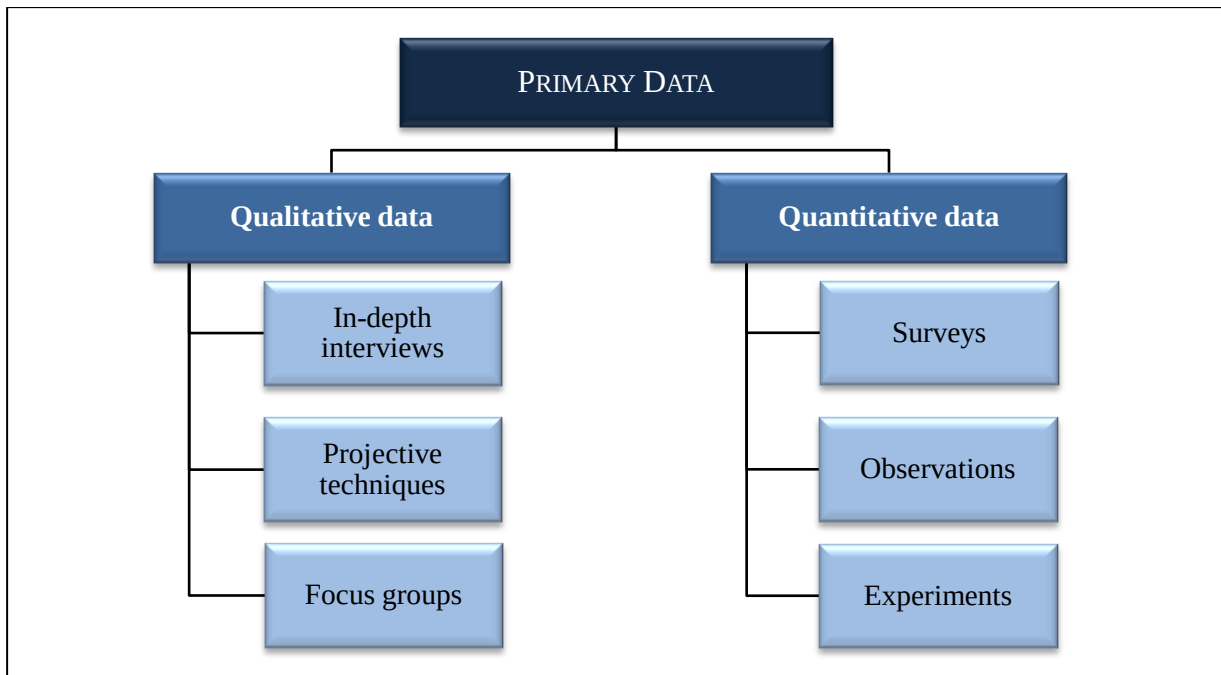
Table 5.1: Differences between qualitative and quantitative research

Qualitative research	Characteristics	Quantitative research
Discovery and identification of new ideas, thoughts, feelings; preliminary insights on and understanding of ideas and objects.	Research goals / objectives	Validation of facts, estimates, relationships, predictions
Normally exploratory designs	Type of research	Descriptive and causal designs
Open-ended, semi-structured, unstructured, deep probing	Type of questions	Mostly structured
Relatively short time frames	Time of execution	Usually significantly longer time frames
Small samples, limited to the sampled respondents	Representativeness	Large samples, normally good representation of target populations
Debriefing, subjective, content, interpretive, semiotic analyses	Type of analyses	Statistical, descriptive, causal predictions and relationships
Interpersonal communications, observations, interpretive skills	Research skills	Scientific, statistical procedure, and translation skills; and some subjective interpretive skills
Very limited; only preliminary insights and understanding	Generalisability of results	Usually very good; inferences about facts, estimates or relationships

Source: Adapted from Shiu *et al.* (2009:171).

Since the main goal of this study is to determine relevant facts, estimates and relationships between the various CRM concepts (service quality, relational benefits, satisfaction, and loyalty), in order to ultimately make certain predictions regarding these concepts within the short-term insurance industry, **this study follows a quantitative research approach.**

Qualitative and quantitative research can, as illustrated in Figure 5.4 (p. 119), be further subdivided into distinct techniques of data collection. In this section each of the data-collection techniques will be briefly discussed.

Figure 5.4: Primary data collection techniques

Source: Adapted from Cant *et al.* (2008:88).

A) Qualitative data collection techniques

As shown in Figure 5.4, there are various qualitative data collection techniques, namely in-depth interviews, projective techniques and focus groups. Each of these qualitative techniques is discussed below.

a) In-depth interviews

Tustin *et al.* (2005:162) define in-depth interviews as extensive, one-on-one interviews that are conducted in order to gather qualitative data from the sample. In-depth interviews are an unstructured and direct way of obtaining information, in that the interviewer asks questions and probes for answers.

One of the most significant advantages of in-depth interviews is that this method enables the interviewer to constantly ask probing or investigative questions on any required topic without delay. This gives the interviewer flexibility not only in terms of

behaviour patterns, but also regarding attitudes, opinions and motivations that cause the respondent's behaviours (Shiu *et al.*, 2009:208). However, as Malhotra (2010:161) emphasises, for in-depth interviewing to be effective, interviewers must have excellent interpersonal communication skills. Without the necessary skills, the interviewer may unintentionally allow the interview to end before the probable data are obtained.

b) Projective techniques

People usually tend to answer questions in a way that makes them look good. However, what they say may not reflect their true feelings or opinions on the subject (Shiu *et al.*, 2009:213-215). Projective techniques are applied to bridge this difficulty and to establish respondents' true attitudes, motivations, reactions and characteristics (Wiid & Diggines, 2009:95). Various techniques can be implemented in order to obtain valid responses; some of the projective techniques most frequently used in marketing research are briefly described (McDaniel & Gates, 2010:156-160):

- **Word association tests:** A number of words are read aloud, one-by-one, to the respondent and he/she has to mention the first word that comes to mind. These tests are typically used to select brand names, advertising campaign themes and slogans.
- **Sentence and story completion tests:** The respondent is given an incomplete story or group of sentences and asked to complete it in his/her own words. This technique provides a more structured and detailed scenario for the respondent. The objective is that the interviewees must put themselves in the role of the imaginary person mentioned in the story.
- **Cartoon tests:** Respondents are shown a cartoon with speech bubbles, with the one bubble left blank. They are then required to complete the blank bubble as a response to the other speech bubble in their own words. This allows respondents to explore ideas that might generally be considered too sensitive to articulate, even in a cartoon setting.

- **Third-person technique:** Instead of directly asking respondents their opinions, the question is expressed in terms of what “some other third party” might answer. This technique is ideal for sensitive or embarrassing research topics.

c) Focus groups

Focus groups are similar to in-depth interviews, in the sense that the interviewer also asks unstructured and extensive questions to respondents, with but one difference – interviews are conducted in groups of eight to twelve respondents and not one-on-one (Malhotra, 2010:145). The objective, as Blumberg *et al.* (2011:204) explain, is to obtain opinions by listening to the group members’ free-flowing discussions. Like in-depth interviews, focus groups also require a skilled interviewer (moderator) who initiates the discussion by providing an opening statement. Table 5.2 provides an overview of the criteria influencing the decision whether to make use of in-depth interviews or focus groups.

Table 5.2: Focus groups versus in-depth interviews

Focus group discussions	Criteria	In-depth interviews
Use when interactions of participant will trigger new thoughts	Value of interaction	Use when interactions are limited or appear to be non-productive.
Use when subject matter is not too sensitive for participants to withhold information or to temper remarks.	Sensitivity of subject matter	Use when subject matter is so sensitive that few respondents would speak openly in a group.
Use when time is crucial and the need to economise is present.	Cost and timing	Use when time is not crucial and budget permits the high cost of interviewing and reporting.
Assumes that most respondents can say all they know in 8-12 minutes.	Depth of information per respondent	Allows greater depth per individual. Used when subject matter is complex and participants very knowledgeable.
A number of participants can be assembled in one location.	Logistics	Use when respondents are geographically dispersed and travel costs prohibit them from travelling to a central location.

Source: Adapted from Tustin *et al.* (2005:172).

B) Quantitative data collection techniques

As illustrated in Figure 5.4, quantitative data collection techniques include mainly surveys, observation and experiments, which are respectively discussed below.

a) Surveys

Cant *et al.* (2008:89) explain the nature of survey research as the process of collecting data from a large representative sample of respondents by means of verbal or written communication. Such information is generally collected by completing a questionnaire, which records respondents' responses in a structured, precise manner. Wiid and Diggines (2009:108) summarise the characteristics of the survey method as follows:

- survey research is based on a specific, logical and structured procedure;
- units of the population are selected without personal preference or prejudice;
- survey research contains units that are representative of the research itself and the population in which the research is going to take place;
- survey research is aimed at the present rather than at historically factual findings;
- survey data is original and does not already exist;
- survey data is obtained from a representative sample of the population;
- survey data is obtained by interviewers who act as mediators between the researcher and respondent (interviewers do not require specialised skills);
- the content of the survey data is primarily the respondent's own opinion on the specific topic being researched; and
- collecting survey data is not a lengthy process, since surveys are conducted in a short time in the field.

According to Trochim and Donnelly (2008:119-120), various types of surveys exist which allow researchers to collect primary quantitative data, and due to recent technological and scientific improvements, surveying methods have become more flexible (Cooper & Schindler, 2006:280). Nevertheless, almost all types of survey

method can be classified as person-administered, self-administered or telephone-administered. Table 5.3 briefly describes the different types of survey methods that can be used to obtain primary quantitative data.

Table 5.3: Types of survey methods

Type of survey method	Description
Person-administered	
In-home / in-office survey	A survey takes place in the respondent's home, or within the respondent's work environment.
Shopping-intercept / mall-intercept survey	Shopping patrons are stopped and asked for feedback during their visit to a shopping mall.
Purchase-intercept survey	The respondent is stopped and asked for feedback at the point of purchase.
Telephone-administered	
Traditional telephone survey	A survey takes place over the telephone. Interviews may be conducted from a central telephone location or the interviewer's home or office.
Computer-assisted telephone survey	A computer is used to conduct a telephone survey; respondents give answers by pushing buttons on their phone.
Completely automated telephone survey	The survey is administered entirely by a computer without the use of any human interviewer.
Cell phone survey	The survey is conducted using the respondent's cell phone in either text-based or voice-based formats.
Self-administered	
Mail survey	Questionnaires are distributed to and returned from respondents via the postal service.
Mail panel survey	Surveys are mailed to a representative sample of individuals who have agreed in advance to participate.
Drop-off survey	Questionnaires are left with the respondent to be completed at a later time. The survey may be picked up by the researcher or returned via mail.
Fax survey	Surveys are distributed to and returned from respondents via fax by hand or computer.

Table 5.3: Types of survey methods (continued)

Type of survey method	Description
Online	
E-mail survey	Surveys are distributed to and returned from respondents via electronic mail.
Internet survey	The Internet is used to ask questions of and record responses from respondents.

Source: Adapted from Shiu *et al.* (2009:237).

b) Observation

Observation entails recording people's actions or behavioural patterns without making direct contact with them (McDaniel & Gates, 2010:236). According to Blumberg *et al.* (2011:353), these recordings can be collected by using trained human observers or devices such as videotapes, movie cameras, audio-tapes, computers or handwritten notes. Wiid and Diggines (2009:136) strongly recommend the application of observation methods in the following situations:

- Where observation is the only method to gather information accurately. For example, this may entail food and toy preferences of children who cannot yet communicate their likes and dislikes.
- Where the relationship between data accuracy and data cost makes observation more favourable than other data-gathering methods. For example, recording the number of people inside a shop can be done more effectively by using observation rather than by using surveys.
- Where the observation research supports other research methods already employed.

c) Experiments

Experimentation is part of causal research and aims to determine the cause-and-effect relationship between variables, by manipulating an independent variable and then

observing the effect of it on another variable (Shiu *et al.*, 2009:278). According to Cant *et al.* (2008:111), experiments can be conducted in either a laboratory or field setting.

As McDaniel and Gates (2010:272) explain, *laboratory experiments* are generally conducted in a controlled environment where one variable can be held constant while another variable is being manipulated. However, the controlled and possibly sterile environment in which the laboratory experiment takes place may not be a good substitute of the marketplace. As a result, the findings of laboratory experiments sometimes do not hold up when transferred to the marketplace.

Field experiments, on the other hand, are conducted in a natural setting (marketplace), and applied to physical products (Shiu *et al.*, 2009:292). Some field experiments, as identified by Cooper and Schindler (2006:319), include (1) in-home placement – where participants are asked to use the products being researched in their own homes; (2) store tests – which include experimenting with product prices or promotional items within the store where the product will be sold; (3) test marketing – where a new product is tested under realistic market conditions.

For the purpose of this study a mall-intercept, person-administered survey method was used, and fieldworkers intercepted potential respondents at shopping malls to ask for feedback regarding the research topic.

5.3.3.3 Questionnaire design and content

Since this study makes use of surveys to collect primary data, it is important to develop an effective data collection instrument. This section focuses on the construction of the questionnaire as data collection instrument for this study.

Questionnaires allow researchers to collect data from respondents through a set of structured questions (Aaker *et al.*, 2011:312). Malhotra (2010:299) specifies that a questionnaire ultimately has three specific objectives: (1) it must employ specific questions in such way that

respondents can and will answer; (2) it must motivate the respondent to become involved in the research process; (3) it should minimise response error.

For a questionnaire to fulfil its purpose, the researcher should keep the following basic considerations in mind when planning the questionnaire design (Zikmund & Babin, 2012:271-272):

A) Preliminary considerations

Aaker *et al.* (2011:313) emphasise that it is important to know exactly what information needs to be collected from respondents. The nature of the information required will understandably depend on the research objectives of the study (section 1.5, p. 11), and should address all the requirements identified in these objectives. Proctor (2005:193) furthermore explains that the nature of the respondents who are to be surveyed, and the method by which the survey will be conducted are interrelated with the information required. Thus, the type of respondent to be surveyed, and the surveying method used are based on the nature of the information required for the research problem at hand.

B) Question content

It is important, according to Wiid and Diggines (2009:173) that every question contributes to reaching the research objectives. Unnecessary or unrelated questions should be omitted in order to avoid irrelevant information. It is also important that researchers should ensure that all relevant and essential questions are indeed included in the questionnaire. After the questionnaire has been completed, it is almost impossible to return in order to add additional questions, which can consequently render the research findings useless (Cant *et al.*, 2008:149).

C) Question phrasing

According to Cant *et al.* (2008:155), the way in which questions are formulated can determine whether the respondent answers a question or answers the questions correctly.

A poorly phrased question will result in inaccurate answers and render the results worthless. Proctor (2005:195-199) and Tustin *et al.* (2005:389-390) provide the following guidelines to consider when phrasing questions:

- Use words that are familiar to respondents. Complex language might confuse respondents.
- Keep questions simple and concise, by avoiding leading and ambivalent questions.
- Avoid vague questions that can be interpreted differently by different respondents.
- Ensure that respondents have the required knowledge and information to accurately answer the questions.
- Questions that respondents might find unreasonable or embarrassing must be avoided.

D) Level of measurement

Before the actual questionnaire can be developed, researchers need to determine the level of measurement required to produce the desired information (McDaniel & Gates, 2010:307). Each level of measurement conveys a different amount of information about the construct being measured, which consequently determines the type of analysis necessary for the collected data (Proctor, 2005:167). The four basic levels of measurement, which include nominal, ordinal, interval and ratio scales, are summarised in Table 5.4 and discussed in more detail in the paragraphs that follow.

Table 5.4: The four basic levels of measurement

Level	Basic empirical description	Operations	Typical usage	Typical descriptive statistics
Nominal	Uses numbers to identify objects, individuals, events, or groups • No absolute zero • No order • Intervals not equal	Determination of equality/inequality Assignment of labels	Classification • Male/female • Buyer/non-buyer • Like/dislike • For/against	Frequency counts, percentages/modes

Table 5.4: The four basic levels of measurement (continued)

Level	Basic empirical description	Operations	Typical usage	Typical descriptive statistics
Ordinal	In addition to identification, provides information about the relative amount of some characteristic of an event, object, etc. • No absolute zero • Order • Intervals not equal	Determination of greater or lesser Values assigned along an underlying dimension	Rankings/ratings • Brand preference • Attitudes • Ratings of products • Determining order of liking	Median (mean and variance metric)
Interval	Has all the properties of nominal and ordinal scales plus equal intervals between consecutive points • No absolute zero • Order • Equal intervals	Determination of equality of intervals	Preferred measure of complex concepts/constructs • Level of knowledge about brands • Temperature scale • Intelligence test scores	Mean/ variance
Ratio	Has all the properties of nominal, ordinal, and interval scales plus an absolute zero point • Order • Equal intervals	Determination of equality of ratios	When precision instruments are available • Sales levels • Time/weight • Market share • Costs • Number of customers	Geometric mean/ harmonic mean

Source: Adapted from McDaniel and Gates (2010:308) and Wiid and Diggines (2009:161).

- **Nominal scales** have a number assigned to each of the alternative responses. This number only serves for identifying and classifying purposes. The numbers of a nominal scale do not present the amount of characteristics of the subject, but are strictly used for categorising alternatives (Malhotra, 2010:253).

- **Ordinal scales** also assign numbers to each alternative, but in contrast to nominal scales, these numbers reflect a ranking order (McDaniel & Gates, 2010:308). Proctor (2005:168) explains that an ordered sequence is assigned to alternative responses in such a way that the first alternative is less or greater than the alternative listed second and subsequently. An example of an ordinal scale is where 1 = poor, 2 = average and 3 = good.
- **Interval scales** have similar properties to ordinal scales, but the intervals between the numbers allocated to the response alternatives are meaningful (Iacobucci & Churchill, 2010:235). Thus, the difference between each alternative of the scale is equal. By applying interval scales, the differences between responses can be determined accurately. There is, however, no determinable zero point (Wiid & Diggines, 2009:161).
- **Ratio scales** include all the characteristics of nominal, ordinal and interval scales, and in addition have an absolute zero point. As a result, the researcher can classify objects, rank order the objects and compare intervals or differences between alternative responses. According to Cant *et al.* (2008:135), a ratio scale contains the most information from which findings can be concluded, and is therefore the highest scale level.

E) Types of response formats

With a view to determine the best response format, Wiid and Diggines (2009:117) propose that the researcher should consider the respondent's potential reaction or answer to the question. Two main response formats can be distinguished, namely open-ended and closed-ended questions.

Open-ended questions are unstructured in nature, in the sense that respondents are required to answer the question in their own words. These types of questions allow respondents to use their own words and to give their own opinions, which pose some difficulty when interpreting or coding answers (Burns & Bush, 2010:300-301). Tustin *et al.* (2005:396)

explain that open-ended questions are typically used in order to obtain respondents' opinions, attitudes or behaviours, by providing them with the opportunity to further explain themselves. However, Malhotra (2010:308) and Wiid and Diggins (2009:179) identify the following problems associated with open-ended type questions:

- Open-ended questions limit the number of questions that can be asked before the respondent becomes tired.
- Open-ended questions sometimes result in a wide range of alternative responses, which can render the results statistically insignificant.
- The answers to open-ended questions might sometimes be difficult to interpret.
- The coding and analysis of open-ended questions demand specialised knowledge, which can make the research expensive and time-consuming.
- Open-ended questions often generate a lower response rate than closed-ended questions, since respondents might be uninspired by questions that demand considerable attention.

Based on these reasons or problems associated with open-ended questions, the questionnaire used for this study only used closed-ended questions in the questionnaire (Appendix A, p. 327). However, some questions provided an "other" option, should respondents' desired answers not be included in the options provided.

Closed-ended questions, on the contrary, are structured and provide the respondent with a fixed selection of alternatives that best suits his/her response (Cant *et al.*, 2008:151). The following forms of closed-ended questions can be identified:

a) Dichotomous questions

Dichotomous questions are the most basic type of closed-ended questions, which only have two alternative responses, such as yes and no. According to Proctor (2005:199), these types of questions are mainly use to determine a fact. Dichotomous questions are the most popular kind of survey question, since they are easy for respondents to answer

and for the researcher simple to code and tabulate (Iacobucci & Churchill, 2010:215; Trochim & Donnelly, 2008:101).

In this study, only one question (Appendix A, p. 327, question 4.1) was dichotomous in nature, which was applied to determine respondents' gender.

b) Multiple-choice questions

Multiple-choice questions are also structured and use fixed-alternative responses, but offer more than two alternatives. Respondents are presented with a list of answers from which they can select the alternative that is closest to their view or opinion (Tustin *et al.*, 2005:398). Cant *et al.* (2008:152) explain that, even though most multiple-choice questions generally have only one response, some types of questions do allow for more than one answer. Multiple-choice questions are mostly preferred, due to the wide range of possible responses that can be generated. These questions, however, pose the risk of making respondents aware of options that they were initially unaware of (Burns & Bush, 2010:301).

In this study, various multiple-choice questions were implemented with a view to provide the respondent with a diversity of possible answers (Appendix A, p. 327, questions 1.1-1.6 & 4.2-4.6). These questions were mainly used to determine respondents' demographic and socio-demographic trends.

c) Scaled questions

Scaled-response questions are similar to multiple-choice questions, in that they also offer various alternative responses. However, these questions' responses are based on a scale ranging from one extreme to the other, and are intended to capture respondents' intensity of feeling which cannot be determined with multiple-choice questions (Iacobucci & Churchill, 2010:233).

In this study, scaled questions were used to determine respondents' expectations and perceptions regarding service quality, satisfaction and behavioural intentions (Appendix A, p. 327, sections B and C). These questions were based on previous studies' surveying instruments which have already determined the fundamentals for the required scales and their intervals.

- Section B of the questionnaire set out to determine service quality expectations and perceptions. The questions from this section were based on the SERVQUAL instrument of Parasuraman *et al.* (1988) (Appendix B, p. 332).
- Section C of the questionnaire set out to determine three different aspects, including:
 - relational benefits – which are based on the measures as used by Gwinner *et al.* (1998) (Appendix C, p. 334);
 - customer satisfaction – which are based on the measures as used by De Wulf, Odekerken-Schröder and Iacobucci (2001), Evans, Kleine, Landry and Crosby (2000), Mano and Oliver (1993), Mattila and Wirtz (2001), and Ofir and Simonson (2001) (Appendix D, p. 335); and
 - behavioural intentions – which are based on the measures as used by Cronin, Brady and Hult (2000), Ganesh, Arnold and Reynolds (2000), and Price and Arnould (1999) (Appendix E, p. 336).

F) Question sequence

Burns and Bush (2010:343) emphasise the importance of a questionnaire's question sequence, since the order in which questions are presented to respondents can affect their refusal rate, the quality of the response obtained, and ultimately the quality and validity of the research findings. Iacobucci and Churchill (2010:220-221) and McDaniel and Gates (2010:389-392) suggest the following general guidelines concerning question sequence:

- The questionnaire should start with a screening question(s), which will determine whether the potential respondent qualifies to participate in the survey, based on certain selection criteria that the researcher has deemed essential. **In this study**, the

fieldworkers were instructed to first ask potential respondents whether they currently have short-term insurance. If these potential respondents did not have short-term insurance, the fieldworkers moved on to the next potential respondent. If, however, the potential respondent indicated that he or she did have short-term insurance, the survey process was continued by asking the respondent to complete the questionnaire.

- One should use simple but interesting opening questions in order to gain the respondent's interest. Respondents will probably be more willing to complete the rest of the questionnaire if the initial questions stimulate their interest.
- After screening and opening questions, transition questions – more general questions – should be asked. These questions should follow one another in a logical way, in order to facilitate more specific questions afterwards.
- Sensitive, threatening or difficult questions must be placed towards the end of the questionnaire. The preceding questions will tend to put the respondent at ease, which will be required if sensitive questions need to be answered.
- To avoid alienating the respondent, classification questions such as demographics should be asked at the end of the questionnaire.

G) Questionnaire layout

Once the question order has been determined, the layout of the entire questionnaire has to be considered. The physical appearance of the questionnaire can influence the respondent's cooperation or reluctance. Basic aspects such as format, spacing and positioning of questions should be kept in mind while dividing the questionnaire into several parts (Malhotra, 2010:317). Wiid and Diggins (2009:181) also suggest that a professional-looking questionnaire that includes a cover letter, instructions and numbering will help to enhance respondents' participation.

H) Pre-test and revision of final questionnaire

According to Cant *et al.* (2008:156), pre-testing involves the testing of the newly designed questionnaire on a small group of respondents. The aim is to identify possible problem

areas before the final questionnaire is released to the intended sample of respondents (Blumberg *et al.*, 2011:74).

In this study, the questionnaire was pre-tested by involving 30 respondents from the target population. The following section further describes the design of the questionnaire, as compiled and used for this study.

5.3.3.4 Final design and content for the questionnaire used in this study

For the purpose of this study, the above-mentioned “questionnaire design and content considerations” were interspersed throughout the final development of the questionnaire (Appendix A, p. 327). The questionnaire for use in this study was developed by: (1) considering the secondary data collected in the literature chapters; (2) obtaining guidelines from questionnaires from similar studies on the topic of service quality, relational benefits and customer satisfaction; as well as (3) from the objectives formulated and discussed in Chapter 1 (section 1.5, p. 11).

Following the pre-tests of the questionnaire, the final question sequence and questionnaire layout were determined as follows:

- simple and easy to answer questions were asked first (section A of the questionnaire);
- more general questions on respondents’ opinions/expectations (sections B and C of the questionnaire) were used as transition questions; whereas
- sensitive or more personal questions that had a bearing on the respondents’ demographic information (section D of the questionnaire) were asked towards the end of the questionnaire, in order to avoid alienating the respondent.

The changes made to the questionnaire after pre-testing include adding the “other” option to questions 1.1, 1.2, 1.5, 1.6 and 4.5. These adjustments were made to provide for respondents who have a different type of short-term insurance; who make use of an insurer not listed; communicate with their insurer in another way than those listed; and whose home language is not one of the official South African languages listed.

The questionnaire was divided into four sections:

- **Section A** set out to obtain general information regarding respondents' short-term insurance, including the type of insurance, their service provider, their relationship with their service provider, and communication between the two parties.
- **Section B** aimed to determine respondents' expectations and perceptions of their short-term insurer's service quality.
- **Section C** determined the benefits respondents receive from their insurer, their levels of satisfaction with their insurer, as well as their behavioural intentions.
- **Section D** concerned respondents' demographic details.

In order to avoid the problems of open-ended questions (section 5.3.3.3, p. 129), the questionnaire comprised only of closed-ended questions which included dichotomous, multiple-choice and scaled-response questions. Table 5.5 summarises the response format and level of measurement used in each question of the applied questionnaire.

Table 5.5: Questionnaire response format and scale measurement

Section	Question	Response format	Level of measurement
A: Patronage habits	1.1	Multiple-choice	Nominal
	1.2	Multiple-choice	Nominal
	1.3	Multiple-choice	Ordinal
	1.4	Multiple-choice	Ordinal
	1.5	Multiple-choice	Nominal
	1.6	Multiple-choice	Nominal
B: Service quality	2.1 – 2.18	Scaled-response	Interval
C: Relational benefits; Customer satisfaction; Behavioural intention	3.1 – 3.37	Scaled-response	Interval

Table 5.5: Questionnaire response format and scale measurement (continued)

Section	Question	Response format	Level of measurement
D: Demographic information	4.1	Dichotomous	Nominal
	4.2	Multiple-choice	Ordinal
	4.3	Multiple-choice	Ordinal
	4.4	Multiple-choice	Ordinal
	4.5	Multiple-choice	Nominal
	4.6	Scaled-response	Ordinal

5.3.4 STEP 4: Manage and implement data collection method

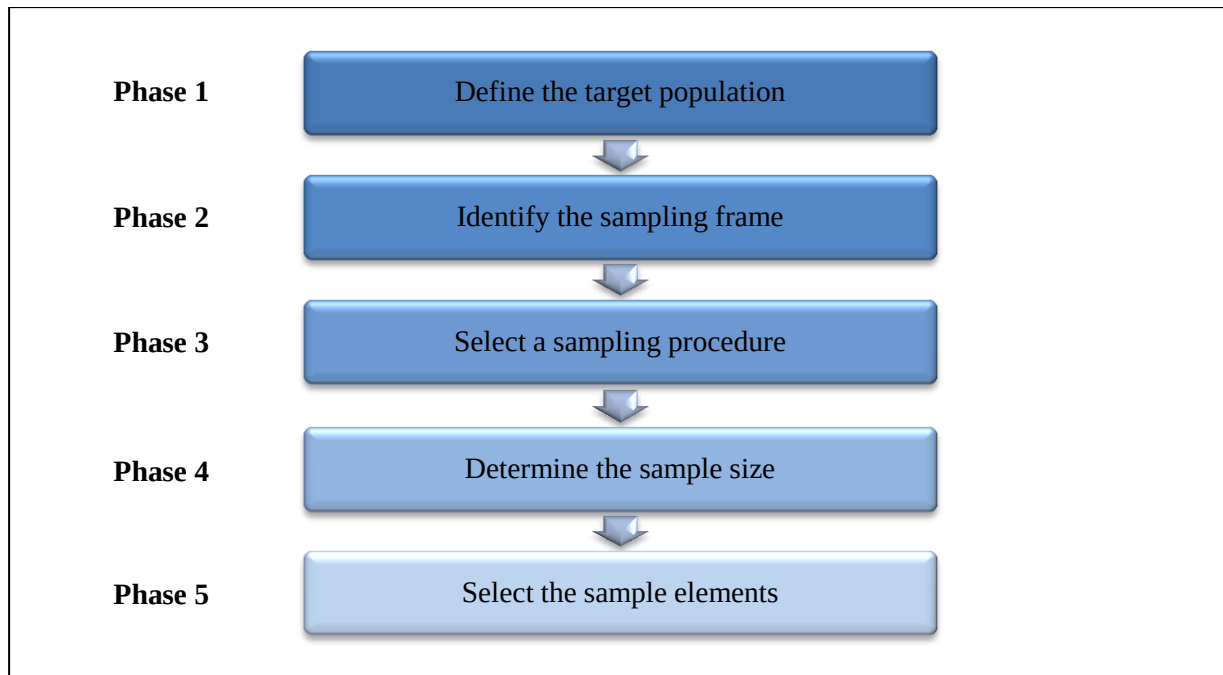
The next step in the marketing research process entails managing and implementing the data collection method, which also include designing the sample and collecting the required data to be used in the research study.

5.3.4.1 Sample design

The sampling design process entails that a portion of a population is taken to represent and to make conclusions about the entire population. Consequently, Zikmund and Babin (2012:58) define a sample as a subset of a population, and a population as any group that, in its entirety, shares similar characteristics. Malhotra (2010:335) similarly describes a sample as that part of the target population which is used in order to make inferences about the population's composition.

Figure 5.5 illustrates a framework of the phases that the research process should undergo when drawing a sample from the population. Each of these phases is discussed accordingly.

Figure 5.5: Sample design framework



Source: Adapted from Iacobucci and Churchill (2010:283) and Malhotra (2010:336).

5.3.4.2 Phase 1: Define the target population

As indicated in Figure 5.5, the first phase when drawing a sample is to define the target population. The target population represents the total set of elements which is determined by the problem statement from which the research would like to draw inferences (Wiid & Diggines, 2009:198). Shiu *et al.* (2009:485) emphasise the importance of this phase, since a clearly defined target population will facilitate the identification of the correct sample for data collection purposes.

Malhotra (2010:336) further defines the population in terms of elements, sampling units, extent and time. Population elements refer to the subjects from whom the researcher would like to obtain information (respondents). The sampling unit refers to the entity that includes the various population elements.

For the purpose of this study, the population elements and sampling unit do not differ, and will be treated as the same thing. Extent refers to the geographical area under study, while

time presents the time period during which the data is collected (Malhotra, 2010:337). The research population for the study is summarised in Table 5.6.

Table 5.6: Summary of the research population

Dimension	Defined
Elements	All individuals who currently have short-term insurance, representing both direct and indirect short-term insurance.
Sampling unit	All individuals who currently have short-term insurance, representing both direct and indirect short-term insurance.
Extent	Gauteng Province, South Africa
Time period	2010

This research population was used based on their accessibility, and also because the Gauteng province represents the largest share (approximately 22%) of the South African population (StatsSA, 2010). The Gauteng population is furthermore also relatively balanced in terms of demographic attributes, since people from various races, languages, age, education and income levels reside in this province. This diversity of people provides an ideal target population for research purposes.

5.3.4.3 Phase 2: Identify the sampling frame

The next phase of the sampling process requires identifying a sampling frame from which to draw the sample. Cooper and Schindler (2006:434) describe the sampling frame as those elements of the target population from which the sample may be drawn. Often the sample frame varies from the population and all the elements in the population are not included in the sample frame. Examples of sampling frames can include telephone directories, customer lists from a business' internal database, random-digit dialling, and a business' membership list.

For this particular study, a sampling frame does not exist, since no lists or databases were available from which to draw the sample. Due to the lack of such a sample frame, a non-probability sampling method was used to obtain the required sample, which included all the

people in Gauteng with short-term insurance who were available during the period when the surveying took place as part of the potential sample.

5.3.4.4 Phase 3: Select a sampling procedure

The third phase in the procedure of drawing a sample involves selecting a particular sampling procedure. The researcher is generally required to draw a sample from the population, since the target population itself is too large to obtain the required data effectively. In order to obtain data that is representative of the entire population, Churchill *et al.* (2010:356) emphasise that the correct kind of sample needs to be drawn. Methods of drawing a valid and representative sample include *probability sampling* and *non-probability sampling*. These methods are discussed accordingly.

A) Probability sampling

McDaniel and Gates (2010:423) explain that probability samples are selected in such a way that every element (respondent) of the population has a known (non-zero) chance of being included in the sample. All elements do not, however, necessarily have the same chance of being selected, but the probability of selection can be specified (Shiu *et al.*, 2009:470). According to Blumberg *et al.* (2011:243), the use of probability sampling helps to determine the likely extent of sampling error and the difference between the sample results. The results of this method can also be generalised to the majority of the target population. The various methods of probability sampling include simple random, systematic, stratified, cluster and multistage sampling. These sampling methods are compared in Table 5.7 in terms of cost, advantages and disadvantages, and are accordingly briefly discussed.

Table 5.7: Comparison of probability sampling techniques

Description	Cost and degree of use	Advantages	Disadvantages
Simple random: Assigns a number to each member of the sample frame, then selects sample units by random methods	• High cost • Moderately used in practice	• Only minimal advanced knowledge of population needed • Easy to analyse data and compute error	• Requires sampling frame to work from • Does not use knowledge of population that researcher may have • Larger errors for same sampling size than in stratified sampling • Respondents may be widely dispersed; cost may thus be higher
Systematic: Natural ordering of the sampling frame, selects an arbitrary starting point, selects items at a preselected interval.	• Moderate cost • Moderately used	• Simple to draw sample • Easy to check	• If sampling interval is related to periodic ordering of the population, this may introduce increased variability
Stratified: Divides population into groups and randomly selects subsamples from each group. Variations include proportional, disproportional, and optimal allocation of subsample sizes.	• High cost • Moderately used	• Ensures representation of all groups in sample • Characteristics of each stratum can be estimated and comparisons made • Reduces variability for same sample size	• Requires accurate information on proportion in each stratum • If stratified lists are not readily available, they can be costly to prepare
Cluster: Selects sampling units at random, then does a complete observation of all units or draws a probability sample in the group.	• Low cost • Frequently used	• Geographically defined clusters, yields lowest field cost • Requires listing of individuals only within clusters • Can estimate characteristics of clusters and population	• Larger error for comparable size than other probability samples • Researcher must be able to assign population members to unique cluster or else duplication or omission of individuals will result

Table 5.7: Comparison of probability sampling techniques (continued)

Description	Cost and degree of use	Advantages	Disadvantages
Multistage: Progressively smaller areas are selected in each stage by some combination of the first four techniques.	• High cost, • frequently used (especially in nationwide surveys)	• Depends on techniques combined	• Depends on techniques combined

Source: Adapted from Zikmund and Babin (2012:314).

a) Simple random sampling

When using simple random sampling, every sampling element (respondent) has a known and equal chance of being selected for the sample (Tustin *et al.*, 2005:350). Malhotra (2010:346) explains that a simple random sample is drawn in a random manner from a pre-determined sampling frame. Each element of the sampling frame is allocated an identification number, and the numbers are then randomly drawn to compile the sample. According to Cant *et al.* (2008:170), simple random sampling is one of the easiest methods to use, but it can misrepresent the target population if it is too large.

b) Stratified sampling

Stratified sampling entails the grouping of a heterogeneous population into homogeneous subgroups (strata), from which simple random samples are drawn (Trochim & Donnelly, 2008:44). This sampling method, according to Burns and Bush (2010:376), should be used when the target population's key characteristics are not distributed symmetrically across a normal bell-shaped curve, unless changes are made to the initial sample design.

c) Cluster sampling

Cluster sampling is similar to stratified sampling, but is evidently different in that the sampling elements are divided into mutually exclusive and collectively exhaustive subgroups (clusters) that are representative of the heterogeneous target population (Cooper & Schindler, 2006:450). These clusters, as Wiid and Diggines (2009:207) explain, then form the sampling frame from which the sample is randomly selected. Cluster sampling is particularly useful when the population consists of geographic areas.

d) Multistage area sampling

Multistage area sampling involves two or more steps that require the combination of some of the other probability sampling methods in order to create a more defined sample (Trochim & Donnelly, 2008:47). This sampling method is typically used to select geographic areas in progressively smaller units, until a representative sample is obtained (Zikmund & Babin, 2012:319).

B) Non-probability sampling

In non-probability sampling, the chance of any element of the population being selected is unknown. There is thus no way of ensuring that the sample is representative of the population (McDaniel & Gates, 2010:470). The selection of elements is rather arbitrary, since according to Zikmund and Babin (2012:312), researchers rely mainly on their own judgement when selecting sampling elements during non-probability sampling. Non-probability sampling is, however, frequently used due to its inexpensive and convenient nature. Aaker *et al.* (2011:387) suggest that non-probability sampling is typically used in the following situations:

- during the exploratory phases of the research project;
- during the pre-testing stage of the questionnaire;
- when the target population is homogeneous in nature;
- if the researcher's statistical knowledge is limited; and

- if the researcher is limited in terms of time and finances.

Applying non-probability sampling techniques does not mean that good results cannot be obtained; the problem is, however, that the reliability of the results cannot be confirmed (Wiid & Diggines, 2009:199). Non-probability sampling methods include convenience, judgement, quota and snowballing. These methods are compared in Table 5.8 in terms of cost, advantages and disadvantages, and are accordingly discussed.

Table 5.8: Comparison of non-probability sampling techniques

Description	Cost and degree of use	Advantages	Disadvantages
Convenience: Uses the most convenient sample or economical sample units	• Very low cost • Extensively used	• No need for list of population	• Unrepresentative samples are likely • Random sampling error estimates cannot be made • Projecting data beyond sample is relatively risky
Judgement: Selects the sample to fulfil a purpose, such as ensuring that all members have a certain characteristic	• Moderate cost • Average use	• Useful for certain types of forecasting • Sample guaranteed to meet a specific objective	• Bias due to expert's beliefs may make sample unrepresentative • Projecting data beyond sample is risky
Quota: Classifies the population by pertinent properties, determines the desired proportion to sample from each class, and fixes quotas for each interviewer	• Moderate cost • Very extensively used	• Introduces some stratification of population • Requires no list of population	• Introduces bias in researcher's classification of subjects • Non-random selection within classes means error from population cannot be estimated • Projecting data beyond sample is risky
Snowball: Initial respondents are selected by probability samples; additional respondents are obtained by referral from initial respondents	• Low cost • Used in special situations	• Useful in locating members of rare populations	• High bias because sample units are not independent • Projecting data beyond sample is risky

Source: Adapted from Zikmund and Babin (2012:312).

a) Convenience sampling

When using convenience sampling, elements are selected on the basis of being readily available to, or accessible by, the interviewer (Proctor, 2005:119). This method is ideal when attempting to obtain data quickly and inexpensively, and is popular among researchers for its convenience and ease of measurement (Zikmund & Babin, 2012:312).

b) Judgement sampling

A judgement sample, according to Iacobucci and Churchill (2010:286), includes the selection of sample elements based on the researcher's judgement, because the researcher believes these elements meet the requirements of the particular research undertaking. This implies that the researcher has adequate knowledge of the sample elements as well as experience in the field of research to know who should be included in, or excluded from, the sample (Shiu *et al.*, 2009:481). According to Cant *et al.* (2008:166), judgement samples are relatively inexpensive and easy to administer, and are typically used in industrial marketing research. It is, however, challenging to draw general conclusions about the target population based on these findings.

c) Quota sampling

According to Aaker *et al.* (2011:389), quota sampling is similar to judgement sampling, with the limitation that the sample represents the target population on one or more important aspects. These aspects, as Shiu *et al.* (2009:481) explain, can either be demographic characteristics, specific attitudes, or specific behaviours which are purely based on the judgement of the researcher. The primary advantage of utilising quota sampling is that it improves the representativeness of the target population.

d) Snowball sampling

Burns and Bush (2010:384) explain that snowball sampling is based on an initial group of respondents providing the names of other prospective respondents within the target

population. These referrals refer more respondents, causing a snowball effect. This sampling method is typically used when potential respondents are not readily available (Churchill *et al.*, 2010:359). Snowball sampling is exceptionally cost-effective, but can result in a biased sample as respondents tend to refer other potential respondents who are similar to themselves in terms of demography, attitude, opinion and behaviour (McDaniel & Gates, 2010:437).

For the purpose of this study, a convenience sample was drawn (section 5.3.4.4, p. 144), since:

- not all the short-term insurers (direct and brokers) could effectively be identified;
- the short-term insurers were unwilling to provide detailed client lists or databases which could have been used as a sample frame – resulting in non-probability convenient sampling as the only viable sampling option;
- the target population (short-term insurance customers) was extremely large; and
- the costs to cover such a large population would have been excessively high.

5.3.4.5 Phase 4: Determine the sample size

The fourth phase in determining the sample entails establishing the sample size, which is according to Cant *et al.* (2008:177), the total number of elements included in the final research project. This is an important step, since the sample size determines the reliability and validity of the research findings. Blumberg *et al.* (2011:241) identify the following principles that influence sample size:

- The more heterogeneous the population, the larger the sample size is needed to capture this diversity.
- The higher the desired accuracy of the population estimate, the larger the sample size that is required.
- The larger number of sub-groups of interest there are within a sample, the greater the sample size must be, since each sub-group must comply with minimum sample size requirements.

- If the calculated sample size exceeds 5% of the population, the sample size may be reduced without sacrificing accuracy.

According to Proctor (2005:127-128), at least four different methods can be used to determine sample size:

A) Intuition

This method is rather arbitrary since the judgement and intuition of the researcher are used here to determine the sample size. Therefore, this method should be limited to special situations, since it does not consider the precision of the survey results or the costs involved in obtaining the required data (Zikmund & Babin, 2012:313).

B) Statistical precision

The sample size can also be determined statistically. Statistics can determine the smallest number of elements that must be included in the sample to ensure a valid representation of the target population. The statistical precision method uses statistical formulae to determine the sample size and the required sample size is based on three criteria (Proctor, 2005:128; Wiid & Diggines, 2009:210):

- the required level of confidence;
- the required precision; and
- the standard deviation of the population.

C) Cost limitations

The sample size is often determined by the available budget. This method entails deducting other research costs – such as research design, questionnaire development or data processing – from the available budget, and then dividing the rest of the money by the estimated cost per sampling unit. Even though this method may seem extremely biased, it

is in fact a popular approach in the corporate environment with financial limitations (McDaniel & Gates, 2010:446).

D) Industry standards

Industry standards refer to those standards that have developed from past experiences. In other words, it looks at how the industry has been determining the sample size for the specific industry for the past few of years. The sample size therefore mainly depends on the industry in which the research takes place, and is generally used in non-probability samples (Proctor, 2005:129).

Malhotra (2010:374) identifies the following additional factors that should be considered when determining the sample size:

- The **nature** of the research **and number of variables** included in the research, have a significant influence on the sample size. A small sample is generally acceptable for exploratory research designs, whereas descriptive research requires larger samples in order to ensure validity. Also, larger samples are required when data is collected for a large number of variables.
- If the collected data requires **complex analysis** where multivariate approaches need to be implemented or when data need to be analysed in great detail, the sample size should be large.
- The average sample size of **similar studies** would also be an indication of the minimum sample required for future research. Table 5.9 (p. 148) indicates sample sizes used in various marketing research studies, and can therefore serve as a guideline for non-probability sampling techniques.
- The sample size should, finally, also be based on the consideration of **available resources**. The availability of money, time and qualified fieldworkers can constrain the research process, and hence, the sample size should be adapted accordingly.

Table 5.9: Sample sizes used in marketing research studies

Type of study	Minimum size	Typical range
Problem identification research	500	1 000 - 2 500
Problem-solving research	200	300 - 500
Product tests	200	300 - 500
Test-marketing studies	200	300 - 500
TV/radio/print advertising	150	200 - 300
Test-market audits	10 stores	10 - 20 stores
Focus groups	2 groups	6 - 15 groups

Source: Malhotra (2010:375).

Based on the above discussion, **this study's sample size** was largely determined on the basis of its nature and the number of variables used. Since this study follows a descriptive research method, and also because the questionnaire consists of numerous variables to be analysed, it was decided that the minimum sample size for this study should be at least 500 respondents. Additional respondents were surveyed to further ensure the accuracy of the feedback obtained. Unfortunately, monetary and time constraints still limited the number of surveys completed.

In this study, the initial sample size consisted of 907 responses. However, due to a number of response errors, a final sample size of 891 was realised.

5.3.4.6 Phase 5: Select the sample elements

After determining the sample design and size, the final phase in the sampling procedure requires the selection of the various sample elements or respondents. These include all those respondents who ultimately participate in the research project, and whose opinions, behaviours or characteristics will represent the target population (Wiid & Diggines, 2009:214).

For the purpose of this study, the sample elements were selected based on convenience or availability, and include respondents in the Gauteng area with short-term insurance who were

available during the timeframe in which the fieldwork took place. Table 5.10 summarises the sample plan followed for this study.

Table 5.10: Sample plan summary for this study

Target population	Residents of Gauteng with short-term insurance
Sampling frame	No sample frame
Sampling procedure	Non-probability; Convenience sampling
Sample size	891 respondents
Sample elements	Available respondents in the Gauteng-area with short-term insurance, that was available during the timeframe in which the fieldwork took place.

5.3.4.7 Collection of the data

The next step in the marketing research process entails collecting the primary data from the sample elements identified in the sampling procedure. In other words, at this stage one conducts interviews or surveys respondents (Iacobucci & Churchill, 2010:328). In general, fieldworkers are assigned to conduct interviews with respondents and complete questionnaires. These fieldworkers should, according to Cant *et al.* (2008:179), be properly selected, trained, supervised, validated and evaluated, to ensure that they understand the questions included in the survey as well as the area of research.

In this study, fieldworkers were assigned to distribute the questionnaires to respondents by means of mall-intercepts. These fieldworkers included students from the University of Johannesburg with basic knowledge of marketing and marketing research. They were offered the opportunity to voluntarily participate in this study, and were compensated financially for their assistance. Before executing the fieldwork, these students were trained in conducting fieldwork, and received detailed instructions on how to administer the questionnaires in the assigned research setting. The fieldworkers approached people randomly outside shopping malls in Gauteng, and asked the screening question: “Do you currently have short-term insurance?” If the potential respondent answered yes, the survey was continued, but if not, the survey was terminated. Due to the length and variation in questions, the questionnaire was

handed over to the respondent to read and complete it themselves. The role of the fieldworkers was to assist respondents by answering questions related to the research topic. The fieldworkers also had to check whether all the questions have been completed and whether all the questions and instructions were clear to the respondent. Questionnaires were distributed over a four-week period as to include a diverse and representative sample of the population.

5.3.5 STEP 5: Analyse data

Step six in the marketing research process entails the preparation and analysis of the primary data collected from the sample respondents. According to Iacobucci and Churchill (2010:32), this data is worthless unless the findings are properly analysed and the results interpreted with reference to the research problem. Data analysis begins with preparing the data for editing and coding (Zikmund & Babin, 2012:352).

In this study, the questionnaires were checked manually for completeness, consistency, accuracy, and correct numbering (coding). Finally, the SPSS statistical programme (SPSS, 2007) was used to capture the data and to create a data set.

Analysis of the data further requires that the researcher should determine the reliability and validity of the study, as well as the different types of statistics that will be used for analysis. Even though the details of analysing and interpreting the research data are presented in Chapter 6, each of these aspects are briefly discussed.

5.3.5.1 Reliability and validity

According to Burns and Bush (2010:319), the success of a study is profoundly influenced by the reliability and validity of the measurement instrument. Consequently, Iacobucci and Churchill (2010:258) define a reliable measure as one in which the respondent answers in a very similar manner to an identical or near-identical question. Thus, reliable feedback reflects the consistency of the measurement instrument. Malhotra (2010:318-319) and McDaniel and Gates (2010:313-316) have identified three approaches by means of which to assess reliability; these are test-retest, equivalent forms, and internal consistency.

A) Test-retest reliability

With test-retest reliability, respondents repeat the measurement with the same instrument at two different times under conditions that are equivalent or as near to equivalent as possible. Reliability is then determined by correlating respondents' results from the first test with the results from the second test (Kent, 2007:142). Several problems are, however, associated with the test-retest approach (Malhotra, 2010:319):

- Retesting is sensitive to the time interval between testing. The longer the time interval, the lower the correlation between the tests tends to be, and the lower the reliability will then also be.
- It may be difficult to locate and gain the cooperation of respondents for a second testing, which makes retesting impossible.
- The first test may alter a person's response to the second test, as respondents may attempt to remember the answers they gave in the first test.
- Environmental or personal factors may change, influencing one's disposition and, accordingly, affecting the results of the second test.

B) Equivalent forms reliability

According to McDaniel and Gates (2010:315), the problems associated with the test-retest approach can be prevented by creating equivalent forms of a measurement instrument. Equivalent forms reliability entails that the same respondents complete two measurement instruments at different times, but these instruments are equivalent in nature. The results of the two instruments are again correlated in order to determine the reliability of the test (Malhotra, 2010:319). This method unfortunately also has its problems, since it might be difficult to create two completely equivalent forms, and the process of creating these equivalent forms is time-consuming and expensive (Sprinthall, 2003:480).

C) Internal consistency reliability

Internal consistency reliability assesses the consistency of results obtained across different items within a measuring instrument (Sprinthall, 2003:480). Unlike test-retest and equivalent forms reliability, this method is only administered once to the sample unit. Every item within the measuring instrument is correlated with the other items, from which an average correlation measure is calculated with a view to indicate the reliability of the study (Kent, 2007:143). This correlation measure can be applied by making use of the Cronbach alpha technique, which indicates the extent to which all the items measure the same construct (Cooper & Schindler, 2006:353). Shiu *et al.* (2009:403) explain that Cronbach's alpha values are generally reported for each composite measure involved in a study, and range between a score of 0 and 1; while a score of 1 indicates perfect reliability and a score of 0 indicates no reliability (Kent, 2007:144). According to Zikmund and Babin (2012:249), a Cronbach's alpha value between 0.80 and 0.96 indicates very good reliability, a value between 0.70 and 0.80 indicates good reliability, and a value between 0.60 and 0.70 indicates fair reliability. Scales with a Cronbach's alpha value below 0.60 indicate poor reliability.

For the purpose of this study, the Cronbach's alpha values will be used to determine the reliability of the measurement instrument (the questionnaire). The Cronbach's alpha values obtained for the questionnaire of this study ranged between 0.60 and 0.97, and are discussed in sections 6.5.4 (p. 184), 6.6.1.4 (p. 213), 6.6.3.4 (p. 229) and 6.6.5.4 (p. 240).

Another important aspect that one needs to consider is determining the validity of the measurement instrument. Burns and Bush (2010:319) describe validity as the extent to which a test truthfully represents a concept. Iacobucci and Churchill (2010:256) define validity as the extent to which the measures of the instrument (survey) reflect the true characteristics of the individual, group, business or situation being measured. The measurement instrument is considered valid, therefore, if it measures what it is supposed to measure. Iacobucci and Churchill (2010:256-258), Kent (2007:144-145) and Malhotra (2010:320-321) identify three major types of validity, namely content, criterion and construct validity.

- **Content validity** subjectively assesses the extent to which the measuring instrument adequately covers the aims and objectives of the study (Cooper & Schindler, 2006:349). Due to its subjective nature, content validity on its own is not a sufficient measure.
- **Criterion validity** reflects whether a measurement instrument performs as expected in relation to other variables that have been selected as meaningful criteria. If these two variables are measured at the same time, *concurrent validity* is established, and if the measure can predict some future event, then *predictive validity* has been established (Malhotra, 2010:320).
- **Construct validity** assesses whether the measurement instrument actually measured what it was intended to measure (Zikmund & Babin, 2012:250). Cooper and Schindler (2006:351) identify two types of construct validity, namely convergent and discriminant validity. *Convergent validity* refers to how high the correlation between measures of the same construct is. *Discriminant validity* refers to how low the correlation is between measures of different constructs.

For the purpose of this study, both content and construct validity were used. As for content validity, the questionnaire was pretested amongst a sample of 30 respondents from the target population so that they could assess whether the requisite statements had been included in the questionnaire.

In terms of construct validity, a confirmatory factor analysis was conducted for each of the main constructs measured in the questionnaire (i.e. service quality, relational benefits, customer satisfaction, and behavioural intention). Chapter 6 provides a detailed explanation on the results of these confirmatory factor analyses in sections 6.5.3 (p. 181), 6.6.1.3 (p. 211), 6.6.3.3 (p. 228), and 6.6.5.3 (p. 238).

5.3.5.2 Data analysis strategy followed in this study

Various descriptive and inferential statistics can be used when dealing with quantitative data and questionnaires. Churchill *et al.* (2010:454) define *descriptive statistics* as a method used to

describe the distribution of responses on a variable in symbolic (abbreviated) form. Descriptive statistics allows the researcher to determine trends and properties of the data by analysing one variable (univariate analysis), two variables (bivariate analysis), or more than two variables (multivariate analysis) (Aaker *et al.*, 2011:446; Zikmund & Babin, 2012:325).

A brief description of the **descriptive statistical techniques** that are used **in this study** follows below.

A) Frequencies

Frequencies (indicated by the symbol f) are the most basic kind of statistical description, and indicate a direct frequency count of the number of times a particular value (responses) of a variable occurs in each category (Zikmund & Babin, 2012:336).

B) Percentage

Aaker *et al.* (2011:438) describe percentages as the proportion of respondents who answered a question in a specific way, expressed as %. According to Cooper and Schindler (2011:506), the use percentages can serve two purposes in data analysis: (1) it simplifies the data (since all numbers are reduced to a number between 0 and 100); and (2) it allows for comparisons to be made between chunks of data (since all data is converted to a standard form).

C) Top and low box scores

Top box scores generally refer to those respondents who choose the most favourable response of a question (Zikmund & Babin, 2012:327), whereas low box scores indicate the opposite – those respondents who choose the least favourable response to a question. These scores are useful to researchers, as it indicates a rather unique portion of respondents with extreme responses. **For the purpose of this study**, the two top box and two low box scores will be specified (sections 6.5.1 (p. 177), 6.6.1.1 (p. 209), 6.6.3.1 (p. 225) and 6.6.5.1 (p. 236)).

D) Mean

Kent (2007:310) describes the mean as a measure of central tendency, which is calculated by adding all the values in a distribution and dividing it by the number of observations made.

E) Standard deviation

The standard deviation determines the extent to which the data varies from the average data value of the population. This allows researchers to determine the amount of difference that exists between respondents in the sample (Malhotra, 2010:487).

Inferential statistics build on the results of descriptive statistics by drawing conclusions about a population from the data provided by the sample (Burns & Bush, 2010:463). In other words, the results from the research sample are generalised to the target population. Cooper and Schindler (2006:536) add that inferential statistics include the testing of statistical hypotheses. Welman, Kruger and Mitchell (2005:237) assert that descriptive research involves comparing the mean of one group with the mean of another, and for this reason *t*-tests and analysis of variance (ANOVA) are appropriate inferential techniques to consider.

However, before inferential statistical analysis can commence, it is necessary to determine whether the results of the scale statements used in the study are normally distributed. Zikmund and Babin (2012:333) note that normally distributed data will require parametric testing, whereas data that does not conform to a known distribution (“distribution free” data) will require nonparametric testing. By measuring the *skewness* and *kurtosis* of the data – even though these are not required for a sample size larger than 30 – the researcher is able to determine whether the data is normally distributed (Eiselen, Uys & Potgieter, 2007:80). According to West, Finch and Curran (1995:74), a statement where the skewness of the distribution is less than 2.00, or where the kurtosis of the distribution is less than 7.00, falls within acceptable limits of normality. The findings are reported in Chapter 6 (sections 6.5.2, p. 180; 6.6.1.2, p. 211; 6.6.3.2, p. 226; 6.6.5.2, p. 238).

After determining the validity and reliability, as well as the distribution of the results, the researcher can continue with hypotheses testing. As mentioned earlier in this section, when the results are normally distributed and when the sample size is large enough, the researcher makes use of parametric tests to test the hypotheses; these may include *t*-tests, *z*-tests, two-group *t*-tests, one-way ANOVA and paired-samples *t*-tests. Nonparametric tests are used for “distribution free” data, and can include frequencies, chi-square, K-S, Runs, Binomial, Mann-Whitney, Median, K-W ANOVA, Sign, Wilcoxon and McNemar (Parasuraman, Grewal & Kishnan, 2007:410). Table 5.11 provides a summary of the secondary research objectives, the hypotheses, the related sections of the questionnaire and the associated statistical techniques that have been used in this study. The statistical techniques used for each hypothesis are briefly discussed in the subsequent sections.

A brief description of the **inferential statistical techniques** that are used **in this study** follows below.

A) Paired-samples *t*-tests for dependent groups

Churchill *et al.* (2010:461) define a paired-samples *t*-test for dependent groups as a technique used, “for comparing two means when scores for both variables are provided by the sample”. Thus, a paired-samples *t*-test for dependent groups is used when there is only one sample, and data is collected from that sample on two different occasions or under two different circumstances. It can also be used to measure the same sample in terms of their responses to two different interval variables (Pallant, 2010:236). In this study, paired-samples *t*-tests for dependent groups were used to measure respondents’ expectations and perceptions of the four SERVQUAL dimensions.

B) *T*-tests for independent groups

T-tests for independent groups are typically used to make inferences about the population mean, by determining the statistical significance between a sample distribution mean and a population parameter (Burns & Bush, 2010:533). A *t*-test for independent groups, according to McDaniel and Gates (2010:540), should only be used with small sample sizes

($n \leq 30$), whereas a z-test is suggested for larger samples ($n \geq 30$). However, nearly all statistical packages use the *t*-test for independent groups for all sample sizes, since the results on a larger scale become indistinguishable (Cooper & Schindler, 2006:550).

C) One-way ANOVA

An analysis of variance (ANOVA) can be used to determine the differences (variance) among the means of two or more independent samples (Zikmund & Babin, 2012:384). However, as McDaniel and Gates (2010:548) note, ANOVAs can also be used for hypothesis testing, and thus to determine the variance between the means of several independent groups. In other words, ANOVAs test whether the means of independent samples or populations are equal. One-way ANOVAs are used when there is only one independent variable with three or more “levels” (i.e. different age groups), and one dependent continuous variable (i.e. SERVQUAL expectations) (Pallant, 2010:243).

Shiu *et al.* (2009:593) further explain that ANOVAs focus on the “behaviour” of the variance. Thus, if the variance between groups is calculated and compared to the variance within groups, this can indicate whether the means are significantly different. Because an ANOVA indicates the variances within or between groups, post-hoc tests can further be used to determine **where** these variances lie. Post-hoc tests are also designed to guard against the likelihood of a Type 1 error during comparisons. Two of the most common post-hoc tests include Tukey’s Honestly Significant Different test (HSD) and the Scheffe test (Pallant, 2010:207). **For the purpose of this study**, Tukey’s comparisons were used (significant at the 0.05 level).

D) Structural equation modelling

Based on multiple regression and factor analytic techniques, structural equation modelling (SEM) allows the researcher to test various models regarding the interrelationships among a set of variables. It furthermore evaluates the importance of each of these variables in the model, and tests the overall fit of the model – which is centred around the χ^2 goodness-of-fit test – to the researcher’s model (Pallant, 2010:103; Zikmund & Babin, 2012:428).

Shook, Ketchen, Hult and Kacmar (2004:397) underline the distinctive ability of SEM to examine a series of dependent relationships simultaneously, while also analysing multiple dependent variables. The premise of SEM, as Schreiber (2008:84) describes, is to determine if the proposed theoretical model is supported by the research data collected.

To evaluate how well the collected data fits the hypothesised theoretical model, Blunch (2011:117) suggests that several fit indices should be reported. Some of the most common indices for SEM analysis include the Chi-square value (χ^2) and associated degrees of freedom (thus, χ^2/df), the Tucker-Lewis Index (**TLI**), the Comparative Fit Index (**CFI**), and the Root Mean Square Error of Approximation (**RMSEA**) and its associated confidence intervals (Hooper, Coughlan & Mullen, 2008:56; Jackson, Gillaspay & Purc-Stephenson, 2009:19). However, according to Kenny (2011), the TLI and CFI indices are highly correlated, thus requiring that only one of the two need to be reported.

For the purpose of this study, the χ^2 value and degrees of freedom, the CFI, and RMSEA will be reported.

a) Chi-square value (χ^2)

The χ^2 test is used to evaluate the overall model fit, indicating how well the model fits in general and not in comparison to a baseline model (McDonald & Ho, 2002:72). A good model fit would result in an insignificant χ^2 value, at a 0.05 threshold. Thus, Barrett (2007:816) explains that if $\chi^2 > 0.05$, the model can be accepted as a good “fitting” model.

According to Schreiber (2008:88), it is considered customary to report the χ^2 value in SEM results, since the χ^2 is the original fit index for structural models – forming the basis for most other fit indices. While the χ^2 test is a popular fit index, most researchers do not consider it to be very useful because of the following associated limitations:

- **Sample size:** Hooper *et al.* (2008:54) note that large samples almost always result in large, significant χ^2 values (Type I error), thus resulting in poor model fit. On the other hand, with smaller samples, the χ^2 value lacks the power to discriminate effectively between poor and good fitting models (Type II error).
- **Model size:** Large models with many variables tend to have larger χ^2 values (Kenny, 2011; Newsom, 2012).
- **Distribution of variables:** When the kurtosis and skewness of the distribution of the variables are high (kurtosis > 7.00; skewness > 2.00), the χ^2 values are usually insignificant (Hooper *et al.*, 2008:54; Newsom, 2012).

Due to these above-mentioned restrictions of the χ^2 test, researchers have developed alternative indices based on the adjusted χ^2 test statistic. Thus, the exact χ^2 test might “fail” (indicating no or poor model fit), but the adjusted indices would also indicate the degree to which discrepancies exist within or between models, rather than to only indicate good or poor fit (Barrett, 2007:816). These aspects explain the greater popularity of the χ^2/df (Chi-square and its degrees of freedom) ratio.

According to Schreiber (2008:89) and Wheaton, Muthen, Alwin and Summers (1977:131), χ^2/df ratios as high as 5 can be accepted as adequate fit, but more conservative thresholds are $\chi^2/\text{df} \leq 2$ or 3.

b) Comparative Fit Index (CFI)

The Comparative Fit Index does not use the Chi-square value in its raw form, but compares χ^2/df to a baseline model (a so-called *null model*) (Hooper *et al.*, 2008:55). Newsom (2012) explains that the general CFI values range between 0 (indicating the worst possible model fit) and 1 (indicating the best possible model fit). However, these values can occasionally be slightly larger than 1 or below 0, making the CFI a “non-normed” index. The acceptable cut-off for a good fitting model is $\text{CFI} \geq 0.95$

(Schreiber, 2008:88). According to Bagozzi and Yi (2012:29), the CFI is one of the most popularly reported fit indices due to the fact that it is one of the measures least affected by sample size.

c) Root mean square error of approximation (RMSEA)

The RMSEA is regarded as “one of the most informative fit indices” based on its sensitivity to the number of estimate parameters (Diamantopoulos & Siguaw, 2000:85). In other words, the RMSEA will choose the model with the smallest number of parameters. According to Hooper *et al.* (2008:54), one of the greatest advantages of the RMSEA is that one can calculate a confidence interval (which is generally reported in conjunction with the RMSEA) around its value, allowing for more precise hypothesis testing. An acceptable cut-off for the RMSEA is < 0.06 (Schreiber, 2008:89), with the lower limit of the confidence interval close to 0 and the upper limit at smaller than 0.08 (Kenny, 2011).

In this study (to test H_{14}), SEM will be applied with a view to determine the interrelationship between the selected CRM constructs. The proposed theoretical model (Figure 1.4, p. 13) will also be compared with alternative models and the results of the SEM.

With reference to the above discussions on the various statistical techniques used in this study, Table 5.11 summarises these techniques according to relevance with each secondary objective, hypothesis, and section of the questionnaire.

Table 5.11: Summary of the statistical techniques used in the study

Research Hypothesis	Related section & levels of measurement	Appropriate statistical technique
O₁: To investigate the service quality expectations and perceptions of short-term insurance customers.		
H ₁ : The expectations of respondents differ significantly from their perceptions for each of the four SERVQUAL dimensions.	Section B, <i>Interval</i>	Paired-samples <i>t</i> -test

Table 5.11: Summary of the statistical techniques used in the study (continued)

Research Hypothesis	Related section & levels of measurement	Appropriate statistical technique
O₁: To investigate the service quality expectations and perceptions of short-term insurance customers.		
H ₂ : The expectations of direct insurance respondents differ significantly from their perceptions for each of the four SERVQUAL dimensions.	Section B, <i>Interval</i> Section A (1.1), <i>Nominal</i>	Paired-samples <i>t</i> -test
H ₃ : The expectations of indirect insurance respondents differ significantly from their perceptions for each of the four SERVQUAL dimensions.	Section B, <i>Interval</i> Section A (1.1), <i>Nominal</i>	Paired-samples <i>t</i> -test
H ₄ : Direct and indirect insurance respondents differ significantly in their expectations for each of the four SERVQUAL dimensions.	Section B, <i>Interval</i> Section A (1.1), <i>Nominal</i>	<i>t</i> -test
H ₅ : Different groups of respondents differ significantly with regard to their expectations for each of the four SERVQUAL dimensions.	Section B, <i>Interval</i> Section A (1.3-1.4), <i>Ordinal</i> Section D (4.2-4.6), <i>Ordinal & Nominal</i>	One-way ANOVA
H ₆ : Direct and indirect insurance respondents differ practically significantly in their perceptions for each of the four SERVQUAL dimensions.	Section B, <i>Interval</i> Section A (1.1), <i>Nominal</i>	<i>t</i> -test
H ₇ : Different groups of respondents differ significantly with regard to their perceptions for each of the four SERVQUAL dimensions.	Section B, <i>Interval</i> Section A (1.3-1.4), <i>Ordinal</i> Section D (4.2-4.6), <i>Ordinal & Nominal</i>	One-way ANOVA
O₂: To determine the relational benefits received by short-term insurance customers		
H ₈ : Direct and indirect insurance respondents differ significantly in terms of each of the three relational benefits.	Section C (3.1-3.15), <i>Interval</i>	<i>t</i> -test
H ₉ : Different groups of respondents differ significantly in terms of each of the three relational benefits.	Section C (3.1-3.15), <i>Interval</i> Section A (1.3-1.4), <i>Ordinal</i> Section D (4.2-4.6), <i>Ordinal & Nominal</i>	One-way ANOVA

Table 5.11: Summary of the statistical techniques used in the study (continued)

Research Hypothesis	Related section & levels of measurement	Appropriate statistical technique
O₃: To measure the satisfaction levels of short-term insurance customers		
H ₁₀ : Direct and indirect insurance respondents differ significantly in terms of their level of satisfaction with their insurers.	Section C (3.16-3.33), <i>Interval</i>	<i>t</i> -test
H ₁₁ : Different groups of respondents differ significantly in terms of their levels of satisfaction with their insurers.	Section C (3.16-3.33), <i>Interval</i> Section A (1.3-1.4), <i>Ordinal</i> Section D (4.2-4.6), <i>Ordinal & Nominal</i>	One-way ANOVA
O₄: To determine the behavioural intentions of short-term insurance customers		
H ₁₂ : Direct and indirect insurance respondents differ significantly in terms of each of the three behavioural intention factors.	Section C (3.34-3.45), <i>Interval</i>	<i>t</i> -test
H ₁₃ : Different groups of respondents differ significantly in terms of each of the three behavioural intention factors.	Section C (3.34-3.45), <i>Interval</i> Section A (1.3-1.4), <i>Ordinal</i> Section D (4.2-4.6), <i>Ordinal & Nominal</i>	One-way ANOVA
O₅: To determine whether differences exist between different groups of respondents in terms of each of the constructs (service quality, relational benefits, customer satisfaction and behavioural intention) measured in this study		
H ₁ to H ₁₃	Section A – D <i>Nominal, Ordinal, Interval</i>	Same techniques as for objectives 1 to 4
O₆: To determine the interrelationships between the selected CRM initiatives in leading to customer satisfaction and ultimately to behavioural intention.		
H ₁₄ : There is an interrelationship between the selected CRM initiatives in leading to customer satisfaction and behavioural intention.	Sections B & C, <i>Interval</i>	Structural equation modelling (SEM)

5.3.5.3 Guidelines for interpreting statistics

According to Wiid and Diggins (2009:246), statistical techniques (section 5.3.5.2, p. 153) such as paired-samples, *t*-tests for dependent groups, *t*-tests for independent groups and one-way ANOVAs are applied with a view to determine the statistical and practical significance of

the data. These significance levels (whether statistical or practical) assist the researcher in the interpretation of the research results.

A) Statistical significance

McDaniel and Gates (2010:521) explain that if a particular difference is found in the sample, and if this difference is large enough to be unlikely to have occurred because of chance or sampling error, then the difference is statistically significant. In other words, the difference found in the sample truly exists in the population from which the sample was drawn. The level of significance is the critical probability that indicates how likely it is that an assumption supporting a difference between an observed value and some statistical expectation is true. Thus, the level of significance is presented by the probability-value (p-value). A low p-value therefore implies that the statistical expectation is true. For most applications, the acceptable amount of error, and therefore the acceptable significance level, is 0.1, 0.05, or 0.01 (McDaniel & Gates, 2010:524; Zikmund & Babin, 2012:380). **For the purpose of this study**, a significance level of 0.05 will be applied.

B) Practical significance

In addition to statistical significance, practical significance will be tested. Fraenkel, Wallen and Hyun (2012:413) describe practical significance as a result that indicates that a research finding is practically important or useful in real life. According to IAR (2010), practical significance is determined by effect size statistics. Hence, the next section focuses on the effect size statistics that can be used for associations and difference in means.

a) Practical significance for associations

The Phi-coefficient is typically used to determine effect sizes for associations, and is therefore used to determine a correlation coefficient between two nominal variables with the effect being either positive or negative – symbolised by w (Malhotra & Peterson, 2006:447). This correlation coefficient is applied when the cross-tabulation

takes the form of two-by-two tables (two rows and two columns). The statistics ranges from 0 to 1, where 0 indicates no association, and 1 indicates a perfect association between the variables tested (Cooper & Schindler, 2006:598). Steyn (1999:8) provides the following guidelines for the phi-coefficient: $w = 0.10$ indicates a small effect, $w = 0.30$ indicates a medium effect and $w = 0.50$ a large effect.

Another method that can be used to determine effect sizes is Cramer's V. Cooper and Schindler (2006:598) describe Cramer's V as a modification of the Phi-coefficient, since it also determines a correlation coefficient – but only for tables larger than two-by-two.

b) Practical significance for difference in means

In order to determine the effect size of the practical significance for the difference between two means, Cohen's effect size (d -value) can be applied (Sprinthall, 2003:178). Cohen (1988:25-26) explain that an effect size of 0.20 can be considered small (practically insignificant), whereas a large and practically significant effect size is indicated by a d -value of 0.80 or more. The formula for the Cohen effect size is (Dunst, Hamby & Trivette, 2004:3):

$$d = \frac{|\bar{x}_1 - \bar{x}_2|}{S_{\max}}$$

Where:

- d is the effect size
- $\bar{x}_1 - \bar{x}_2$ is the difference between the means of two compared groups
- $S_{\max}$ is the maximum standard deviation of the two compared groups

For the purpose of this study, if results are not statistically significant, the practical significance will not be reported. Practically significant results of large ($d > 0.80$) effect sizes will be reported.

5.3.6 STEP 6: Present results and implications

The final step in the marketing research process refers to interpreting the research results, describing the implications and drawing the appropriate conclusions for managerial decisions (Malhotra, 2010:11). This step is presented in Chapters 6 and 7 of this study, where the results of the research are presented and the findings of the results are interpreted and discussed.

5.4 CONCLUSION

In this chapter, the way in which the marketing research process was applied to the current study was discussed. The research problem and objectives were clarified, the creation of a research design was discussed, and the process of selecting an appropriate research method and sample was explained. The final part of this chapter focused on collecting, analysing and reporting the results of the primary data.

The following chapter forms part of the final step of the marketing research process by representing the results obtained from the empirical research.

CHAPTER 6

EMPIRICAL RESULTS

6.1 INTRODUCTION

Chapter 6 presents the results obtained from the empirical part of the study after following the research methodology as explained in Chapter 5. At first, the different insurers with which respondents are insured are shown, followed by an outline of the sample profile of respondents. The remainder of the chapter proceeds according to the sequence of the questions as they appear in the questionnaire (Appendix A, p. 327). The hypotheses formulated for the study are subsequently tested, structural equation modelling is conducted, and finally the main findings that are based on the results obtained for each question in the questionnaire are presented.

6.2 INSURERS RESPONDENTS ARE USING

Originally, 907 responses were obtained. However, 16 of the questionnaires were discarded due to an unacceptable number of response errors. A final sample size of 891 was thus realised.

Question 1 of section A of the questionnaire set out to determine the insurers with which respondents are insured. **For the purpose of this study**, these insurers were divided into direct and indirect insurers. Table 6.1 provides the frequencies of the results obtained and presents the results of the total sample as well as the results for direct insurers and indirect insurers.

As can be seen in Table 6.1, 439 (49.1%) of the respondents are insured with direct insurers, whereas 452 (50.9%) respondents are insured with indirect insurers. Even though the results show an almost even split between the two types of insurers, the sample was not purposely stratified according to the insurers that the respondents are using. The majority (17.8%) of the total respondents are insured with OUTsurance, with a further 10.2% being insured with ABSA, and 9.3% with Mutual & Federal.

Table 6.1: Insurers respondents are using

Insurer	Total		Direct		Indirect	
	F	%	F	%	F	%
Auto & General Insurance	67	7.5	67	15.3		
Budget Insurance	60	6.7	60	13.6		
Dial Direct	50	5.6	50	11.4		
OUTsurance	159	17.8	159	36.2		
Centriq Insurance	3	0.3	3	0.7		
1st for Women Insurance	76	8.5	76	17.3		
MiWay Insurance	24	2.7	24	5.5		
Sub total	439	49.1				
ABSA	91	10.2			91	20.1
Alexander Forbes Insurance	37	4.2			37	8.2
Hollard	71	8.0			71	15.7
Mutual & Federal	83	9.3			83	18.4
New National Assurance	8	0.9			8	1.8
Nedgroup Insurance	16	1.8			16	3.5
Santam	68	7.7			68	15.0
Other	78	8.8			78	17.3
Sub total	452	50.9				
Total	891	100.0	439	100.0	452	100.0

As one can gather from Table 6.1, the majority of the direct insurance respondents are insured with OUTsurance (36.2%), 1st for Women (17.3%), Auto & General (15.3%) and Budget (13.6%). The indirect insurance respondents use ABSA (20.1%), Mutual & Federal (18.4%), “Other” (17.3%), Hollard (15.7%) and Santam (15.0%) (the “other” option was added to include the many smaller and more insignificant indirect insurers that were not sufficiently representative to add as additional indirect insurer groups).

6.3 SAMPLE PROFILE OF RESPONDENTS

A description of the sample profile assists in providing insight into the results obtained from the survey. The sample profile for this study reflects the respondents' demographics, and includes gender, age, level of education, gross monthly income, home language, and total monthly insurance premium.

Table 6.2 provides a summary of the sample profile for all respondents, and since the primary objective of this study is to contrast direct and indirect insurers, the frequencies (F) and percentages for these two cohorts are also presented.

Table 6.2: Sample profile

Variables		Total		Direct		Indirect	
		F	%	F	%	F	%
Gender	Male	419	47.0	186	42.4	233	51.5
	Female	472	53.0	253	57.6	219	48.5
Age	Younger than 20	27	3.0	13	3.0	14	3.1
	20 - 30	364	41.1	197	45.3	167	37.0
	31 - 40	221	25.0	124	28.5	97	21.5
	41 - 50	172	19.4	62	14.2	110	24.4
	51 - 60	89	10.0	33	7.6	56	12.4
	61 and older	13	1.5	6	1.4	7	1.6
Highest level of education	No schooling	6	0.7	2	0.5	4	0.9
	Primary school	2	0.2	1	0.2	1	0.2
	High school	205	23.1	86	19.6	119	26.4
	Diploma	244	27.4	136	31.1	108	23.9
	University degree	312	35.1	162	37.0	150	33.3
	Post-graduate degree	120	13.5	51	11.6	69	15.3
Gross monthly income	Less than R5 000	73	8.3	37	8.6	36	8.1
	R5 000 - R10 000	163	18.6	83	19.3	80	18.0
	R10 001 - R15 000	207	23.7	99	23.0	108	24.3
	R15 001 - R20 000	144	16.5	75	17.4	69	15.5
	R20 001 - R25 000	109	12.5	63	14.7	46	10.3
	R25 001 - R30 000	65	7.4	31	7.2	34	7.6
	More than R30 000	114	13.0	42	9.8	72	16.2

Table 6.2: Sample profile (continued)

Variables		Total		Direct		Indirect	
		F	%	F	%	F	%
Home language	English	387	44.1	184	42.4	203	45.8
	Afrikaans	116	13.2	56	12.9	60	13.6
	Tswana	86	9.8	44	10.1	42	9.4
	Xhosa	42	4.8	21	4.9	21	4.8
	Zulu	97	11.1	51	11.7	46	10.4
	Northern Sotho	49	5.6	19	4.4	30	6.7
	Ndebele	9	1.0	4	0.9	5	1.2
	Sesotho	40	4.6	24	5.6	16	3.6
	Swati	12	1.4	8	1.8	4	0.9
	Venda	16	1.8	11	2.5	5	1.1
	Tsonga	15	1.7	6	1.4	9	2.0
	Other	8	0.9	6	1.4	2	0.5
Total monthly insurance premium	Less than R500	161	18.2	79	18.2	82	18.3
	R500 - R1 000	310	35.1	169	38.9	141	31.4
	R1 001 - R1 500	174	19.7	77	17.7	97	21.6
	R1 501 - R2 000	101	11.4	54	12.4	47	10.4
	R2 001 - R2 500	52	5.9	27	6.2	25	5.6
	R2 501 - R3 000	36	4.0	14	3.2	22	4.9
	More than R3 000	50	5.7	15	3.4	35	7.8

It is evident from Table 6.2 that the sample had a fairly balanced distribution of male (47.0%) and female (53.0%) respondents. It also emerged that 42.4% male and 57.6% female respondents are making use of direct insurers, whereas 51.5% male and 48.5% female respondents are making use of indirect insurers.

The majority [66.1% (41.1% + 25.0%)] of the total respondents are aged between 20 and 40. The majority of direct insurance respondents' age ranged between 20 and 40 [73.8% (45.3% + 28.5%)], and for indirect insurance, the ages ranged between 20 and 50 [82.9% (37.0% + 21.5% + 24.4%)].

The largest section of respondents have a university degree or post-graduate degree [48.6% (35.1% + 13.5%)], or a diploma (27.4%), or high school (23.1%). Regarding direct insurers,

the largest sections also have a university degree or post-graduate degree [48.6% (37.0% + 11.6%)], or a diploma (31.1%), or they have finished high school (19.6%). The distribution for indirect insurers are similar, with the largest groups of respondents also having a university degree or post-graduate degree [48.6% (33.3% + 15.3%)], or high school (26.4%), or a diploma (23.9%).

The gross monthly income of the majority of the total number of respondents amounts to between R5 000 and R15 000 [42.3% (18.6% + 23.7%)]. A similar distribution of income was found for both direct [42.3% (19.3% + 23.0%)] and indirect insurers [42.3% (18.0% + 24.3%)].

Regarding home language, 44.1% of the total number of respondents are English speaking, 13.2% are Afrikaans, and the rest of the respondents are divided between the remaining African languages [41.8% (9.8% + 4.8% + 11.1% + 5.6% + 1.0% + 4.6% + 1.4% + 1.8% + 1.7%)]. Only 0.9% of the total respondents' home languages were classified in the "other" category, which included languages such as Portuguese, French and Shona. Again, the distribution for direct and indirect insurance respondents' home languages reflects that of the total sample.

The monthly insurance premium of the majority [73% (18.2% + 35.1% + 19.7%)] of the total number of respondents ranges between "less than R500" and R1 500. Only 15.7% (5.9% + 4.1% + 5.7%) of respondents' insurance premium is higher than R2 000 per month.

Although Table 6.2 presents all the demographic variables tested in the questionnaire, for purposes of further statistical analysis it was decided to combine or omit certain categories due to the small numbers of respondents having selected these categories. For example, with the question aiming to determine respondents' highest level of education, the "No schooling" and "Primary school" categories were omitted, since only 8 (0.9%) respondents selected this option. For the question aiming to determine respondents' home language, the "Other" option was omitted, because only 8 (0.9%) respondents selected this option. Also, since only a few respondents indicated they speak one of the nine African languages, these languages were grouped into the following three categories (as used by Petzer & De Meyer, 2011:7467):

- “Tswana”, “Northern Sotho” and “Sesotho” were combined as “**Sotho**”
- “Xhosa”, “Zulu”, “Ndebele” and “Swati” were combined as “**Nguni**”
- “Venda” and “Tsonga” were combined as “**Venda/Tsonga**”

The results further reported in this chapter refer to these combined categories, which are illustrated in Table 6.3 for the sample as a whole as well as for the two cohorts – direct and indirect insurance respondents.

According to Table 6.3, the majority of the respondents (44.1%) have been identified as English speaking, while the rest of the respondents (55.9%) speak Sotho (19.9%), Nguni (18.3%), Afrikaans (13.2%) and Venda/Tsonga (3.5%). The sample distribution for direct and indirect insurance respondents’ home language is similar to that of the total sample.

Table 6.3: Renamed home language combinations

Variables		Total		Direct		Indirect	
		F	%	F	%	F	%
Home language	English	387	44.1	184	42.4	203	45.8
	Afrikaans	116	13.2	56	12.9	60	13.6
	Sotho	175	19.9	87	20.1	88	19.7
	Nguni	160	18.3	84	19.3	76	17.3
	Venda/Tsonga	31	3.5	17	3.9	14	3.1

6.4 INSURANCE PATRONAGE HABITS OF RESPONDENTS

As discussed in section 5.3.3.4 (p. 134), the purpose of section A of the questionnaire was to determine with which insurer respondents are insured (section 6.2, p. 166); the type of insurance that respondents have; the duration the respondents have been with their respective insurers; and the regularity, reason and methods of communication between the insurer and respondent. The next section of this chapter presents a discussion of the results obtained for section A of the questionnaire.

6.4.1 Types of insurance

Question 2 of section A served to determine the type of insurance that the respondents have with their respective insurers. Table 6.4 provides the frequencies regarding the results obtained and presents the results of the total sample as well as the results obtained regarding direct insurers and indirect insurers. Respondents were allowed to select more than one option.

Table 6.4: Types of insurance respondents have with their insurers

Type of short-term insurance	Total		Direct		Indirect	
	F	%	F	%	F	%
Household contents insurance	344	38.8	144	32.8	200	44.6
House owner's insurance	285	32.1	115	26.2	170	37.9
Vehicle insurance	628	70.7	343	78.1	285	63.5
Other	33	3.7	7	1.6	26	5.8

As Table 6.4 indicates, 70.7% of all the respondents have vehicle insurance, and 38.8% and 32.1% of the respondents have household contents and house owner's insurance respectively. The majority (78.1%) of the direct insurance respondents are also insured for vehicle insurance, and 32.8% of direct insurance respondents have their household contents insured, and 26.2% have house owner's insurance. Regarding the indirect insurance respondents, the majority (63.5%) also have vehicle insurance, with more respondents having household content (44.6%) and house owner's (37.9%) insurance than was the case with direct insured respondents.

Main finding A1: The majority of respondents (70.7%) have vehicle insurance, followed by household contents insurance and house owner's insurance respectively.

6.4.2 Relationship length

Question 3 of section A served to establish the length of the relationship respondents have had with their respective insurers. Table 6.5 provides the frequencies regarding the results

obtained, and presents the results of the total sample as well as the results for direct insurers and indirect insurers.

Table 6.5: Length of relationship with insurer

Duration with insurer	Total		Direct		Indirect	
	F	%	F	%	F	%
Less than 1 year	144	16.2	88	20.0	56	12.4
Between 1 and up to 3 years	341	38.3	195	44.4	146	32.3
Between 3 and up to 5 years	218	24.5	103	23.5	115	25.4
Between 5 and up to 10 years	107	12.0	38	8.7	69	15.3
10 years or more	81	9.0	15	3.4	66	14.6
Total	891	100.0	439	100.0	452	100.0

The majority [62.8% (38.3% + 24.5%)] of the total number of respondents have been insured for between 1 and 5 years. Regarding the direct insurance respondents, the majority have been with their insurer for “less than 1 year” and up to 5 years [87.9% (20.0% + 44.4% + 23.5%)]. The percentage of indirect insurer respondents corresponds with that of the total number of respondents, with the majority of these also being insured between 1 and 5 years [57.7% (32.3% + 25.4%)].

However, more direct insurance respondents (20.0%) have been with their insurer for less than 1 year than indirect insurance respondents (12.4%) have been; and more indirect insurance respondents (14.6%) have been with their insurer for 10 years or more than direct insurance respondents have (3.4%).

Main finding A2: The majority of respondents have been with their insurer for between 1 and 5 years.

Main finding A3: A higher percentage of direct insurance respondents have been with their insurer for less than 1 year as opposed to the case with indirect insurance respondents.

Main finding A4: A higher percentage of indirect insurance respondents have been with their insurer for longer (10 years or more) as opposed to the situation of direct insurance respondents.

6.4.3 Regularity of communication

Question 4 of section A aimed to determine the regularity with which respondents' insurers contact or communicate with them. Table 6.6 provides the frequencies obtained, and presents the results of the total sample as well as the results for direct insurers and indirect insurers.

Table 6.6: The regularity with which insurers communicate with respondents

Regularity of contact / communication	Total		Direct		Indirect	
	F	%	F	%	F	%
Monthly	228	25.7	126	28.8	102	22.6
Every 2 to 3 months	260	29.2	138	31.5	122	27.1
Twice a year	139	15.6	68	15.5	71	15.7
Once a year	177	19.9	69	15.8	108	24.0
Less than once a year	85	9.6	37	8.4	48	10.6
Total	889	100.0	438	100.0	451	100.0

According to the total sample's responses to question 4, insurers by and large communicate with respondents every 2 to 3 months (29.2%) or on a monthly basis (25.7%). Direct insurance respondents are contacted every 2 to 3 months (31.5%) or monthly (28.8%), and indirect insurance respondents are likewise contacted every 2 to 3 months (27.1%) or monthly (22.6%). However, indirect insurance respondents are contacted less often than direct insurance respondents, at once a year or less than once a year [34.6% (24.0% + 10.6%)].

Main finding A5: Overall, insurers communicate with respondents on at least a monthly basis or every 2 to 3 months.

Main finding A6: Direct insurers contact respondents more frequently (monthly, or every 2 to 3 months) than indirect insurers do.

Main finding A7: Indirect insurers contact respondents less frequently (once a year, or less than once a year) than direct insurers do.

6.4.4 Reasons insurers contact respondents

Question 5 of section A established the reasons why insurers contact or communicate with respondents. Respondents could choose only one option, which helped to determine the main reason for the contact or communication. Table 6.7 provides the frequencies regarding the results obtained, and presents the results of the total sample as well as the results for direct insurers and indirect insurers.

Table 6.7: The reasons insurers contact respondents

Reason for contact / communication	Total		Direct		Indirect	
	F	%	F	%	F	%
Marketing purposes	168	19.8	97	23.3	71	16.5
Regarding my policy	258	30.4	112	26.9	146	33.9
Just to check	94	11.1	42	10.0	52	12.0
Offering additional products	156	18.4	93	22.3	63	14.6
Premium increase	154	18.2	64	15.3	90	20.9
Other	18	2.1	9	2.2	9	2.1
Total	848	100.0	417	100.0	431	100.0

The majority of the respondents (30.4%) are contacted by their insurers regarding the maintenance of policies. Other reasons why insurers initiate contact include marketing purposes (19.8%), offering additional products (18.4%), and concerning premium increases (18.2%). Regarding both direct and indirect insurance respondents, the majority are contacted regarding their policies (26.9% and 33.9%). Direct insurance respondents are, however, contacted more frequently for marketing purposes (23.3%) and for offers of additional products

(22.3%), while indirect insurance respondents are contacted more regarding premium increases (20.9%).

Main finding A8: Overall, insurers communicate mainly with respondents regarding their policies.

Main finding A9: Direct insurers communicate mainly with respondents regarding their policies, for marketing purposes, and for offering additional products.

Main finding A10: Indirect insurers communicate mainly with respondents regarding their policies and premium increases.

6.4.5 Means of communication

Question 6 of section A determined the means that insurers generally use to communicate with respondents. Respondents could once again select only one option, since the aim was to determine the most popular means of communication between insurers and respondents. Table 6.8 provides the frequencies regarding the results obtained, and presents the results of the total sample as well as the results for direct insurers and indirect insurers.

Table 6.8: Means by which insurers communicate with respondents

Means of communication	Total		Direct		Indirect	
	F	%	F	%	F	%
E-mail	238	27.5	134	31.6	104	23.6
Surface (post)	229	26.5	96	22.6	133	30.2
Personal (face-to-face)	33	3.8	8	1.9	25	5.6
Phone	282	32.6	141	33.3	141	32.0
SMS	76	8.8	41	9.7	35	7.9
Other	7	0.8	4	0.9	3	0.7
Total	865	100.0	424	100.0	441	100.0

The means of communication between insurers and respondents vary, with the majority of the respondents being contacted by phone (32.6%), e-mail (27.5%), or post (26.5%). Direct insurance respondents are also mainly contacted via phone (33.3%) or e-mail (31.6%), whereas indirect insurance respondents are, in turn, mainly contacted via phone (32.0%) or post (30.2%).

Main finding A11: Overall, insurers communicate mainly with respondents via phone, e-mail or post.

6.5 RESPONDENTS' EXPECTATIONS AND PERCEPTIONS OF SERVICE QUALITY

As discussed in Chapter 5 (section 5.3.3.4, p. 134), the purpose of section B of the questionnaire was to determine respondents' expectations of a short-term insurer's service quality in general, and also to determine their perceptions of the service quality of their specific short-term insurers.

6.5.1 Frequency distribution and means for service quality

Respondents were asked to indicate both their expectations and perceptions of 18 service elements on a 10-point Likert-type scale, where 1 is low (respondents least agreed with the statement) and 10 is high (respondents most agreed with the statement). Table 6.9 presents the results pertaining to the expectations respondents have of their insurer's service quality, and Table 6.10 presents the results of respondents' perceptions of their insurer's service quality. These results are presented in terms of the two low box (percentage of respondents who indicated 1 and 2 on the Likert-type scale) and two top box frequencies (percentage of respondents who indicated 9 and 10 on the Likert-type scale), means and standard deviations for the entire sample, also for direct and indirect insurers respectively. These measures provided additional insights into the distribution of the results obtained for each statement.

Table 6.9: The expectations of respondents regarding service quality

Question	Service element	Total				Direct				Indirect			
		Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev
2.1	The insurer treats you as an individual and not as a number	2.1	43.6	7.68	2.23	2.4	42.9	7.64	2.26	1.8	44.2	7.72	2.20
2.2	The insurer always provides you with personalised attention	2.7	45.5	7.76	2.18	2.2	45.6	7.77	2.13	3.2	45.4	7.74	2.23
2.3	The insurer is always ready to respond to your requests	1.0	54.5	8.14	2.01	1.1	52.7	8.08	2.02	0.9	56.3	8.19	2.01
2.4	The insurer has your best interest at heart	2.9	52.0	7.91	2.29	1.6	51.0	7.91	2.21	4.4	53.0	7.91	2.38
2.5	The insurer keeps you informed about when services will be performed	1.4	51.1	8.04	2.08	1.3	46.9	7.95	2.08	1.4	55.5	8.14	2.07
2.6	The insurer has convenient operating hours	2.2	50.9	7.99	2.13	2.4	46.6	7.83	2.17	1.8	55.5	8.16	2.07
2.7	The insurer provides the services as promised	1.8	58.2	8.27	2.07	0.9	56.3	8.25	1.96	2.8	60.1	8.29	2.19
2.8	The insurer is dependable in handling your service problems	1.4	54.4	8.12	2.05	1.1	50.5	8.05	2.00	1.6	58.2	8.19	2.10
2.9	The insurer's services are performed right the first time	1.0	56.7	8.25	1.98	0.7	54.0	8.21	1.92	1.4	59.5	8.28	2.04
2.10	The insurer provides the required services at the promised time	1.6	56.7	8.19	2.08	1.1	53.9	8.08	2.10	2.1	59.5	8.30	2.05
2.11	The insurer maintains error-free records	1.7	53.4	8.05	2.16	1.8	51.5	7.94	2.19	1.6	55.4	8.16	2.13
2.12	Employees understand your needs	1.3	56.4	8.24	2.00	0.9	54.0	8.14	1.98	1.6	58.9	8.34	2.02
2.13	Employees offer you prompt service	1.4	56.0	8.22	2.01	1.3	53.6	8.14	1.99	1.4	58.6	8.31	2.02
2.14	Employees are always willing to help	1.5	56.8	8.23	2.04	2.9	53.7	8.11	2.05	1.6	60.0	8.35	2.02
2.15	Employees instil confidence in you	1.6	52.7	8.11	2.05	1.3	50.0	8.02	2.03	1.8	55.5	8.21	2.07
2.16	Employees make you feel safe in your transaction with them	1.5	55.8	8.23	2.03	1.8	53.8	8.16	2.06	1.1	57.9	8.31	2.00
2.17	Employees are consistently courteous	1.4	53.3	8.14	2.00	1.3	51.9	8.06	2.04	1.4	54.6	8.22	1.95
2.18	Employees have the necessary knowledge to answer your questions	1.9	63.2	8.46	2.02	1.8	63.4	8.42	2.04	2.1	63.2	8.49	2.01

Table 6.10: The perceptions of respondents regarding service quality

Question	Service element	Total				Direct				Indirect			
		Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev
2.1	The insurer treats you as an individual and not as a number	4.3	18.4	6.42	2.22	5.4	18.6	6.35	2.30	3.2	18.2	6.49	2.14
2.2	The insurer always provides you with personalised attention	5.5	18.9	6.39	2.24	6.3	19.5	6.39	2.33	4.6	16.3	6.39	2.13
2.3	The insurer is always ready to respond to your requests	2.9	21.9	6.83	2.08	3.6	23.0	6.85	2.15	2.1	20.7	6.81	2.00
2.4	The insurer has your best interest at heart	5.1	17.3	6.38	2.20	5.4	18.5	6.42	2.25	4.8	16.1	6.35	2.15
2.5	The insurer keeps you informed about when services will be performed	4.0	22.1	6.72	2.19	4.3	20.0	6.68	2.16	3.7	24.3	6.75	2.22
2.6	The insurer has convenient operating hours	2.6	24.6	7.02	2.07	2.9	24.8	6.99	2.08	2.3	24.5	7.05	2.05
2.7	The insurer provides the services as promised	2.6	25.3	7.09	2.00	2.7	27.7	7.12	2.04	2.5	22.8	7.05	1.95
2.8	The insurer is dependable in handling your service problems	2.2	22.9	7.00	1.95	2.7	24.5	7.00	2.04	1.6	21.2	7.01	1.86
2.9	The insurer's services are performed right the first time	2.7	22.4	6.96	2.02	2.7	23.6	6.96	2.05	2.8	21.1	6.95	1.98
2.10	The insurer provides the required services at the promised time	1.8	22.0	6.91	1.93	1.8	22.7	6.89	1.94	1.8	21.3	6.93	1.93
2.11	The insurer maintains error-free records	2.6	22.0	6.80	2.03	2.5	20.0	6.73	2.01	2.8	24.1	6.88	2.05
2.12	Employees understand your needs	3.4	24.8	6.91	2.11	3.2	25.3	6.95	2.12	3.5	24.2	6.88	2.10
2.13	Employees offer you prompt service	3.0	23.3	6.93	2.03	3.4	22.7	6.89	2.06	2.5	23.7	6.97	1.99
2.14	Employees are always willing to help	2.4	26.8	7.09	2.04	2.0	27.3	7.08	2.09	2.8	26.4	7.10	2.00
2.15	Employees instil confidence in you	2.8	23.7	6.89	2.07	2.8	25.2	6.83	2.15	2.8	22.3	6.95	1.99
2.16	Employees make you feel safe in your transaction with them	1.6	23.7	7.03	1.94	1.8	23.8	7.00	1.95	1.4	23.5	7.06	1.94
2.17	Employees are consistently courteous	1.8	24.9	7.07	1.99	2.5	25.7	7.07	2.03	1.2	24.1	7.06	1.95
2.18	Employees have the necessary knowledge to answer your questions	2.3	27.8	7.18	2.03	2.5	26.3	7.16	2.01	2.1	29.3	7.19	2.05

As can be seen in Table 6.9 (p. 178), the smallest mean for the total sample's expectations regarding service quality is 7.68 ("The insurer treats you as an individual and not as a number"), which is also the smallest mean for both direct (7.64) and indirect (7.72) insurance respondents. The largest mean for the total sample's expectations regarding service quality is 8.46 ("Employees have the necessary knowledge to answer your questions"), which is also the largest mean for both direct (8.42) and indirect (8.49) insurance respondents.

Regarding respondents' perceptions of service quality (Table 6.10, p. 179), the total sample's lowest mean is 6.38 ("The insurer has your best interest at heart"), with direct insurance respondents' lowest mean at 6.35 ("The insurer treats you as an individual and not as a number"), and indirect insurance respondents' lowest mean at 6.35 ("The insurer has your best interest at heart"). The largest mean for the total sample's perceptions of service quality is 7.18 ("Employees have the necessary knowledge to answer your questions"), which is also the largest mean for both direct (7.16) and indirect (7.19) insurance respondents.

The individual statements (Table 6.9 and Table 6.10, p. 178-179) are, however, not used to compare respondents' expectations and perceptions. The comparisons between respondents' expectations and perceptions are based on the factors or underlying dimensions of service quality that were uncovered by the factor analysis conducted for this study. The results of these comparisons are presented in section 6.5 (p. 177).

6.5.2 Distribution of SERVQUAL results

It is necessary to determine whether the results obtained for each of the statements measuring respondents' expectations and perceptions of the various SERVQUAL factors show a normal distribution. This process guides the researcher to determine whether parametric or non-parametric tests are most suitable to use when comparing the means that reflect respondents' expectations and perceptions of service quality. The *kurtosis* and *skewness* of the distribution of the results for each of the 18 statements in Table 6.9 and 6.10 were therefore examined. According to West *et al.* (1995:74), a statement where the skewness of the distribution is less than 2.00, or where the kurtosis of the distribution is less than 7.00, is within acceptable limits of normality. All 18 statements regarding service elements expectations and perceptions fall

within these limits. Since the sample size is sufficiently large (greater than 30) and all statements are normally distributed, parametric tests are most suitable for comparing means (in this instance the paired-samples *t*-test for dependent groups, *t*-tests for independent groups and one-way ANOVAs were used).

6.5.3 Validity of the SERVQUAL construct

The validity of section B of the questionnaire was determined by means of a confirmatory factor analysis. A confirmatory factor analysis was conducted in order to determine whether the SERVQUAL items in section B of the questionnaire can be grouped according to the factors identified in the literature part of this study (section 3.3.1, p. 54). As discussed in Chapter 3, the SERVQUAL instrument consists of five constructs – reliability, responsiveness, assurance, empathy and tangibles – which can be used to determine respondents’ expectations and perceptions regarding their insurers’ service quality accurately. However, “tangibles” as a service quality factor was omitted from the research instrument used in this study, due to the intangible nature of specifically direct insurers’ service offering.

From the literature review, it could be deduced that **factor 1 (reliability)** consists of five items, namely:

- The insurer provides the services as promised.
- The insurer is dependable in handling your service problems.
- The insurer’s services are performed right the first time.
- The insurer provides the required services at the promised time.
- The insurer maintains error-free records.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 80.57% of the variance. The measure of sampling adequacy (MSA) was 0.91, and the communalities varied from 0.76 to 0.83. The construct validity of this factor was thus confirmed.

From the literature review, it could be derived that **factor 2 (responsiveness)** consists of four items, namely:

- The insurer is always ready to respond to your requests.
- The insurer keeps you informed about when services will be performed.
- Employees offer you prompt service.
- Employees are always willing to help.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 77.87% of the variance. The MSA was 0.83, and the communalities varied from 0.73 to 0.81. The construct validity of this factor was thus confirmed.

From the literature review, it could be derived that **factor 3 (assurance)** consists of four items, namely:

- Employees instil confidence in you.
- Employees make you feel safe in your transactions with them.
- Employees are consistently courteous.
- Employees have the necessary knowledge to answer questions.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 82.87% of the variance. The MSA was 0.85, and the communalities varied from 0.81 to 0.85. The construct validity of this factor was thus confirmed.

From the literature review, it could be derived that **factor 4 (empathy)** consists of five items, namely:

- The insurer treats you as an individual and not as a number.
- The insurer has convenient operating hours.

- The insurer always provides you with personalised attention.
- The insurer has your best interest at heart.
- Employees understand your needs.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 70.62% of the variance. The MSA was 0.86, and the communalities varied from 0.67 to 0.77. The construct validity of this factor was thus confirmed.

The factors obtained from the confirmatory factor analysis were therefore the same as those factors obtained from the SERVQUAL instrument (section 3.3.1, p. 54). Table 6.11 presents the items and statements grouped according to the four factors identified from the theoretical exposition which will further be used throughout the rest of this chapter.

Table 6.11: Confirmation of the four SERVQUAL factors

Item	Service quality elements in questionnaire	Factors
2.7	The insurer provides the services as promised	Reliability
2.8	The insurer is dependable in handling your service problems	
2.9	The insurer's services are performed right the first time	
2.10	The insurer provides the required services at the promised time	
2.11	The insurer maintains error-free records	
2.3	The insurer is always ready to respond to your requests	Responsiveness
2.5	The insurer keeps you informed about when services will be performed	
2.13	Employees offer you prompt service	
2.14	Employees are always willing to help	
2.15	Employees instil confidence in you	Assurance
2.16	Employees make you feel safe in your transactions with them	
2.17	Employees are consistently courteous	
2.18	Employees have the necessary knowledge to answer questions	

Table 6.11: Confirmation of the four SERVQUAL factors (continued)

Item	Service quality elements in questionnaire	Factors
2.1	The insurer treats you as an individual and not as a number	Empathy
2.2	The insurer always provides you with personalised attention	
2.4	The insurer has your best interest at heart	
2.6	The insurer has convenient operating hours	
2.12	Employees understand your needs	

Main finding SQ1: The confirmatory factor analysis supports that the four factors that have been identified in the theoretical exploration of the study are valid and correspond to the SERVQUAL instrument which measures service quality.

6.5.4 Reliability of the SERVQUAL construct

As discussed in Chapter 5 (section 5.3.5.1, p. 150), the reliability of the scale measuring the SERVQUAL construct is determined by the Cronbach's alpha values, which indicate the correlation between items in a scale which is, in turn, used to establish the internal reliability of the data. Table 6.12 indicates the Cronbach's alpha values for the above-mentioned factors obtained during the confirmatory factor analysis in section B of the questionnaire.

Table 6.12: Cronbach's alpha values associated with the factor analysis of service quality

Factor	Factor label	Cronbach's alpha values
1	Reliability	0.94
2	Responsiveness	0.91
3	Assurance	0.93
4	Empathy	0.90

As can be seen in Table 6.12, the Cronbach's alpha values of each factor is larger than 0.70, which indicates a high level of reliability between those items measuring each of the factors underlying service quality (Zikmund & Babin, 2012:249).

Main finding SQ2: The four factors as confirmed by the confirmatory factor analysis are sufficiently reliable to measure service quality expectations.

6.5.5 Testing of hypotheses H₁ to H₃

As explained in section 6.5.2 (p. 180), parametric tests were used to test the hypotheses formulated for the study. In order to test H₁ to H₃, paired-samples *t*-tests for dependent groups were conducted to determine whether differences exist between the means for respondents' expectations and perceptions of the SERVQUAL factors.

When interpreting the results, it should be noted that the hypotheses are only accepted when, and that furthermore the main findings only report on the cases where *statistically significant* differences exist. In addition, although the results take into account all the effect sizes measured (whether small, moderate, or large effects), it is also important to note that only large effect sizes are reported on in this chapter, since small and medium effects do not have a significant impact on practice (Ellis & Steyn, 2003:51).

The subsequent sections discuss the results and findings of the paired-samples *t*-tests for dependent groups for H₁ to H₃.

6.5.5.1 Hypothesis 1

H₁: The expectations of respondents differ significantly from their perceptions for each of the four SERVQUAL factors.

Table 6.13 presents the results of the paired-samples *t*-test for dependent groups used to test H₁. It displays the means and standard deviations for the four factors in terms of expectations and perceptions of service quality, as well as the mean of difference, standard deviation of difference and effect sizes (*d*-values) obtained between the means for the **total sample**.

Table 6.13: Paired-samples *t*-test for dependent groups for comparing service quality expectations and perceptions for the total sample

Factor	Expectations		Perceptions		Means of difference	Std. dev. of differences	<i>p</i> -value	<i>d</i> -value
	Mean	Std. dev.	Mean	Std. dev.				
F1: Reliability	8.17	1.85	6.95	1.68	1.22	1.99	0.00*	0.66
F2: Responsiveness	8.15	1.79	6.89	1.74	1.39	2.00	0.00*	0.70
F3: Assurance	8.24	1.84	7.04	1.78	1.33	2.15	0.00*	0.65
F4: Empathy	7.91	1.82	6.62	1.75	1.42	2.04	0.00*	0.70

*statistically significant

From Table 6.13 it is evident that the expectations of respondents differ statistically significantly from their perceptions for all four of the SERVQUAL factors. The statistically significant differences are as follows:

- Reliability ($p = 0.00$): Respondents' expectations (mean = 8.17) regarding their insurer's reliability are statistically significantly higher than their perceptions (mean = 6.95).
- Responsiveness ($p = 0.00$): Respondents' expectations (mean = 8.15) regarding their insurer's responsiveness are statistically significantly higher than their perceptions (mean = 6.89).
- Assurance ($p = 0.00$): Respondents' expectations (mean = 8.24) regarding their insurer's assurance are statistically significantly higher than their perceptions (mean 7.04).
- Empathy ($p = 0.00$): Respondents' expectations (mean = 7.91) regarding their insurer's empathy are statistically significantly higher than their perceptions (mean = 6.62).

Based on these results, **H₁ is supported**, since the expectations of respondents differ statistically significantly from their perceptions for all four of the SERVQUAL factors.

From the moderate *d*-values (reliability: $d = 0.66$; responsiveness: $d = 0.70$; assurance: $d = 0.65$; empathy: $d = 0.70$), it can be derived that respondents' expectations are not largely practically significantly higher than their perceptions with regard to the four SERVQUAL factors.

Main finding SQ3_s: Overall, the expectations of respondents are *statistically significantly* higher than their perceptions for all four of the SERVQUAL factors.

Main finding SQ3_p: Overall, the expectations of respondents are **moderately**, and not largely *practically significantly* higher than their perceptions for all four of the SERVQUAL factors.

6.5.5.2 Hypothesis 2

H₂: The expectations of direct insurance respondents differ significantly from their perceptions for each of the four SERVQUAL factors.

Table 6.14 presents the results from the paired-samples *t*-test for dependent groups on H₂. It also shows the means and standard deviations for the four factors in terms of expectations and perceptions of service quality, as well as the mean of difference, standard deviation of difference and *d*-values obtained between the means for direct insurance respondents.

Table 6.14: Paired-samples *t*-test for dependent groups for comparing service quality expectations and perceptions for direct insurance respondents

Factor	Expectations		Perceptions		Means of difference	Std. dev. of differences	<i>p</i> -value	<i>d</i> -value
	Mean	Std. dev.	Mean	Std. dev.				
F1: Reliability	8.24	1.91	6.96	1.63	1.27	1.96	0.00*	0.67
F2: Responsiveness	8.24	1.80	6.91	1.69	1.34	1.88	0.00*	0.74
F3: Assurance	8.31	1.83	7.07	1.75	1.25	2.09	0.00*	0.68
F4: Empathy	7.97	1.87	6.63	1.68	1.34	1.91	0.00*	0.72

*statistically significant

From Table 6.14 it can be determined that the perceptions of direct insurance respondents differ statistically significantly from their expectations for all the SERVQUAL factors. The statistically significant differences are as follows:

- Reliability ($p = 0.00$): Direct insurance respondents' expectations (mean = 8.24) regarding their insurer's reliability are statistically significantly higher than their perceptions (mean = 6.96).
- Responsiveness ($p = 0.00$): Direct insurance respondents' expectations (mean = 8.24) regarding their insurer's responsiveness are statistically significantly higher than their perceptions (mean = 6.91).
- Assurance ($p = 0.00$): Direct insurance respondents' expectations (mean = 8.31) regarding their insurer's assurance are statistically significantly higher than their perceptions (mean = 7.07).
- Empathy ($p = 0.00$): Direct insurance respondents' expectations (mean = 7.97) regarding their insurer's empathy are statistically significantly higher than their perceptions (mean = 6.63).

Based on these results, **H₂ is supported**, since the expectations of direct insurance respondents differ statistically significantly from their perceptions for all four of the SERVQUAL factors.

From the moderate d -values (reliability: $d = 0.67$; responsiveness: $d = 0.74$; assurance: $d = 0.68$; empathy: $d = 0.72$), it can be derived that direct insurance respondents' expectations are not largely practically significantly higher than their perceptions with regard to the four SERVQUAL factors.

Main finding SQ4_s: The expectations of direct insurance respondents are *statistically significantly* higher than their perceptions for all four of the SERVQUAL factors.

Main finding SQ4_p: The expectations of direct insurance respondents are **moderately**, and not largely *practically significantly* higher than their perceptions for all four of the SERVQUAL factors.

6.5.5.3 Hypothesis 3

H₃: The expectations of indirect insurance respondents differ significantly from their perceptions for each of the four SERVQUAL factors.

Table 6.15 presents the results from the paired-samples *t*-test for dependent groups on hypothesis 3, and displays the means and standard deviations for the four factors in terms of expectations and perceptions of service quality, as well as the mean of difference, standard deviation of difference and *d*-values obtained between the means for indirect insurance respondents.

Table 6.15: Paired-samples *t*-test for dependent groups for comparing service quality expectations and perceptions for indirect insurance respondents

Factor	Expectations		Perceptions		Means of difference	Std. dev. of differences	<i>p</i> -value	<i>d</i> -value
	Mean	Std. dev.	Mean	Std. dev.				
F1: Reliability	8.10	1.79	6.93	1.72	1.16	2.03	0.00*	0.65
F2: Responsiveness	8.06	1.79	6.88	1.79	1.18	2.11	0.00*	0.66
F3: Assurance	8.17	1.84	7.02	1.80	1.14	2.20	0.00*	0.62
F4: Empathy	7.85	1.77	6.62	1.82	1.22	2.16	0.00*	0.67

*statistically significant

From Table 6.15 it can be determined that the perceptions of indirect insurance respondents differ statistically significantly from their expectations for all the SERVQUAL factors. The statistically significant differences are as follows:

- Reliability ($p = 0.00$): Indirect insurance respondents' expectations (mean = 8.10) regarding their insurer's reliability are statistically significantly higher than their perceptions (mean = 6.93).
- Responsiveness ($p = 0.00$): Indirect insurance respondents' expectations (mean = 8.06) regarding their insurer's responsiveness are statistically significantly higher than their perceptions (mean = 6.88).
- Assurance ($p = 0.00$): Indirect insurance respondents' expectations (mean = 8.17) regarding their insurer's assurance are statistically significantly higher than their perceptions (mean = 7.02).

- Empathy ($p = 0.00$): Indirect insurance respondents' expectations (mean = 7.85) regarding their insurer's empathy are statistically significantly higher than their perceptions (mean = 6.62).

Based on these results, **H₃ is supported**, since the expectations of indirect insurance respondents differ statistically significantly from their perceptions for all four of the SERVQUAL factors.

From the moderate d -values (reliability: $d = 0.65$; responsiveness: $d = 0.66$; assurance: $d = 0.62$; empathy: $d = 0.67$), it can be derived that direct insurance respondents' expectations are not largely practically significantly higher than their perceptions with regard to the four SERVQUAL factors.

Main finding SQ5_s: The expectations of indirect insurance respondents are *statistically significantly* higher than their perceptions for all four of the SERVQUAL factors.

Main finding SQ5_p: The expectations of indirect insurance respondents are **moderately**, and not largely *practically significantly* higher than their perceptions for all four of the SERVQUAL factors.

6.5.6 Testing of hypotheses H₄ and H₅

In order to test H₄ and H₅, t -tests for independent groups and one-way ANOVAs were performed in order to determine whether statistically and practically significant differences exist between different groups of respondents regarding their *expectations* of the service quality insurers provide. The subsequent sections discuss the results and findings for the t -tests for independent groups and one-way ANOVAs for H₄ and H₅.

When interpreting the results, it should be noted that the hypotheses are only accepted, and the main findings only report on those cases where *statistically significant* differences exist. In addition, only large effect sizes are reported on in this chapter, since small and medium effects do not have a significant impact on practice (Ellis & Steyn, 2003:51).

6.5.6.1 Hypothesis 4

H_4 : Direct and indirect insurance respondents differ significantly in their expectations for each of the four SERVQUAL factors.

In order to test H_4 , a t -test for independent groups was performed to determine the statistical significance of the difference between the means of direct and indirect insurance respondents regarding their expectations of the SERVQUAL factors. Analysis found that no statistically significant differences exist between the expectations of direct and indirect insurance respondents regarding any of the four SERVQUAL factors. Table 6.16 indicates the means, standard deviations, p -values and d -values for the mentioned factors in terms of direct and indirect insurance respondents.

Table 6.16: SERVQUAL expectations for direct and indirect insurance respondents

Factors	Group	n	Mean	Std. dev.	p -value	d -value
Reliability	Direct	436	8.24	1.90	0.28	0.07
	Indirect	450	8.10	1.79		
Responsiveness	Direct	437	8.24	1.80	0.13	0.10
	Indirect	450	8.06	1.79		
Assurance	Direct	436	8.31	1.83	0.24	0.08
	Indirect	450	8.17	1.84		
Empathy	Direct	437	7.97	1.87	0.35	0.06
	Indirect	450	7.85	1.77		

As can be seen in Table 6.16, no statistically significant differences were found between the expectations of direct and indirect insurance respondents regarding the four SERVQUAL factors (reliability: $p = 0.07$; responsiveness: $p = 0.10$; assurance: $p = 0.08$; empathy: $p = 0.06$). H_4 is therefore **not supported**.

Main finding SQ6_s: Direct and indirect insurance respondents do not differ *statistically significantly* in their expectations of the four SERVQUAL factors.

6.5.6.2 Hypothesis 5

Hypothesis 5 was further refined into sub-hypotheses, which were individually tested by means of *t*-tests for independent groups and one-way ANOVAs.

H ₅ : Different groups of respondents differ significantly with regard to their expectations for each of the four SERVQUAL factors.
H _{5a} : <i>Male and female</i> respondents differ significantly with regard to their expectations for each of the four SERVQUAL factors.
H _{5b} : Respondents of different <i>ages</i> differ significantly with regard to their expectations for each of the four SERVQUAL factors.
H _{5c} : Respondents with different levels of <i>education</i> differ significantly with regard to their expectations for each of the four SERVQUAL factors.
H _{5d} : Respondents that have been with their insurers for <i>different durations</i> differ significantly with regard to their expectations for each of the SERVQUAL factors.
H _{5e} : Respondents with different <i>levels of income</i> differ significantly with regard to their expectations for each of the four SERVQUAL factors.
H _{5f} : Respondents with different <i>home languages</i> differ significantly with regard to their expectations for each of the four SERVQUAL factors.
H _{5g} : Respondents <i>contacted</i> by insurers <i>at different frequencies</i> differ significantly with regard to their expectations for each of the four SERVQUAL factors.
H _{5h} : Respondents paying different <i>monthly insurance premiums</i> differ significantly with regard to their expectations for each of the four SERVQUAL factors.

A) Hypothesis 5_a

A *t*-test for independent groups was performed to test H_{5a}, in order to determine the expectations of respondents with regard to their *gender*. Analysis found no statistically

significant differences between the expectations of respondents in terms of their gender for the four SERVQUAL factors (reliability: $p = 0.49$; responsiveness: $p = 0.28$; assurance: $p = 0.82$; empathy: $p = 0.15$). H_{5a} is therefore **not supported**.

Main finding SQ7_s: Overall, no *statistically significant* differences were found between the expectations of respondents and their gender regarding the SERVQUAL factors.

B) Hypothesis 5_b

With regard to H_{5b} , a one-way ANOVA was performed with a view to determine whether statistically significant differences exist between groups of respondents representing different *age* groups and their expectations of the four SERVQUAL factors. Initial analysis found that statistically significant differences exist between respondents based upon *age* and their expectations for three of the SERVQUAL factors, namely reliability, assurance and empathy. It was therefore decided to determine the practical significance for these three factors, which is indicated in Table 6.17 by means of the mean and standard deviation for each SERVQUAL factor, as well as the effect sizes obtained when comparing respondents' ages in relation to their expectations of service quality.

Table 6.17: Effect sizes of the expectations of respondents and their age regarding the SERVQUAL factors

Factors	Mean	Std. dev.	n	Comparisons significant at the 0.05 level [▲]	Group [♦]	d-value					
						(1)	(2)	(3)	(4)	(5)	(6)
Reliability	7.19	2.13	27	4-1 5-1	(1)	-	0.42	0.48	0.56	0.55	0.36
	8.09	1.87	362		(2)	0.42	-	0.06	0.16	0.14	0.06
	8.21	1.92	220		(3)	0.48	0.06	-	0.10	0.08	0.12
	8.39	1.60	171		(4)	0.56	0.16	0.10	-	0.02	0.21
	8.36	1.87	88		(5)	0.55	0.14	0.08	0.02	-	0.19
	7.97	2.01	13		(6)	0.36	0.06	0.12	0.21	0.19	-

Table 6.17: Effect sizes of the expectations of respondents and their age regarding the SERVQUAL factors (continued)

Factors	Mean	Std. dev.	n	Comparisons significant at the 0.05 level [▲]	Group [♦]	d-value					
						(1)	(2)	(3)	(4)	(5)	(6)
Assurance	7.14	2.38	27	2-1 3-1 4-1	(1)	-	0.46	0.50	0.50	0.46	0.36
	8.23	1.82	362		(2)	0.46	-	0.05	0.04	0.00	0.11
	8.32	1.80	220		(3)	0.50	0.05	-	0.00	0.04	0.16
	8.31	1.73	171		(4)	0.50	0.04	0.00	-	0.04	0.15
	8.23	1.99	88		(5)	0.46	0.00	0.04	0.04	-	0.11
	8.00	2.05	13		(6)	0.36	0.11	0.16	0.15	0.11	-
Empathy	7.00	2.18	27	4-1	(1)	-	0.37	0.47	0.54	0.44	0.29
	7.80	1.82	363		(2)	0.37	-	0.11	0.20	0.09	0.09
	8.01	1.90	220		(3)	0.47	0.11	-	0.08	0.03	0.19
	8.17	1.59	171		(4)	0.54	0.20	0.08	-	0.11	0.27
	7.96	1.82	88		(5)	0.44	0.09	0.03	0.11	-	0.16
	7.62	2.05	13		(6)	0.29	0.09	0.19	0.27	0.16	-

[▲]Tukey's comparison significant at the 0.05 level

[♦]Group: (1) Younger than 20; (2) 20 - 30; (3) 31 - 40; (4) 41 - 50; (5) 51 - 60; (6) 61 and older

From Table 6.17, it can be deduced that statistically significant differences exist between respondents based on *age* and their expectations for reliability, assurance and empathy. The statistical and practical differences are as follows:

- Reliability ($p < 0.05$): Respondents of ages 41 - 50 (mean = 8.39; $d = 0.56$) and 51 - 60 (mean = 7.96; $d = 0.55$) expect more from their insurer's reliability than those respondents younger than 20 (mean = 7.19).
- Assurance ($p < 0.05$): Respondents of ages 20 - 30 (mean = 8.23; $d = 0.46$), 31 - 40 (mean = 8.32; $d = 0.50$), and 41 - 50 (mean = 8.31; $d = 0.50$) expect more from their insurer's assurance than those respondents younger than 20 (mean = 7.14).
- Empathy ($p < 0.05$): Respondents of ages 41 - 50 (mean = 8.17) expect more from their insurer's empathy than those respondents younger than 20 (mean = 7.00); $d = 0.54$.

Based on these results, **H_{5b} is partially supported**, since statistically significant differences could be found between the expectations of respondents of different ages for all the SERVQUAL factors, except for responsiveness.

From the moderate *d*-values above, it can be derived that respondents of different age groups do not differ largely practically significantly in terms of their expectations for each of the four SERVQUAL factors.

Main finding SQ8_s: Overall, respondents of ages 41 - 60, 20 - 50 and 41 - 50 respectively expect *statistically significantly* more from their insurers in terms of reliability, assurance and empathy than those respondents younger than 20.

Main finding SQ8_p: Overall, respondents of different ages differ **moderately** and not largely *practically significantly* with regard to their expectations for each of the four SERVQUAL factors.

Further one-way ANOVAs were performed with a view to uncover possible significant differences in the expectations of respondents based upon level of education (H_{5c}), duration with insurer (H_{5d}), income (H_{5e}), language (H_{5f}), how often they are contacted by their insurers (H_{5g}) and monthly insurance premium (H_{5h}).

C) Hypotheses 5_c, 5_d, 5_g and 5_h

No statistically significant differences were found between respondents' expectations and level of education, duration with insurer, how often respondents are contacted by their insurers, or their monthly insurance premiums. **H_{5c}, H_{5d}, H_{5g} and H_{5h} are therefore not supported.**

Main finding SQ9_s: Overall, respondents with different levels of education do not differ *statistically significantly* with regard to their expectations for any of the four SERVQUAL factors.

Main finding SQ10_s: Overall, respondents that have been with their insurers for different durations do not differ *statistically significantly* with regard to their expectations for any of the four SERVQUAL factors.

Main finding SQ11_s: Overall, respondents that are being contacted by their insurers at different frequencies do not differ *statistically significantly* with regard to their expectations for any of the four SERVQUAL factors.

Main finding SQ12_s: Overall, respondents paying different monthly insurance premiums do not differ *statistically significantly* with regard to their expectations for any of the four SERVQUAL factors.

D) Hypothesis 5_e

Initial analysis found statistically significant differences between the different *income* groups and all four SERVQUAL factors. The *p*-values, *d*-values and means for these factors are as follows:

- Reliability ($p < 0.05$): Respondents who earn more than R30 000 per month (mean = 8.51; $d = 0.56$) and R10 001 - R15 000 per month (mean = 8.48; $d = 0.54$) expect more from their insurer's reliability than those respondents who earn less than R5 000 per month (mean = 7.36).
- Assurance ($p < 0.05$): Respondents who earn more than R30 000 per month (mean = 8.41; $d = 0.52$), R20 001 - R25 000 per month (mean = 8.37; $d = 0.50$), R15 001 - R20 000 per month (mean = 8.10; $d = 0.38$), R10 001 - R15 000 per month (mean = 8.53; $d = 0.58$), and R5 000 - R10 000 per month (mean = 8.23; $d = 0.44$) expect more from their insurer's assurance than those respondents who earn less than R5 000 per month (mean = 7.25).
- Responsiveness ($p < 0.05$): Respondents who earn more than R30 000 per month (mean = 8.20; $d = 0.46$), R20 001 - R25 000 per month (mean = 8.20; $d = 0.46$), R10 001 - R15 000 per month (mean = 8.52; $d = 0.62$), and R5 000 - R10 000 per month (mean =

8.09; $d = 0.40$) expect more from their insurer's responsiveness than those respondents who earn less than R5 000 per month (mean = 7.32).

- Empathy ($p < 0.05$): Respondents who earn more than R30 000 per month (mean = 8.13; $d = 0.51$), R20 001 - R25 000 per month (mean = 7.94; $d = 0.41$), and R10 001 - R15 000 per month (mean = 8.22; $d = 0.55$) expect more from their insurer's empathy than those respondents who earn less than R5 000 per month (mean = 7.13).

Based on the above results, **H_{5e}** is therefore **supported**. However, based on the moderate d -values that were found, it can be derived that respondents of different income groups do not differ largely practically significantly with regard to their expectations for any of the four SERVQUAL factors.

Main finding SQ13_s:

- Overall, respondents who earn more than R30 000 and R10 001 - R15 000 per month expect *statistically significantly* more from their insurers' reliability than those who earn less than R5 000 per month.
- Overall, respondents who earn more than R5 000 per month expect *statistically significantly* more from their insurers' assurance than those who earn less than R5 000 per month.
- Overall, respondents who earn more than R30 000, R20 001 - R25 000, R10 001 - R15 000, and R5 000 - R10 000 per month expect *statistically significantly* more from their insurers' responsiveness than those who earn less than R5 000 per month.
- Overall, respondents who earn more than R30 000, R20 001 - R25 000 en R10 001 - R15 000 per month expect *statistically significantly* more from their insurers' empathy than those who earn less than R5 000 per month.

Main finding SQ13_p: Overall, respondents in different income groups differ **moderately** and not largely *practically significantly* with regard to their expectations for any of the four SERVQUAL factors.

E) Hypothesis 5_f

Initial analysis found statistically significant differences between respondents with different *home languages* and factor 3 (assurance) and factor 4 (empathy). The *p*-values, *d*-values and means for these factors are as follows:

- Assurance ($p < 0.05$): Afrikaans (mean = 8.65) speaking respondents expect more assurance from their insurers than English (mean = 8.05; $d = 0.30$) respondents.
- Empathy ($p < 0.05$): Afrikaans (mean = 8.34) speaking respondents expect more empathy from their insurers than English (mean = 7.81; $d = 0.29$) and Sotho (mean = 7.74; $d = 0.30$) speaking respondents.

Based on the above results, **H_{5f}** is therefore **partially supported**, since statistically significant differences could be uncovered between the expectations of respondents speaking different home languages for two SERVQUAL factors, namely assurance and empathy. From the small *d*-values, it can be derived that respondents speaking different home languages do not differ largely practically significantly with regard to their expectations for any of the four SERVQUAL factors.

Main finding SQ14_s:

- Overall, Afrikaans speaking respondents expect *statistically significantly* more assurance from their insurers than English speaking respondents.
- Overall, Afrikaans speaking respondents expect *statistically significantly* more empathy from their insurers than English and Sotho speaking respondents.

Main finding SQ14_p: Overall, respondents speaking different home languages do not differ largely *practically significantly* with regard to their expectations for any of the four SERVQUAL factors.

6.5.7 Testing of hypotheses H₆ and H₇

To test H₆ and H₇, *t*-tests for independent groups and one-way ANOVAs were performed in order to determine any differences between respondents' *perceptions* of the service quality

their insurers provide. The subsequent sections discuss the results and findings for the *t*-tests for independent groups and one-way ANOVAs for H_6 and H_7 .

When interpreting the results, it should be noted that the hypotheses are only accepted, and the main findings only report on the cases where *statistically significant* differences exist. In addition, only large effect sizes are reported on in this chapter, since small and medium effects do not have a significant impact on practice (Ellis & Steyn, 2003:51).

6.5.7.1 Hypothesis 6

H_6 : Direct and indirect insurance respondents differ significantly in their perceptions for any of the four SERVQUAL factors.

To test H_6 , a *t*-test for independent groups was performed to determine whether statistically significant differences exist between the means of direct and indirect insurance respondents regarding their perceptions of the SERVQUAL factors. Analysis found no statistically significant difference between the perceptions of direct and indirect insurance respondents for any of the four SERVQUAL factors. Based on these results, **H_6 is not supported**, since direct and indirect insurance respondents do not differ statistically significantly in their perceptions for any of the four SERVQUAL factors.

Main finding SQ15s: Direct and indirect insurance respondents do not differ *statistically significantly* in their perceptions of the SERVQUAL factors.

6.5.7.2 Hypothesis 7

As with hypothesis H_5 , H_7 was also refined into sub-hypotheses to enable testing the main hypothesis.

H_7 : Different groups of respondents differ significantly with regard to their perceptions for any of the four SERVQUAL factors.

H _{7a} : <i>Male and female</i> respondents differ significantly with regard to their perceptions for any of the four SERVQUAL factors.
H _{7b} : Respondents of different <i>ages</i> differ significantly with regard to their perceptions for any of the four SERVQUAL factors.
H _{7c} : Respondents with different levels of <i>education</i> differ significantly with regard to their perceptions for any of the four SERVQUAL factors.
H _{7d} : Respondents who have been with their insurers for <i>different durations</i> differ significantly with regard to their perceptions for any of the four SERVQUAL factors.
H _{7e} : Respondents with different <i>levels of income</i> differ significantly with regard to their perceptions for any of the four SERVQUAL factors.
H _{7f} : Respondents with different <i>home languages</i> differ significantly with regard to their perceptions for any of the four SERVQUAL factors.
H _{7g} : Respondents <i>contacted</i> by insurers <i>at different frequencies</i> differ significantly with regard to their perceptions for any of the four SERVQUAL factors.
H _{7h} : Respondents paying different <i>monthly insurance premiums</i> differ significantly with regard to their perceptions for any of the four SERVQUAL factors.

A) Hypothesis 7_a

A *t*-test for independent groups was performed to test H_{7a} with regard to respondents' perceptions of their insurers and their *gender*. Analysis found no significant differences between gender and perceptions of the SERVQUAL factors (reliability: $p = 0.33$; responsiveness: $p = 0.18$; assurance: $p = 0.81$; empathy: $p = 0.10$). **H_{5a} is not supported.**

Main finding SQ16_s: No *statistically significant* differences were found between the perceptions of respondents and their gender regarding the SERVQUAL factors.

B) Hypothesis 7_b

For H_{7b}, a one-way ANOVA was performed to determine whether statistically significant differences exist between respondents' *age* and their perceptions of the four SERVQUAL

factors. Initial analysis found that statistically significant differences exist between respondents' *age* and their perceptions of three of the SERVQUAL factors, namely reliability, responsiveness and assurance. It was thus decided to determine the practical significance for these three factors, which is indicated in Table 6.18 by means of the mean and standard deviation for each factor, as well as the effect sizes obtained when comparing respondents' age in relation to their expectations of service quality.

Table 6.18: Effect sizes of the perceptions of respondents and their age regarding the SERVQUAL factors

Factors	Mean	Std. dev.	n	Comparisons significant at the 0.05 level [▲]	Group [*]	d-value					
						(1)	(2)	(3)	(4)	(5)	(6)
Reliability	6.06	1.59	27	5-1 3-1	(1)	-	0.44	0.66	0.59	0.71	0.35
	6.80	1.68	362		(2)	0.44	-	0.21	0.14	0.25	0.02
	7.14	1.65	218		(3)	0.66	0.21	-	0.07	0.04	0.14
	7.03	1.64	170		(4)	0.59	0.14	0.07	-	0.11	0.09
	7.21	1.63	88		(5)	0.71	0.25	0.04	0.11	-	0.17
	6.83	2.21	13		(6)	0.35	0.02	0.14	0.09	0.11	-
Responsiveness	5.90	1.77	27	3-1 5-1	(1)	-	0.50	0.68	0.57	0.63	0.47
	6.78	1.76	326		(2)	0.50	-	0.19	0.07	0.13	0.00
	7.11	1.63	219		(3)	0.68	0.19	-	0.11	0.06	0.17
	6.91	1.79	170		(4)	0.57	0.07	0.11	-	0.06	0.06
	7.02	1.65	88		(5)	0.63	0.13	0.06	0.06	-	0.12
	6.79	1.91	13		(6)	0.47	0.00	0.17	0.06	0.12	-
Assurance	5.95	2.08	27	5-1 3-1 4-1	(1)	-	0.47	0.62	0.52	0.64	0.49
	6.93	1.84	362		(2)	0.47	-	0.17	0.06	0.19	0.03
	7.24	1.62	219		(3)	0.62	0.17	-	0.12	0.03	0.14
	7.04	1.77	170		(4)	0.52	0.06	0.12	-	0.14	0.03
	7.29	1.66	87		(5)	0.64	0.19	0.03	0.14	-	0.16
	6.98	1.91	13		(6)	0.49	0.03	0.14	0.03	0.16	-

[▲]Tukey's comparison significant at the 0.05 level

^{*}Group: (1) Younger than 20; (2) 20 - 30; (3) 31 - 40; (4) 41 - 50; (5) 51 - 60; (6) 61 and older

Table 6.18 indicates that statistically significant differences exist between respondents in terms of *age* and their perceptions of reliability, responsiveness and assurance. The *p*-values, *d*-values and means for these factors are as follows:

- Reliability ($p < 0.05$): The perceptions of respondents aged 51 - 60 (mean = 7.21; $d = 0.71$) and 31 - 40 (mean = 7.14; $d = 0.66$) with regard to their insurers' reliability are higher than those of respondents younger than 20 (mean = 6.06).
- Responsiveness ($p < 0.05$): The perceptions of respondents aged 31-40 (mean = 7.11; $d = 0.68$) and 51 - 60 (mean = 7.02; $d = 0.63$) with regard to their insurers' responsiveness are higher than those of respondents younger than 20 (mean = 5.90).
- Assurance ($p < 0.05$): The perceptions of respondents aged 51-60 (mean = 7.29; $d = 0.64$), 31 - 40 (mean = 7.24; $d = 0.62$), and 41 - 50 (mean = 7.04; $d = 0.52$) with regard to their insurers' assurance are higher than those of respondents younger than 20 (mean = 5.95).

Based on these results, **H_{7b} is partially supported**, since statistically significant differences could be found between the perceptions of respondents of different age groups for all the SERVQUAL factors, except for empathy.

From the moderate *d*-values mentioned above, it can be derived that respondents of different age groups do not differ largely practically significantly with regard to their perceptions for any of the four SERVQUAL factors.

Main finding SQ17_s:

- Overall, the perceptions of respondents aged 31 - 40 and 51 - 60 are *statistically significantly* higher in terms of reliability and responsiveness than those of respondents younger than 20.
- Overall, the perceptions of respondents aged 31 - 60 are *statistically significantly* higher in terms of assurance than those of respondents younger than 20.

Main finding SQ17_p: Overall, respondents of different ages differ **moderately** and not largely *practically significantly* with regard to their perceptions for any of the four SERVQUAL factors.

Further one-way ANOVAs were performed regarding respondents' perceptions and their level of education (H_{7c}), duration with insurer (H_{7d}), income (H_{7e}), language (H_{7f}), how often they are contacted by their insurers (H_{7g}) and their monthly insurance premium (H_{7h}).

C) Hypothesis 7_c and 7_d

No statistically significant differences were found between respondents' perceptions and level of education or duration with their insurers. **H_{7c} and H_{7d}** are therefore **not supported**.

Main finding SQ18_s: Overall, respondents with different levels of education do not differ *statistically significantly* with regard to their perceptions for any of the four SERVQUAL factors.

Main finding SQ19_s: Overall, respondents who have been with their insurers for different durations do not differ *statistically significantly* with regard to their perceptions for any of the four SERVQUAL factors.

D) Hypothesis 7_e

Initial analysis found statistically significant differences between respondents from different *income* groups and factor 1 (reliability), factor 2 (responsiveness) and factor 3 (assurance). The *p*-values, *d*-values and means for these factors are as follows:

- Reliability ($p < 0.05$): The perceptions of respondents who earn R10 001 - R15 000 per month (mean = 7.14) are higher with regard to their insurers' reliability than those who receive less than R5 000 per month (mean = 6.45); $d = 0.43$.

- Responsiveness ($p < 0.05$): The perceptions of respondents who earn R10 001 - R15 000 per month (mean = 7.15; $d = 0.60$), R15 001 - R20 000 (mean = 7.13; $d = 0.60$), and more than R30 000 per month (mean = 7.00; $d = 0.52$) are higher with regard to their insurers' responsiveness than those who earn less than R5 000 per month (mean = 6.11).
- Assurance ($p < 0.05$): The perceptions of respondents who earn R15 001 - R20 000 per month (mean = 7.27; $d = 0.42$) and R10 001 - R15 000 per month (mean = 7.18; $d = 0.38$) are higher with regard to their insurers' assurance than those respondents who earn less than R5 000 per month (mean = 6.46).

Based on the above results, **H_{7e}** is therefore **partially supported**, since statistically significant differences could be uncovered between the perceptions of respondents of different income groups for all the SERVQUAL factors, except for empathy. From the small and medium d -values, it can be derived that respondents of different income groups do not differ largely practically significantly with regard to their perceptions for any of the four SERVQUAL factors.

Main finding SQ20_s:

- Overall, the perceptions of respondents who earn R10 001 - R15 000 per month are *statistically significantly* higher with regard to their insurers' reliability than those respondents who earn less than R5 000 per month.
- Overall, the perceptions of respondents who earn R10 001 - R20 000 and more than R30 000 per month are *statistically significantly* higher with regard to their insurers' responsiveness than those respondents who earn less than R5 000 per month.
- Overall, the perceptions of respondents who earn R10 001 - R20 000 per month are *statistically significantly* higher with regard to their insurers' assurance than those respondents who earn less than R5 000 per month.

Main finding SQ20_p: Overall, respondents of different income groups differ either small or **moderately**, but not largely *practically significantly* with regard to their perceptions for any of the four SERVQUAL factors.

E) Hypothesis 7_f

Initial analysis found statistically significant differences between respondents with different *home languages* and factor 1 (reliability) and factor 4 (empathy). The *p*-values, *d*-values and means for these factors are as follows:

- Reliability ($p < 0.05$): Afrikaans (mean = 7.37) speaking respondents' perceptions of their insurers' reliability are higher than those of English (mean = 6.84) speaking respondents; $d = 0.32$.
- Empathy ($p < 0.05$): Afrikaans (mean = 6.99; $d = 0.32$) and Sotho (mean = 6.91; $d = 0.27$) speaking respondents' perceptions of their insurers' empathy are higher than those of English (mean = 6.44) speaking respondents.

Based on the above results, **H_{7f}** is therefore **partially supported**, since statistically significant differences could be found between the perceptions of respondents speaking different home languages for two SERVQUAL factors, namely reliability and empathy. From the small *d*-values, it can be derived that respondents speaking different home languages do not differ largely practically significantly in terms of their perceptions for any of the four SERVQUAL factors.

Main finding SQ21_s:

- Overall, Afrikaans speaking respondents' perceptions of their insurers' reliability are *statistically* significantly higher than those of English speaking respondents.
- Overall, Afrikaans and Sotho speaking respondents' perceptions of their insurers' empathy are *statistically* significantly higher than those of English speaking respondents.

Main finding SQ21_p: Overall, respondents speaking different home languages differ in a **small** and not largely *practically significantly* manner with regard to their perceptions for any of the four SERVQUAL factors.

F) Hypothesis 7_g

Initial analysis found statistically significant differences between *how often respondents are contacted* by their insurers and all four SERVQUAL factors. The *p*-values, *d*-values and means for these factors are as follows:

- Reliability ($p < 0.05$): The perceptions of respondents being contacted on a monthly basis (mean = 7.09; $d = 0.40$), every 2 to 3 months (mean = 7.08; $d = 0.39$), twice a year (mean = 6.95; $d = 0.33$) or once a year (mean = 6.89; $d = 0.30$) by their insurers are higher with regard to reliability than those respondents being contacted less than once a year (mean = 6.22).
- Responsiveness ($p < 0.05$): The perceptions of respondents being contacted on a monthly basis (mean = 7.06; $d = 0.49$), every 2 to 3 months (mean = 7.09; $d = 0.50$), twice a year (mean = 6.90; $d = 0.41$) or once a year (mean = 6.75; $d = 0.34$) by their insurers are higher with regard to responsiveness than those respondents being contacted less than once a year (mean = 6.04).
- Empathy ($p < 0.05$): The perceptions of respondents being contacted on a monthly basis (mean = 7.01; $d = 0.60$), every 2 to 3 months (mean = 6.82; $d = 0.51$), and twice a year (mean = 6.58; $d = 0.40$) are higher with regard to empathy than those respondents who are contacted less than once a year (mean = 5.72).
- Empathy ($p < 0.05$): The perceptions of respondents who are contacted on a monthly basis (mean = 7.01; $d = 0.42$) and every 2 to 3 months (mean = 6.82; $d = 0.31$) are higher in terms of empathy than those being contacted once a year (mean = 6.28).
- Assurance ($p < 0.05$): The perceptions of respondents who are contacted on a monthly basis (mean = 7.23; $d = 0.39$), every 2 to 3 months (mean = 7.13; $d = 0.34$) or once a year (mean = 7.02; $d = 0.30$) by their insurers are higher with regard to assurance than those respondents who are contacted less than once a year (mean = 6.36).

Based on the above results, **H_{7g}** is therefore **supported**, since respondents who are contacted at different intervals by their insurers differ statistically significantly with regards to their perceptions for all four SERVQUAL factors. However, from the small and

medium *d*-values, it can be derived that respondents who are contacted at different intervals by their insurers do not differ largely practically significantly in terms of their perceptions for any of the four SERVQUAL factors.

Main finding SQ22_s:

- Overall, the perceptions of respondents who are contacted on a monthly basis, every 2 to 3 months, twice a year, or once a year are *statistically significantly* higher with regard to reliability than those respondents who are contacted less than once a year.
- Overall, the perceptions of respondents who are contacted on a monthly basis, every 2 to 3 months, twice a year, or once a year by their insurers are *statistically significantly* higher with regard to responsiveness than those respondents who are contacted less than once a year.
- Overall, the perceptions of respondents who are contacted on a monthly basis, every 2 to 3 months, and twice a year are *statistically significantly* higher with regard to empathy than those respondents who are contacted less than once a year.
- Overall, the perceptions of respondents who are contacted on a monthly basis or every 2 to 3 months are *statistically significantly* higher with regard to empathy than those respondents who are contacted once a year.
- Overall, the perceptions of respondents who are contacted on a monthly basis, every 2 to 3 months, or once a year by their insurer are *statistically significantly* higher with regard to assurance than those respondents who are contacted less than once a year.

Main finding SQ22_p: Overall, respondents who are contacted at different intervals by their insurers differ either in **small** or **moderate** terms, but not largely *practically significantly* with regard to their perceptions for any of the four SERVQUAL factors.

G) Hypothesis 7_h

Initial analysis found statistically significant differences between respondents' *monthly insurance premium* and factor 1 (reliability). The related *p*-value, *d*-value and means are as follows:

- Reliability ($p < 0.05$): The perceptions of respondents who pay a monthly insurance premium of R2 501 - R3 000 (mean = 7.70) are higher with regard to reliability than those respondents paying less than R500 per month (mean = 6.78); $d = 0.53$.

Based on these results, **H_{7h}** is therefore **partially supported**, since statistically significant differences could be uncovered between the perceptions of respondents who pay different monthly insurance premiums for three SERVQUAL factors, namely responsiveness, assurance and empathy. From the medium d -value, it can be derived that respondents paying different insurance premiums do not differ largely practically significantly with regard to their perceptions for reliability.

Main finding SQ23_s: Overall, the perceptions of respondents who pay a monthly insurance premium of R2 501 - R3 000 are *statistically significantly* higher in terms of reliability than those respondents paying less than R500 per month.

Main finding SQ23_p: Overall, respondents who pay different monthly insurance premiums differ **moderately** and not largely *practically significantly* with regard to their perceptions for any of the four SERVQUAL factors.

6.6 RESULTS: RELATIONAL BENEFITS, SATISFACTION AND BEHAVIOURAL INTENTION

As discussed in Chapter 5 (section 5.3.3.4, p. 134), section C of the questionnaire consists of three parts which aimed to determine (1) the benefits respondents receive from their insurers; (2) their satisfaction with their insurers; and (3) their behavioural intentions. The rest of this section is therefore divided and discussed according to these three factors (Relational benefits, Satisfaction and Behavioural intention).

6.6.1 Results: relational benefits

The first part of section C of the questionnaire aimed to determine the relational benefits that respondents receive from their insurers. The validity and reliability of the relational benefits

items were determined, and the results obtained for this section of the questionnaire are further discussed.

6.6.1.1 Frequency distribution and means for relational benefits

Respondents were asked to indicate the degree to which they receive the various relational benefits from their insurers on a 10-point Likert-type scale. On this scale, 1 indicates that respondents “strongly disagree”, and 10 that respondents “strongly agree” with the given statements. Table 6.19 presents the results pertaining to the relational benefits respondents receive from their insurers. These results are presented in terms of the two low box (percentage of respondents who indicated 1 and 2 on the Likert-type scale) and two top box frequencies (percentage of respondents who indicated 9 and 10 on the Likert-type scale), means and standard deviations for the entire sample, as well as for direct and indirect insurers, respectively. These measures also provide insight into the distribution of the results obtained for each statement.

As can be seen in Table 6.19, the smallest mean for the relational benefits the total sample receive is 4.94 (“My insurer offers me better prices than for other customers”), which is also the smallest mean for indirect insurance respondents (4.68). The smallest mean found for direct insurance respondents is 5.10 (“My insurer offers me better prices than for other customers”).

The largest mean for the relational benefits the total sample receive is 7.06 (for “I have confidence that my insurer will deliver the services correctly” and “My insurer has clear and reasonable service offerings” respectively). The largest mean for direct and indirect insurance respondents are 7.20 and 6.91, respectively, for the same two statements as the total sample.

The individual statements (Table 6.19) will, however, not be used to compare direct and indirect insurance respondents in terms of the relational benefits they receive, but rather the differences in terms of the factors obtained from the factor analysis (section 6.6.1.3, p. 211).

Table 6.19: Relational benefits respondents receive from their insurers

Question	Relational Benefit	Total				Direct				Indirect			
		Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev
3.1	I feel I can trust my insurer and its employees	3.2	20.6	6.87	1.95	2.2	22.2	7.04	1.89	4.1	18.9	6.70	2.00
3.2	I experience less anxiety by making use of my insurer	2.3	20.1	6.91	1.89	2.2	20.6	6.96	1.89	2.3	19.6	6.85	1.89
3.3	I have confidence that my insurer will deliver the services correctly	0.9	21.4	7.06	1.80	0.7	24.2	7.20	1.79	1.1	18.6	6.91	1.81
3.4	I benefit from the advice given by my insurer	1.8	21.7	6.96	1.89	1.1	22.6	7.11	1.80	2.5	20.9	6.80	1.97
3.5	My insurer has clear and reasonable service offerings	2.2	21.7	7.06	1.85	2.2	23.6	7.20	1.82	2.1	19.6	6.91	1.88
3.6	I receive my insurer's highest level of service	6.1	18.4	6.40	2.22	6.9	20.1	6.54	2.25	5.3	16.5	6.25	2.18
3.7	The staff know me by name	21.8	12.8	5.21	2.76	20.0	15.7	5.52	2.78	23.6	9.9	4.89	2.71
3.8	I am familiar with the employee(s) who perform(s) the service	19.5	12.4	5.29	2.66	17.7	15.7	5.59	2.70	21.5	9.0	4.97	2.58
3.9	I have developed a friendship with the related employee(s)	23.4	12.0	5.04	2.76	18.8	15.0	5.40	2.75	28.1	8.9	4.68	2.74
3.10	I believe I have a friendship with my insurer	19.9	11.8	5.15	2.68	16.6	15.5	5.46	2.71	23.3	8.0	4.82	2.61
3.11	I believe I receive faster service than most other customers	18.8	9.4	5.19	2.55	15.9	11.9	5.42	2.54	21.7	6.9	4.96	2.55
3.12	My insurer offers me special services	17.6	10.7	5.35	2.56	15.5	13.0	5.50	2.57	19.8	8.3	5.19	2.53
3.13	My insurer offers me better prices than for other customers	23.1	9.7	4.94	2.66	19.9	10.7	5.10	2.61	26.5	8.6	4.70	2.69

6.6.1.2 Distribution of relational benefits results

It is necessary to determine whether the results obtained for each of the statements that measure the relational benefits that respondents receive from their insurers show a normal distribution. The *kurtosis* and *skewness* of the distribution of the results for each of the 15 statements in Table 6.19 (p. 210) were therefore examined. All 15 statements regarding relational benefits fall within these limits. Since the sample size is sufficiently large (more than 30) and all statements are normally distributed, parametric tests are most suitable for comparing means (in this instance, the paired-samples *t*-test for dependent groups, *t*-tests for independent groups and one-way ANOVAs were used).

6.6.1.3 Validity of relational benefits: factor analysis

A confirmatory factor analysis was conducted in order to determine whether the relational benefits items in section C of the questionnaire can be grouped according to the factors that have been identified in the literature section of this study (section 3.8, p. 72).

In view of the literature review, it can be established that **factor 1 (confidence benefits)** consists of six items, namely:

- I feel I can trust my insurer and its employees.
- I experience less anxiety by making use of my insurer.
- I have confidence that my insurer will deliver the required services correctly.
- I benefit from the advice given by my insurer.
- My insurer has clear and reasonable service offerings.
- I receive my insurer's highest level of service.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor explaining 68.79% of the variance. The MSA was 0.90, and the communalities varied from 0.51 to 0.79. The construct validity of this factor was thus confirmed.

In light of the literature review, it could also be established that **factor 2 (social benefits)** consists of four items, namely:

- The staff know me by name.
- I am familiar with the employee(s) who perform(s) the service.
- I have developed a friendship with the related employee(s).
- I believe I have a friendship with my insurer.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 80.94% of the variance. The MSA was 0.84, and the communalities varied from 0.74 to 0.85. The construct validity of this factor was thus confirmed.

With reference to the literature review, it could be established that **factor 3 (special treatment benefits)** consists of three items, namely:

- I believe I receive faster service than most other customers.
- My insurer offers me special services.
- My insurer offers me better prices than for other customers.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 80.92% of the variance. The MSA was 0.74, and the communalities varied from 0.77 to 0.84. The construct validity of this factor was thus confirmed.

The factors obtained from the confirmatory factor analysis were therefore the same as those factors obtained from the literature review as identified by Gwinner *et al.* (1998:107-108) (section 3.8, p. 72). Table 6.20 presents the items and statements grouped according to the three factors identified from the theoretical exposition which will further be used throughout the rest of this chapter.

Table 6.20: Confirmation of the three relational benefit factors

Item	Service quality elements in questionnaire	Factors
3.1	I feel I can trust my insurer and its employees	Confidence benefits
3.2	I experience less anxiety by making use of my insurer	
3.3	I have confidence that my insurer will deliver the required services correctly	
3.4	I benefit from the advice given by my insurer	
3.5	My insurer has clear and reasonable service offerings	
3.6	I receive my insurer's highest level of service	
3.7	The staff know me by name	Social benefits
3.8	I am familiar with the employee(s) who perform(s) the service	
3.9	I have developed a friendship with the related employee(s)	
3.10	I believe I have a friendship with my insurer	
3.11	I believe I receive faster service than most other customers	Special treatment benefits
3.12	My insurer offers me special services	
3.13	My insurer offers me better prices than for other customers	

Main finding RB1: The confirmatory factor analysis supports the three relational benefits factors that have been identified through the literature review of the study.

6.6.1.4 Reliability of relational benefits: Cronbach's alpha values

Again the reliability of section C of the scale measuring the relational benefits construct is determined by the Cronbach's alpha values, which determine the correlation between items in a scale which is, in turn, used to establish the internal reliability of the data. Table 6.21 indicates the Cronbach's alpha values for the above-mentioned factors obtained during the confirmatory factor analysis on relational benefits in section C of the questionnaire.

Table 6.21: Cronbach's alpha values associated with the factor analysis of relational benefits

Factor	Factor label	Cronbach's alpha values
1	Confidence benefits	0.91
2	Social benefits	0.92
3	Special treatment benefits	0.88

As can be seen in Table 6.21, the Cronbach's alpha values of each factor is larger than 0.70, which indicates a high level of reliability between items that measure each of the factors underlying relational benefits (Zikmund & Babin, 2012:249).

Main finding RB2: The three factors as confirmed by the confirmatory factor analysis are reliable to measure the relational benefits respondents receive in this study.

6.6.2 Testing of hypotheses H_8 and H_9

In order to test H_8 and H_9 , t -tests for independent groups and one-way ANOVAs were performed to determine whether statistical and practical significant differences exist between different groups of respondents regarding the relational benefits insurers provide. The subsequent sections discuss the results and findings for the t -tests for independent groups and one-way ANOVAs for H_8 and H_9 .

When interpreting the results, it should be noted that the hypotheses are only accepted, and the main findings only report on the cases where *statistically significant* differences exist. In addition, only large effect sizes are reported on in this chapter, since small and medium effects do not have a significant impact on practice (Ellis & Steyn, 2003:51).

6.6.2.1 Hypothesis 8

H_8 : Direct and indirect insurance respondents differ significantly in terms of each of the three relational benefits.

In order to test H_8 , t -tests for independent groups were performed to determine the statistical significance of the difference between respondents using direct and indirect insurers regarding their relational benefits factors. Initial analysis found statistically significant differences for three relational benefit factors, namely confidence benefits, social benefits and special treatment benefits. Consequently, the practical significance for these statistically significant factors was determined. Table 6.22 indicates the mean, standard deviation, p -value and d -value for each factor in terms of direct and indirect insurance respondents.

Table 6.22: Relational benefits for each insurance type

Factors	Group	n	Mean	Std. dev.	p -value	d -value
Confidence benefits	Direct	438	6.73	1.63	0.01*	0.16
	Indirect	451	7.00	1.56		
Social benefits	Direct	437	4.85	2.36	0.00*	0.26
	Indirect	451	5.48	2.46		
Special treatment benefits	Direct	437	4.98	2.32	0.02*	0.16
	Indirect	451	5.35	2.33		

*statistically significant

From the p -values in Table 6.22 it can be seen that statistically significant differences exist between direct and indirect insurance respondents and the benefits relating to confidence, social and special treatment they receive from their insurers. The p -values, d -values and means for these factors are as follows:

- Confidence benefits ($p = 0.01$): Indirect insurance respondents (mean = 7.00) receive more confidence benefits from their insurers than direct insurance respondents do (mean = 6.73); $d = 0.16$.
- Social benefits ($p = 0.00$): Indirect insurance respondents (mean = 5.48) receive more social benefits from their insurers than direct insurance respondents do (mean = 4.85); $d = 0.26$.

- Special treatment benefits ($p = 0.02$): Indirect insurance respondents (mean = 5.35) receive more special treatment benefits from their insurers than direct insurance respondents do (mean = 4.98); $d = 0.16$.

Based on these results, **H₈ is supported**, since statistically significant differences could be found between direct and indirect insurance respondents for all the relational benefits factors.

From the small d -values, it can be derived that indirect insurance respondents do not largely practically significantly receive more relational benefits from their insurers than direct insurance respondents do.

Main finding RB3_s: Indirect insurance respondents perceive that they receive *statistically significantly* more confidence benefits, social benefits and special treatment benefits from their insurers than direct insurance respondents do.

Main finding RB3_p: Indirect insurance respondents perceive that they receive **small**, but not largely *practically significantly* more relational benefits from their insurers than direct insurance respondents do.

6.6.2.2 Hypothesis 9

As was the case with hypothesis H₅, H₉ was also refined into a number of sub-hypotheses to facilitate testing the main hypothesis.

H₉: Different groups of respondents differ significantly in terms of any of the three relational benefits.

H_{9a}: *Male and female* respondents differ significantly in terms of any of the three relational benefits.

H_{9b}: Respondents of different *ages* differ significantly in terms of any of the three relational benefits.

H _{9c} : Respondents with different <i>levels of education</i> differ significantly in terms of any of the three relational benefits.
H _{9d} : Respondents who have been with their insurers for <i>different durations</i> differ significantly in terms of any of the three relational benefits.
H _{9e} : Respondents with different levels of <i>income</i> differ significantly in terms of any of the three relational benefits.
H _{9f} : Respondents with different <i>home languages</i> differ significantly in terms of any of the three relational benefits.
H _{9g} : Respondents <i>contacted</i> by insurers at <i>different frequencies</i> differ significantly in terms of any of the three relational benefits.
H _{9h} : Respondents paying different <i>monthly insurance premiums</i> differ significantly in terms of any of the three relational benefits.

A) Hypothesis 9_a

A *t*-test for independent groups was performed to test H_{9a} with regard to the relational benefits that respondents receive and their *gender*. Analysis found no statistically significant differences between gender and the relational benefits factors (confidence benefits: $p = 0.65$; social benefits: $p = 0.69$; special treatment benefits: $p = 0.99$). **H_{9a}** is therefore **not supported**.

Main finding RB4_s: Overall, no *statistically significant* differences were found between male and female respondents regarding the three relational benefits.

B) Hypothesis 9_b

For H_{9b}, a one-way ANOVA was performed to determine whether statistically significant differences exist between respondents' *age* and the three relational benefits they receive from their insurers. Initial analysis found that statistically significant differences exist between respondents' age and two of the relational benefit factors, namely confidence

benefits and special treatment benefits. The practical significance of these two factors were therefore determined, which are indicated in Table 6.23 by means of the mean and standard deviation for each factor, as well as the effect sizes obtained when comparing respondents' age in relation to the relational benefits they receive.

Table 6.23: Effect sizes of the relational benefits respondents receive and their age regarding the SERVQUAL factors

Factors	Mean	Std. dev.	n	Comparisons significant at the 0.05 level [▲]	Group [♦]	d-value					
						(1)	(2)	(3)	(4)	(5)	(6)
Confidence benefits	6.12	1.88	27	5-1	(1)	-	0.31	0.47	0.47	0.53	0.38
	6.72	1.59	362		(2)	0.31	-	0.18	0.18	0.25	0.06
	7.01	1.60	221		(3)	0.47	0.18	-	0.00	0.07	0.10
	7.00	1.57	172		(4)	0.47	0.18	0.00	-	0.07	0.09
	7.12	1.43	89		(5)	0.53	0.25	0.07	0.07	-	0.16
	6.83	1.81	13		(6)	0.38	0.06	0.10	0.09	0.16	-
Special treatment benefits	5.31	2.22	27	3-2	(1)	-	0.17	0.10	0.05	0.04	0.11
	4.92	2.33	362		(2)	0.17	-	0.26	0.11	0.13	0.04
	5.54	2.36	220		(3)	0.10	0.26	-	0.15	0.14	0.20
	5.18	2.38	172		(4)	0.05	0.11	0.15	-	0.02	0.06
	5.22	2.04	89		(5)	0.04	0.13	0.14	0.02	-	0.07
	5.03	2.65	13		(6)	0.11	0.04	0.20	0.06	0.07	-

[▲]Tukey's comparison significant at the 0.05 level

[♦]Group: (1) Younger than 20; (2) 20 - 30; (3) 31 - 40; (4) 41 - 50; (5) 51 - 60; (6) 61 and older

From Table 6.23, it can be determined that statistically significant differences exist between respondents based on *age* and confidence benefits and special treatment benefits. The *p*-values, *d*-values and means for these factors are as follows:

- Confidence benefits ($p < 0.05$): Respondents of ages 51 - 60 (mean = 7.12) receive more confidence benefits than those respondents younger than 20 (mean = 6.12); $d = 0.53$.

- Special treatment benefits ($p < 0.05$): Respondents of ages 31 - 40 (mean = 5.54) receive more special treatment benefits than those respondents of ages 20 - 30 (mean = 4.92); $d = 0.26$.
- Social benefits ($p < 0.05$): Respondents of ages 61 and older (mean = 7.50) receive more social benefits than those respondents younger than 20 (mean = 5.57); $d = 1.02$.

Based on the above results, **H_{9b}** is **partially supported**, since statistically significant differences could be found between respondents of different ages for all the relational benefits factors, except for social benefits.

Small and medium d -values were obtained for confidence benefits and special treatment benefits respectively, indicating that respondents of different ages do not differ largely practically significantly with regard to either confidence benefits or special treatment benefits. However, a large d -value was obtained for social benefits, indicating that respondents of ages 61 and older receive largely *practically* significantly more social benefits than those respondents younger than 20.

Main finding RB5_s:

- Overall, respondents of ages 51 - 60 perceive that they receive *statistically significantly* more confidence benefits from their insurers than those respondents younger than 20 do.
- Overall, respondents of ages 31 - 40 perceive that they receive *statistically significantly* more special treatment benefits from their insurers than those respondents of ages 20-30 do.
- Overall, respondents of ages 61 and older perceive that they receive *statistically significantly* more social benefits from their insurers than those respondents younger than 20 do.

Main finding RB5_p: Overall, respondents of ages 61 and older perceive that they receive **small** or **moderately**, but not largely *practically significantly* more social benefits from their insurers than those respondents younger than 20.

Further one-way ANOVAs were performed regarding the relational benefits respondents receive and their level of education (H_{9c}), duration with insurer (H_{9d}), income (H_{9e}), language (H_{9f}), how often they are contacted by their insurers (H_{9g}) and monthly insurance premium (H_{9h}).

C) Hypothesis 9_c and 9_d

No statistically significant differences were found with regard to the relational benefits respondents receive and their level of education or duration with insurer. **H_{9c} and H_{9d}** are therefore **not supported**.

Main finding RB6_s: Overall, respondents with different levels of education do not differ *statistically significantly* with regard to the three relational benefits factors.

Main finding RB7_s: Overall, respondents who have been with their insurers for different durations do not differ *statistically significantly* with regard to the three relational benefits factors.

D) Hypothesis 9_e

Initial analysis found statistically significant differences between respondents from different *income* groups and factor 1 (confidence benefits). The *d*-values and means for this factor are as follow ($p < 0.05$):

- Respondents with a monthly income higher than R30 000 (mean = 7.33) receive more confidence benefits than those respondents earning less than R5 000 per month (mean = 6.16; $d = 0.78$) and R5 000 - R10 000 per month (mean = 6.55; $d = 0.45$).
- Respondents with a monthly income of R10 001 - R15 000 (mean = 7.07) receive more confidence benefits than those respondents earning less than R5 000 per month (mean = 6.16; $d = 0.57$) and R5 000 - R10 000 per month (mean = 6.55; $d = 0.30$).

- Respondents with a monthly income of R15 001 - R20 000 (mean = 6.92; $d = 0.50$) and R20 001 - R25 000 (mean = 6.87; $d = 0.47$) receive more confidence benefits than those respondents earning less than R5 000 per month (mean = 6.16).

Based on the above results, **H_{9e}** is **partially supported**, since statistically significant differences could be found between respondents of different income groups for one of the relational benefits factors, namely confidence benefits. A large d -value was obtained for confidence benefits, indicating that respondents with a monthly income of more than R30 000 receive largely *practically* significantly more confidence benefits than those respondents earning less than R5 000 per month.

Main finding RB8_s:

- Overall, respondents with a monthly income higher than R30 000 and R10 001 - R15 000 perceive that they receive *statistically significantly* more confidence benefits from their insurers than those respondents earning R10 000 and less per month.
- Overall, respondents with a monthly income of R15 001 - R25 000 perceive that they receive *statistically significantly* more confidence benefits from their insurers than those respondents earning less than R5 000 per month.

Main finding RB8_p: Overall, respondents with a monthly income higher than R30 000 perceive that they receive **largely practically significantly** more confidence benefits from their insurers than those respondents earning less than R5 000 per month.

E) Hypothesis 9_f

Initial analysis found statistically significant differences between respondents with different *home languages* and factor 1 (confidence benefits). The p -values, d -values and means for this factor are as follows:

- Confidence benefits ($p < 0.05$): Afrikaans speaking respondents (mean = 7.35) receive more confidence benefits than English (mean = 6.84; $d = 0.34$), Sotho (mean = 6.82; $d = 0.30$) and Nguni (mean = 6.74; $d = 0.36$) speaking respondents.

Based on the above results, **H_{9f}** is **partially supported**, since a statistically significant difference could be found between respondents speaking different home languages for one of the relational benefits factors, namely confidence benefits.

Small *d*-values were obtained for confidence benefits, indicating that respondents speaking different home languages do not differ largely practically significantly with regard to confidence benefits.

Main finding RB9_s:

- Overall, Afrikaans speaking respondents perceive that they receive *statistically significantly* more confidence benefits from their insurers than English, Sotho and Nguni speaking respondents do.

Main finding RB9_p: Overall, respondents with different home languages perceive that they receive **small**, but not largely *practically significantly* more relational benefits from their insurers.

F) Hypothesis 9_g

Initial analysis found statistically significant differences between *how often respondents are contacted* by their insurers and all three relational benefits factors. The *p*-values, *d*-values and means for these factors are as follows:

- Confidence benefits ($p < 0.05$): Respondents who are contacted on a monthly basis (mean = 7.09; $d = 0.57$), twice a year (mean = 7.08; $d = 0.56$), once a year (mean = 6.87; $d = 0.46$), and every 2 to 3 months (mean = 6.85; $d = 0.45$) receive more confidence benefits than those respondents who are contacted less than once a year (mean = 5.91).
- Social benefits ($p < 0.05$):
 - Respondents who are contacted on a monthly basis (mean = 5.82) receive more social benefits than those respondents who are contacted once a year (mean = 5.82; d

= 0.37), twice a year (mean = 5.01; $d = 0.33$), and less than once a year (mean = 3.62; $d = 0.92$).

- Respondents who are contacted every 2 to 3 months (mean = 5.31; $d = 0.71$), twice a year (mean = 5.01; $d = 0.58$), and once a year (mean = 4.95; $d = 0.56$) receive more social benefits than those who are contacted less than once a year (mean = 3.62).
- Special treatment benefits ($p < 0.05$):
 - Respondents who are contacted on a monthly basis (mean = 5.82) receive more special treatment benefits than those respondents who are contacted every 2 to 3 months (mean = 5.25; $d = 0.25$), twice a year (mean = 5.00; $d = 0.35$), once a year (mean = 4.80; $d = 0.44$), and less than once a year (mean = 4.10; $d = 0.71$).
 - Respondents who are contacted every 2 to 3 months (mean = 5.25; $d = 0.47$) and twice a year (mean = 5.00; $d = 0.37$) receive more special treatment benefits than those respondents who are contacted less than once a year (mean = 4.10).

Based on the above results, **H_{9g}** is **supported**, since respondents who are contacted by their insurers at different intervals differ statistically significantly in terms of all three relational benefits factors.

Small and medium d -values were obtained for confidence benefits, indicating that respondents who are contacted by their insurers at different intervals do not differ largely practically significantly with regard to confidence benefits. However, large d -values were obtained for social benefits, indicating that respondents who are contacted on a monthly basis, or every 2 to 3 months receive largely *practically* significantly more social benefits than those respondents being contacted less than once a year. A large d -value was also obtained with regard to special treatment benefits, indicating that respondents who are contacted on a monthly basis receive largely *practically* significantly more special treatment benefits than those respondents who are contacted less than once a year.

Main finding RB10_s:

- Overall, respondents who are contacted on a monthly basis, twice a year, once a year, or every 2 to 3 months perceive that they receive *statistically significantly* more

confidence benefits from their insurers than those respondents who are contacted less than once a year.

- Overall, respondents who are contacted on a monthly basis perceive that they receive *statistically significantly* more social benefits from their insurers than those respondents who are contacted twice a year, once a year, or less than once a year.
- Overall, respondents who are contacted every 2 to 3 months, twice a year, or once a year perceive that they receive *statistically significantly* more social benefits from their insurers than those respondents who are contacted less than once a year.
- Overall, respondents who are contacted on a monthly basis perceive that they receive *statistically significantly* more special treatment benefits from their insurers than those respondents who are contacted every 2 to 3 months, twice a year, once a year, or less than once a year.
- Overall, respondents who are contacted every 2 to 3 months or twice a year perceive that they receive *statistically significantly* more special treatment benefits from their insurers than those respondents who are contacted less than once a year.

Main finding RB10_p:

- Overall, respondents who are contacted on a monthly basis, or every 2 to 3 months perceive that they receive **largely practically significantly** more social benefits from their insurers than those respondents being contacted less than once year.
- Overall, respondents who are contacted on a monthly basis perceive that they receive **largely practically significantly** more special treatment benefits from their insurers than those respondents who are contacted less than once a year.

G) Hypothesis 9_h

Initial analysis found statistically significant differences between respondents paying different *insurance premiums* and factor 2 (social benefits). The *p*-values, *d*-values and means for these factors are as follows:

- Social benefits ($p < 0.05$): Respondents paying a monthly premium of more than R3 000 (mean = 6.19) receive more social benefits than those respondents paying premiums of R500 - R1 000 per month (mean = 5.01; $d = 0.48$) and R1 001 - R1 500 per month (mean = 4.98; $d = 0.49$).

Based on the above results, **H_{9h} is partially supported**, since statistically significant differences could be uncovered between respondents paying different monthly insurance premiums for one of the Relational benefits factors, namely social benefits.

Medium d -values were obtained for social benefits, indicating that respondents paying different insurance premiums do not differ largely significantly regarding social benefits.

Main finding RB11_s: Overall, respondents paying a monthly insurance premium of more than R3 000 perceive that they receive *statistically significantly* more social benefits from their insurers than those respondents paying R500 - R1 500 per month.

Main finding RB11_p: Overall, respondents paying different monthly insurance premiums perceive that they receive **moderately**, but not largely *practically significantly* more relational benefits.

6.6.3 Results: customer satisfaction

The second part of section C of the questionnaire determined the customer satisfaction levels of respondents with their insurers. The validity and reliability of the customer satisfaction items were therefore determined, and the results obtained for this section of the questionnaire are further discussed below.

6.6.3.1 Frequency distribution and means for customer satisfaction

Respondents were asked to indicate their satisfaction with their insurers on a 10-point Likert-type scale, where 1 indicates that respondents “strongly disagree” and 10 indicates that respondents “strongly agree” with the given statements. Table 6.24 presents the results

pertaining to respondents' satisfaction with their insurers. These results are presented in terms of the two low box (percentage of respondents who indicated 1 and 2 on the Likert-type scale) and two top box (percentage of respondents who indicated 9 and 10 on the Likert-type scale) frequencies, means and standard deviations for the entire sample, as well as for direct and indirect insurers respectively. These measures also provide insight into the distribution of the results obtained for each statement.

As can be seen in Table 6.24, the smallest mean for customer satisfaction of the total sample is 6.46 ("I am happy with the efforts my insurer is making towards regular customers like me"), which is also the smallest mean for direct insurance respondents (6.49). The smallest mean for indirect insurance respondents is 6.35 ("I am satisfied with the social contact when I deal with my insurer").

The largest mean for customer satisfaction of the total sample is 7.16 ("My insurer deals professionally with me"), which is also the largest mean for both direct (7.20) and indirect insurance respondents (7.11).

The individual statements (Table 6.24) will, however, not be used to compare direct and indirect insurance respondents in terms of their satisfaction with their insurers, but rather the differences in terms of the factors obtained from the factor analysis (section 6.6.3.3, p. 228).

6.6.3.2 Distribution of customer satisfaction results

It is necessary to determine whether the results obtained for each of the statements measuring respondents' level of customer satisfaction show a normal distribution. The *kurtosis* and *skewness* of the distribution of the results for each of the 18 statements in Table 6.24 were therefore examined. All 18 statements regarding customer satisfaction fall within these limits. Since the sample size is sufficiently large (greater than 30) and since all statements are normally distributed, parametric tests are most suitable for comparing means (in this instance the paired-samples *t*-test for dependent groups, *t*-tests for independent groups and one-way ANOVAs were used).

Table 6.24 Respondents' satisfaction with their insurers

Question	Customer Satisfaction	Total				Direct				Indirect			
		Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev
3.14	I think that I did the right thing when I purchased my insurance	2.7	25.3	7.06	2.07	2.7	27.5	7.14	2.08	2.8	22.9	6.97	2.07
3.15	My choice to make use of my insurer was a wise one	3.2	25.2	7.02	2.07	3.1	27.8	7.19	2.02	3.3	22.4	6.85	2.11
3.16	I feel satisfied that the results from insuring with my insurer is the best that can be achieved	3.2	18.6	6.73	2.00	3.6	20.7	6.82	2.01	2.8	16.4	6.64	1.99
3.17	I am satisfied with the insurance advice I received	3.0	21.2	6.79	2.03	2.0	22.5	6.94	1.98	4.0	19.6	6.63	2.08
3.18	I am satisfied with the product selection my insurer offers	2.6	21.9	6.89	2.00	2.5	21.8	6.94	2.02	2.8	22.1	6.84	1.99
3.19	I am satisfied with the insurance information that was communicated	2.4	21.2	6.92	3.11	2.4	21.6	6.87	2.02	2.3	20.7	6.98	3.94
3.20	I am satisfied with the quality and value of the policies offered	2.4	19.8	6.89	1.93	2.0	21.4	6.99	1.92	2.8	18.2	6.79	1.94
3.21	I am satisfied with the level of assistance provided by the employees	2.9	20.4	6.81	2.01	2.5	22.9	6.91	2.01	3.3	17.8	6.70	2.00
3.22	I am satisfied with the willingness of the employees of my insurer to provide me with assistance	3.1	18.6	6.75	2.00	2.2	20.5	6.82	1.99	3.9	16.5	6.67	2.01
3.23	I am happy with the efforts my insurer is making towards regular customers like me	5.8	17.8	6.46	2.18	6.5	18.1	6.49	2.21	5.0	17.5	6.44	2.16
3.24	My insurer offers convenient contact hours/operating hours	2.8	23.5	6.91	2.07	2.7	22.2	6.88	2.05	3.0	24.9	6.94	2.09
3.25	My insurer deals professionally with me	2.6	26.6	7.16	1.96	1.8	27.6	7.20	1.92	3.4	25.6	7.11	2.00
3.26	I am satisfied with the relationship I have with my insurer	3.7	20.2	6.73	2.11	3.8	21.7	6.83	2.12	3.7	18.7	6.63	2.10
3.27	I am satisfied with the social contact when I deal with my insurer	4.5	18.5	6.56	2.11	3.3	20.5	6.76	2.05	5.8	16.4	6.35	2.15
3.28	I am satisfied with my insurer's response time	3.3	19.1	6.76	2.02	3.1	11.2	6.85	2.04	3.5	17.1	6.68	1.99
3.29	My feelings about my insurer are very positive	3.8	21.2	6.83	2.04	3.8	22.2	6.88	2.07	3.7	20.1	6.79	2.02
3.30	I am always delighted with my insurer's service	3.2	20.4	6.70	2.10	3.3	21.4	6.75	2.10	3.0	19.2	6.64	2.10
3.31	Overall, I am satisfied with my insurer	3.5	26.7	7.05	2.11	3.6	28.8	7.12	2.10	3.4	24.6	6.99	2.12

6.6.3.3 Validity of customer satisfaction: factor analysis

A confirmatory factor analysis was conducted on the 18 items that were used to determine respondents' satisfaction with their insurers, with a view to determine whether these items present customer satisfaction in a valid manner. The factor analysis determined that these items (questions 3.16 - 3.33 of the questionnaire) together make up one component (customer satisfaction factor) with an eigenvalue exceeding 1.00, explaining 67.92% of the variance. The MSA was 0.97. The communalities varied from 0.32 to 0.80. The construct validity of this factor was thus confirmed. Table 6.25 presents the items and statements that present the customer satisfaction factor.

Table 6.25: Confirmation of the customer satisfaction factor

Item	Service quality elements in questionnaire	Factor
3.14	I think that I did the right thing when I purchased my insurance	Customer Satisfaction
3.15	My choice to make use of my insurer was a wise one	
3.16	I feel satisfied that the results from insuring with my insurer is the best that can be achieved	
3.17	I am satisfied with the insurance advice I received	
3.18	I am satisfied with the product selection my insurer offers	
3.19	I am satisfied with the insurance information that was communicated to me	
3.20	I am satisfied with the quality and value of the policies offered	
3.21	I am satisfied with the level of assistance provided by the employees	
3.22	I am satisfied with the willingness of the employees of my insurer to provide me with assistance	
3.23	I am happy with the efforts my insurer is making towards regular customers like me	
3.24	My insurer offers convenient contact hours / operating hours	
3.25	My insurer deals professionally with me	
3.26	I am satisfied with the relationship I have with my insurer	
3.27	I am satisfied with the social contact that takes place when I deal with my insurer	
3.28	I am satisfied with my insurer's response time	
3.29	My feelings about my insurer are very positive	
3.30	I am always delighted with my insurer's service	
3.31	Overall, I am satisfied with my insurer	

Main finding CS1: The confirmatory factor analysis supports the customer satisfaction factor that has been identified in the literature review of the study.

6.6.3.4 Reliability of customer satisfaction: Cronbach's alpha value

The reliability of customer satisfaction of section C of the scale measuring customer satisfaction was determined by the Cronbach's alpha value. Table 6.26 indicates the Cronbach's alpha value for customer satisfaction, which is larger than 0.70, and which therefore indicates a high level of reliability between items measuring the factor underlying customer satisfaction (Zikmund & Babin, 2012:249).

Table 6.26: Cronbach's alpha value associated with the factor analysis of customer satisfaction

Factor	Factor label	Cronbach's alpha value
1	Customer satisfaction	0.97

Main finding CS2: The factor as confirmed by the confirmatory factor analysis is reliable to measure customer satisfaction.

6.6.4 Testing of hypotheses H_{10} and H_{11}

In order to test H_{10} and H_{11} , t -tests for independent groups and one-way ANOVAs were performed to determine any differences between direct and indirect insurance respondents with regard to their level of satisfaction with their insurers. The subsequent sections discuss the results and findings for the t -tests for independent groups and one-way ANOVAs for H_{10} and H_{11} .

When interpreting the results, it should be noted that the hypotheses are only accepted, and the main findings only report on the cases where *statistically significant* differences exist. In addition, only large effect sizes are reported on in this chapter, since small and medium effects do not have a significant impact on practice (Ellis & Steyn, 2003:51).

6.6.4.1 Hypothesis 10

H_{10} : Direct and indirect insurance respondents differ significantly in terms of their level of satisfaction with their insurers.

To test H_{10} , t -tests for independent groups were performed to determine whether statistically significant differences exist between the means of respondents using direct and indirect insurers and their satisfaction with their insurers. Table 6.27 indicates the mean, standard deviation, p -value and d -value for the customer satisfaction factor in terms of direct and indirect insurance respondents.

Table 6.27: Customer satisfaction for each insurance type

Factors	Group	n	Mean	Std. dev.	p -value	d -value
Customer satisfaction	Direct	437	6.75	1.73	0.20	0.09
	Indirect	451	6.90	1.67		

From the p -value in Table 6.27 it can be seen that no statistically significant difference exist between the level of satisfaction of direct and indirect insurance respondents with their insurer. Accordingly, **H_{10} is not supported**, since direct and indirect insurance respondents do not differ *statistically* significantly in terms of their level of satisfaction with their insurers.

Main finding CS3_s: Direct and indirect insurance respondents do not differ *statistically significantly* in terms of their satisfaction with their insurers.

6.6.4.2 Hypothesis 11

As with hypothesis H_5 , H_{11} was also refined into sub-hypotheses to facilitate testing the main hypothesis.

H_{11} : Different groups of respondents differ significantly in terms of their level of satisfaction with their insurers.

H _{11a} : <i>Male and female</i> respondents differ significantly in terms of their levels of satisfaction with their insurers.
H _{11b} : Respondents of different <i>ages</i> differ significantly in terms of their levels of satisfaction with their insurers.
H _{11c} : Respondents with different <i>levels of education</i> differ significantly in terms of their levels of satisfaction with their insurers.
H _{11d} : Respondents that have been with their insurers for <i>different durations</i> differ significantly in terms of their levels of satisfaction with their insurers.
H _{11e} : Respondents with different levels of <i>income</i> differ significantly in terms of their level of satisfaction with their insurers.
H _{11f} : Respondents with different <i>home languages</i> differ significantly in terms of their levels of satisfaction with their insurers.
H _{11g} : Respondents <i>contacted</i> by insurers at <i>different frequencies</i> differ significantly in terms of their levels of satisfaction with their insurers.
H _{11h} : Respondents paying different <i>monthly insurance premiums</i> differ significantly in terms of their levels of satisfaction with their insurers.

A) Hypothesis 11_a

A *t*-test for independent groups was performed to test H_{11a} with regard to the satisfaction of respondents with their insurers and their *gender*. Analysis found no statistically significant difference between gender and the customer satisfaction factor ($p = 0.29$). **H_{11a}** is therefore **not supported**.

Main finding CS4_s: Overall, no *statistically* significant differences were found between male and female respondents regarding customer satisfaction.

B) Hypotheses 11_b, 11_c and 11_d

For H_{11b}, H_{11c} and H_{11d} one-way ANOVAs were performed with a view to determine whether statistically significant differences exist between groups of respondents' customer satisfaction and their *age* (H_{11b}), level of *education* (H_{11c}), and *duration* with insurer (H_{11d}). No statistically significant differences were found in terms of the level of customer satisfaction and respondents' age, level of education or duration with insurer. **H_{11b}, H_{11c} and H_{11d} are therefore not supported.**

Main finding CS5_s: Overall, respondents of different ages do not differ *statistically significantly* with regard to their satisfaction levels with their insurers.

Main finding CS6_s: Overall, respondents with different levels of education do not differ *statistically significantly* with regard to their satisfaction levels with their insurers.

Main finding CS7_s: Overall, respondents who have been with their insurers for different durations do not differ *statistically significantly* in terms of their satisfaction levels with their insurers.

C) Hypothesis 11_e

Initial analysis found statistically significant differences between groups of respondents based on their level of *income* with regard to customer satisfaction. The *p*-values, *d*-values and means for satisfaction levels are as follows:

- Respondents with a monthly income of more than R30 000 (mean = 7.21) and R10 001 - R15 000 (mean = 7.02; *d* = 0.51) have higher satisfaction levels than those respondents earning less than R5 000 per month (mean = 6.33; *d* = 0.40); *p* < 0.05.

Based on the above results, **H_{11e} is supported**, since respondents of different income groups differ statistically significantly in terms of their satisfaction levels with their insurers. However, from the medium *d*-values, it is evident that respondents of different

income groups do not differ largely practically significantly with regard to satisfaction levels.

Main finding CS8_s: Overall, respondents with a monthly income of more than R30 000 and R10 001 - R15 000 have *statistically* significantly higher levels of satisfaction with their insurers than those respondents earning less than R5 000 per month.

Main finding CS8_p: Overall, respondents with different income levels differ **moderately** and not largely *practically significantly* in terms of their levels of satisfaction with their insurers.

D) Hypothesis 11_f

Initial analysis found statistically significant differences between groups of respondents with different home *languages* in terms of customer satisfaction. The *p*-values, *d*-values and means for satisfaction levels are as follows:

- Afrikaans speaking respondents (mean = 7.26) have higher levels of satisfaction than English speaking respondents (mean = 6.72); $p < 0.05$; $d = 0.29$.

Based on the above results, **H_{11f} is supported**, since respondents speaking different home languages differ statistically significantly in terms of their satisfaction levels with their insurers. However, from the small *d*-value, it is evident that respondents speaking different home languages do not differ largely practically significantly in terms of satisfaction levels.

Main finding CS9_s: Overall, Afrikaans speaking respondents have *statistically significantly* higher levels of satisfaction with their insurers than English speaking respondents do.

Main finding CS9_p: Overall, respondents speaking different home languages differ in a **small**, but not largely *practically significantly* manner in terms of their satisfaction levels with their insurers.

E) Hypothesis 11_g

Initial analysis found statistically significant differences between groups of respondents based upon *how often respondents are contacted by their insurers* in terms of customer satisfaction. The p -values, d -values and means for satisfaction levels are as follows:

- Respondents who are contacted on a monthly basis (mean = 7.15) by their insurers have higher satisfaction levels than those respondents who are contacted once a year (mean = 6.69); $p < 0.05$; $d = 0.29$
- Respondents who are contacted on a monthly basis (mean = 7.15; $d = 0.62$), every 2 to 3 months (mean = 6.92; $d = 0.52$), twice a year (mean = 6.92; $d = 0.51$), and once a year (mean = 6.69; $d = 0.41$) have higher satisfaction levels than those respondents who are contacted less than once a year (mean = 5.80); $p < 0.05$.

Based on the above results, **H_{11g} is supported**, since respondents who are contacted at different frequencies differ statistically significantly in terms of their levels of satisfaction with their insurers.

Small and medium d -values were obtained with regard to satisfaction levels, indicating that respondents who are contacted at different frequencies by their insurers do not differ largely practically significantly with regard to their levels of satisfaction.

Main finding CS10_s:

- Overall, respondents who are contacted on a monthly basis by their insurers have *statistically significantly* higher levels of satisfaction with their insurers than those respondents who are contacted once a year.

- Overall, respondents who are contacted on a monthly basis, every 2 to 3 months, twice a year, and once a year have *statistically significantly* higher levels of satisfaction with their insurers than those respondents who are contacted less than once a year.

Main finding CS10_p: Overall, respondents who are contacted by insurers at different frequencies differ in a **small** or **moderately** degree, but not largely *practically significantly* in terms of their levels of satisfaction with their insurers.

F) Hypothesis 11_h

Initial analysis found statistically significant differences between groups of respondents paying different *insurance premiums* in terms of customer satisfaction. The *p*-values, *d*-values and means for level of satisfaction are as follows:

- Respondents paying a monthly insurance premium of R2 501 - R3 000 (mean = 7.78) have higher levels of satisfaction with their insurers than those respondents paying R1 501 - R2 000 (mean = 6.75; *d* = 0.61), R1 001 - R1 500 (mean = 6.78; *d* = 0.62), R500 - R1 000 (mean = 6.74; *d* = 0.60) and less than R500 (mean = 6.72; *d* = 0.57); *p* < 0.05.

Based on the above results, **H_{11h} is supported**, since respondents paying different monthly insurance premiums differ statistically significantly in terms of their levels of satisfaction with their insurers. Medium *d*-values were obtained with regard to level of satisfaction, indicating that respondents who pay different monthly insurance premiums do not differ largely practically significantly with regard to their levels of satisfaction.

Main finding CS11_s: Overall, respondents paying a monthly insurance premium of R2 501 - R3 000 have *statistically significantly* higher levels of satisfaction with their insurers than those respondents paying premiums of less than R2 000 per month.

Main finding CS11_P: Overall, respondents paying different monthly insurance premiums differ **moderately**, but not largely *practically significantly* in terms of their levels of satisfaction with their insurers.

6.6.5 Results: behavioural intention

The final part of section C of the questionnaire aimed to determine respondents' behavioural intention towards their insurers. The validity and reliability of the behavioural intention items were therefore determined, and the results obtained for this section will be further discussed below.

6.6.5.1 Frequency distribution and means for behavioural intention

Respondents were asked to indicate their behavioural intentions towards their insurers on a 10-point Likert-type scale, where 1 indicated that respondents "strongly disagree" and 10 indicated that respondents "strongly agree" with the given statements. Table 6.28 presents the results pertaining to respondents' behavioural intention towards their insurers. These results are presented in terms of the two low box (percentage of respondents who indicated 1 and 2 on the Likert-type scale) and two top box (percentage of respondents who indicated 9 and 10 on the Likert-type scale) frequencies, means and standard deviations for the entire sample, as well as for direct and indirect insurers respectively. These measures also provide insight into the distribution of the results obtained for each statement.

As can be seen in Table 6.28, the smallest mean for behavioural intention for the total sample is 5.94 ("I will remain with my insurer, even if other insurers offer slightly lower prices"), which is also the smallest mean for both direct (6.13) and indirect (5.74) insurance respondents.

The largest mean for behavioural intention for the total sample is 7.35 ("I will remain longer with my insurer if I was offered additional rewards"), which is also the largest mean for both direct (7.27) and indirect (7.43) insurance respondents.

Table 6.28: Respondents' behavioural intention

Question	Behavioural Intention	Total				Direct				Indirect			
		Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev	Low 2 box %	Top 2 box %	Mean	Std. dev
3.34	If I had to choose an insurer all over again, I would make the same choice	6.5	29.7	7.01	2.85	6.9	30.4	7.00	2.42	6.2	29.1	7.02	3.24
3.35	I will remain with my insurer, even if other insurers offer slightly lower prices (less than 10% difference in price)	13.1	18.4	5.94	2.63	11.7	21.4	6.13	2.64	14.7	15.3	5.74	2.62
3.38	In future, I will recommend my insurer to someone who seeks my advice	6.6	20.7	6.48	2.34	6.1	22.5	6.57	2.36	7.2	18.9	6.39	2.32
3.42	I often recommend my insurer to other people	10.0	19.5	6.13	2.50	9.3	20.0	6.17	2.48	10.8	19.0	6.09	2.52
3.39	I will become more loyal to my current insurer if it offered more individualised attention and special treatment	4.7	30.5	7.09	2.30	4.3	30.6	7.07	2.32	5.2	30.5	7.11	2.28
3.40	I will remain longer with my insurer if I was offered additional rewards	4.5	36.4	7.35	2.25	5.0	35.4	7.27	2.31	4.0	37.5	7.43	2.19

The individual statements (Table 6.28) will, however, not be used to compare direct and indirect insurance respondents in terms of their behavioural intention, but rather the differences in terms of the factors obtained from the factor analysis (section 6.6.5.3, p. 238).

6.6.5.2 Distribution of behavioural intention results

It is necessary to determine whether the results obtained for each of the statements measuring respondents' behavioural intentions show a normal distribution. The *kurtosis* and *skewness* of the distribution of the results for each of the 6 statements in Table 6.28 were therefore examined. All 6 statements regarding behavioural intention fall within these limits. Since the sample size is sufficiently large (more than 30) and since all statements are normally distributed, parametric tests are most suitable for comparing means (in this instance the paired-samples *t*-test for dependent groups, *t*-tests for independent groups and one-way ANOVAs were used).

6.6.5.3 Validity of behavioural intention: factor analysis

The validity of behavioural intention as part of section C of the questionnaire was determined through a confirmatory factor analysis. This analysis determined whether the behavioural intention items in section C of the questionnaire can be grouped according to the factors identified in the literature part of this study (section 4.6, p. 94).

In light of the literature review, it was determined that **factor 1 (loyalty)** consists of two items, namely:

- If I had to choose an insurer all over again, I would make the same choice.
- I will remain with my insurer even if other insurers offer slightly lower prices (less than 10% difference in price).

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 72.64% of the variance. The MSA was 0.50,

and the communalities for both items were 0.73. The construct validity of this factor was thus confirmed.

Also with reference to the literature review, it was established that **factor 2 (word-of-mouth)** consists of two items, namely:

- In future, I will recommend my insurer to someone who seeks my advice.
- I often recommend my insurer to other people.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 82.57% of the variance. The MSA was 0.50, and the communalities for both items were 0.83. The construct validity of this factor was thus confirmed.

In terms of the literature review, it was also determined derived that **factor 3 (future loyalty)** consists of two items, namely:

- I will become more loyal to my current insurer if it offered more individualised attention and special treatment.
- I will remain longer with my insurer if I was offered additional rewards.

When a confirmatory factor analysis was conducted for these items, it was confirmed that these items can be reduced to one factor, explaining 85.97% of the variance. The MSA was 0.50, and the communalities for both items were 0.86. The construct validity of this factor was thus confirmed.

The factors obtained from the confirmatory factor analysis were therefore the same as those factors obtained from the literature review. Table 6.29 presents the items and statements grouped according to the three factors identified from the theoretical exposition which will further be used throughout the rest of this chapter.

Table 6.29: Confirmation of the three behavioural intention factors

Item	Service quality elements in questionnaire	Factors
3.32	If I had to choose an insurer all over again, I would make the same choice	Loyalty
3.33	I will remain with my insurer, even if other insurers offer slightly lower prices (less than 10% difference in price)	
3.34	In future, I will recommend my insurer to someone who seeks my advice	Word-of-mouth
3.35	I often recommend my insurer to other people	
3.36	I will become more loyal to my current insurer if it offered more individualised attention and special treatment	Future loyalty
3.37	I will remain longer with my insurer if I was offered additional rewards	

Main finding BI1: The confirmatory factor analysis indicates that the three factors identified through the theoretical exploration of the study are valid and correspond to respondents' behavioural intention.

6.6.5.4 Reliability of behavioural intention: Cronbach's alpha values

The reliability of behavioural intention was determined by the Cronbach's alpha values, which determine the correlation between items in a scale which is, in turn, used to establish the internal reliability of the data. Table 6.30 indicates the Cronbach's alpha values for the above-mentioned factors obtained during the confirmatory factor analysis of behavioural intention.

Table 6.30: Cronbach's alpha values associated with the factor analysis of behavioural intention

Factor	Factor label	Cronbach's alpha values
1	Loyalty	0.62
2	Word-of-mouth	0.79
3	Future loyalty	0.84

From Table 6.30 it is evident that factor 1 (loyalty) had a Cronbach's alpha value lower than the acceptable cut-off point of 0.7 (Cronbach's alpha = 0.62), whereas factor 2 (word-of-

mouth) and factor 3 (future loyalty) had Cronbach's alpha values above the accepted norm. The high Cronbach's alpha values of factors 2 and 3 indicate a high level of reliability between items measuring each of the factors underlying behavioural intention (Bland & Altman, 1997:572).

However, Field (2005:288) explains that Cronbach's alpha values depend on the number of items of which the factor comprises. Thus, Cronbach's alpha values lower than 0.7 can be attributed to the factor(s) comprising only of two items (as with the three behavioural intention factors identified in Table 6.30) that loaded on the scale, and not because the scale is unreliable. Field (2005:668) further notes that Cronbach's alpha values lower than 0.7 can be acceptable in social science studies if the study is concerned with psychological constructs such as customers' attitudes and opinions (as is the case with this study). It can therefore be concluded that all three factors identified for behavioural intention are reliable and valid, even though factor 1 has a Cronbach's alpha value below 0.7.

Main finding BI2: The three factors confirmed by the confirmatory factor analysis are reliable for measuring the behavioural intention of respondents in this study.

6.6.6 Testing of hypotheses H_{12} and H_{13}

In order to test H_{12} and H_{13} , t -tests for independent groups and one-way ANOVAs were performed to determine any differences between direct and indirect insurance respondents in terms of their behavioural intentions towards their insurers. The subsequent sections discuss the results and findings for the t -tests for independent groups and one-way ANOVAs for H_{12} and H_{13} .

When interpreting the results, it should be noted that the hypotheses are only accepted, and the main findings only report on the cases where *statistically significant* differences exist. In addition, only large effect sizes are reported on in this chapter, since small and medium effects do not have a significant impact on practice (Ellis & Steyn, 2003:51).

6.6.6.1 Hypothesis 12

H_{12} : Direct and indirect insurance respondents differ significantly in terms of any of the three behavioural intention factors.

To test H_{12} , t -tests for independent groups were performed to determine whether statistically significant differences exist between the means of respondents using direct and indirect insurers and their behavioural intentions towards these insurers.

No statistically significant differences were, however, found between the behavioural intention of direct and indirect insurance respondents (loyalty: $p = 0.07$; word-of-mouth: $p = 0.06$; future loyalty: $p = 0.05$). H_{12} is therefore **not supported**, since direct and indirect insurance respondents do not differ statistically significantly in terms of any of the three behavioural intention factors.

Main finding BI3_s: Direct and indirect insurance respondents do not differ *statistically significantly* in terms of any of the three behavioural intention factors.

6.6.6.2 Hypothesis 13

As was the case with hypothesis H_5 , H_{13} was also refined into sub-hypotheses to enable testing the main hypothesis.

H_{13} : Different groups of respondents differ significantly in terms of any of the three behavioural intention factors.

H_{13a} : *Male and female* respondents differ significantly in terms of any of the three behavioural intention factors.

H_{13b} : Respondents of different *ages* differ significantly in terms of any of the three behavioural intention factors.

H _{13c} : Respondents with different <i>levels of education</i> differ significantly in terms any of the three behavioural intention factors.
H _{13d} : Respondents who have been with their insurers for <i>different durations</i> differ significantly in terms any of the three behavioural intention factors.
H _{13e} : Respondents with different levels of <i>income</i> differ significantly in terms any of the three behavioural intention factors.
H _{13f} : Respondents with different <i>home languages</i> differ significantly in terms any of the three behavioural intention factors.
H _{13g} : Respondents <i>contacted</i> by insurers at <i>different frequencies</i> differ significantly in terms any of the three behavioural intention factors.
H _{13h} : Respondents paying different <i>monthly insurance premiums</i> differ significantly in terms any of the three behavioural intention factors.

A) Hypothesis 13_a

A *t*-test for independent groups was performed, to test H_{13a}, with regard to respondents' behavioural intentions and their gender. Analysis found no statistically significant differences between gender and any three of the behavioural intention factors (loyalty: $p = 0.23$; word-of-mouth: $p = 0.28$; future loyalty: $p = 0.79$). **H_{13a} is therefore not supported.**

Main finding BI4_s: Overall, no *statistically* significant differences were found between male and female respondents regarding any of the three behavioural intention factors.

B) Hypotheses 13_b and 13_c

For H_{13b} and 13_c, one-way ANOVAs were performed to determine whether statistically significant differences exist between respondents and the three behavioural intention factors based upon their *age* (H_{13b}) and level of *education* (H_{13c}). No statistically significant differences were found with regard to behavioural intention and respondents' age and level of education. **H_{13b} and H_{13c} are therefore not supported.**

Main finding RI5_s: Respondents of different ages do not differ *statistically significantly* in terms of any of the three behavioural intention factors.

Main finding RI6_s: Respondents with different levels of education do not differ *statistically significantly* in terms of any of the three behavioural intention factors.

C) Hypothesis 13_d

Initial analysis found statistically significant differences between respondents who have been with their insurers for *different durations* and behavioural intention factor 3 (future loyalty). The *p*-values, *d*-values and means for behavioural intention are as follows:

- Respondents who have been with their insurers between 3 and 5 years (mean = 7.49) have higher future loyalty intentions than those respondents who have been with their insurers for less than 1 year (mean = 6.86); $p < 0.05$; $d = 0.28$.

Based on the above results, **H_{13d} is partially supported**, since statistically significant differences could be found between respondents who have been with their insurers for different durations for one of the behavioural intention factors, namely future loyalty. However, from the small *d*-value, it is evident that respondents who have been with their insurers for different durations do not differ largely practically significantly in terms of future loyalty.

Main finding BI7_s: Overall, respondents who have been with their insurers between 3 and 5 years have *statistically significantly* higher future loyalty intentions than those respondents who have been with their insurers for less than 1 year.

Main finding BI7_p: Overall, respondents who have been with their insurers for different durations differ **small** and not largely *practically significantly* in terms of any of the three behavioural intention factors.

D) Hypothesis 13_e

Initial analysis found statistically significant differences between respondents with different levels of *income* and behavioural intention factor 1 (loyalty) and factor 3 (future loyalty). The *p*-values, *d*-values and means are as follows:

- Loyalty ($p < 0.05$): Respondents with a monthly income of more than R30 000 (mean = 7.08) have higher loyalty intentions towards their insurers than those respondents earning less than R5 000 per month (mean = 6.00); $d = 0.53$.
- Future loyalty ($p < 0.05$): Respondents with a monthly income of R25 001 - R30 000 (mean = 7.79) have higher future loyalty intentions towards their insurers than those respondents earning less than R5 000 per month (mean = 6.64); $d = 0.52$.

Based on the above results, **H_{13e} is partially supported**, since statistically significant differences could be established between respondents of different income groups for two of the behavioural intention factors, namely loyalty and future loyalty. From the medium *d*-values, it is evident that respondents of different income groups do not differ largely practically significantly with regard to loyalty or future loyalty.

Main finding BI8_s:

- Overall, respondents with a monthly income of more than R30 000 have *statistically* significantly higher loyalty intentions towards their insurers than those respondents earning less than R5 000 per month.
- Overall, respondents with a monthly income of R25 001 - R30 000 have *statistically* significantly higher future loyalty intentions towards their insurers than those respondents earning less than R5 000 per month.

Main finding BI8_p: Overall, respondents with different levels of income differ **moderately** and not largely *practically significantly* in terms of any of the three behavioural intention factors.

E) Hypothesis 13_f

Initial analysis found statistically significant differences between respondents with different *home languages* and behavioural intention factor 2 (word-of-mouth). The *p*-values, *d*-values and means are as follows:

- Word-of-mouth ($p < 0.05$): Afrikaans speaking respondents (mean = 6.88) have higher positive word-of-mouth intentions towards their insurers than English speaking respondents (mean = 6.07); $d = 0.37$.

Based on the above results, **H_{13f} is partially supported**, since statistically significant differences could be found between respondents speaking different home languages and one of the behavioural intention factors, namely word-of-mouth. From the small *d*-value, it is evident that respondents speaking different home languages do not differ largely practically significantly with regard to word-of-mouth intentions.

Main finding BI9_s: Overall, Afrikaans speaking respondents have *statistically significantly* higher positive word-of-mouth intentions towards their insurers than English speaking respondents.

Main finding BI9_p: Overall, respondents with different home languages differ in a **small** degree and not largely *practically significantly* in terms of any of the three behavioural intention factors.

F) Hypothesis 13_g

Initial analysis found statistically significant differences between respondents who are *contacted* by insurers at *different frequencies* and behavioural intention factor 1 (loyalty) and factor 2 (word-of-mouth). The *p*-values, *d*-values and means are as follow:

- Loyalty ($p < 0.05$):
 - Respondents who are contacted on a monthly basis (mean = 7.06) have higher loyalty intentions towards their insurers than those respondents who are contacted once a year (mean = 6.07; $d = 0.40$).
 - Respondents who are contacted on a monthly basis (mean = 7.06; $d = 0.62$), every 2 to 3 months (mean = 6.58; $d = 0.45$) and twice a year (mean = 6.56; $d = 0.44$) have higher loyalty intentions towards their insurers than those respondents who are contacted less than once a year (mean = 5.36).
- Word-of-mouth ($p < 0.05$):
 - Respondents who are contacted on a monthly basis (mean = 6.72) have higher positive word-of-mouth intentions towards their insurers than those respondents who are contacted once a year (mean = 6.07; $d = 0.29$).
 - Respondents who are contacted on a monthly basis (mean = 6.72; $d = 0.48$), every 2 to 3 months (mean = 6.38; $d = 0.36$) and twice a year (mean = 6.34; $d = 0.34$) have higher positive word-of-mouth intentions towards their insurers than those respondents who are contacted less than once a year (mean = 5.39).

Based on the above results, **H_{13g} is partially supported**, since statistically significant differences could be determined between respondents who are contacted by their insurers at different frequencies for two of the behavioural intention factors, namely loyalty and word-of-mouth. From the small and medium d -values, it is evident that respondents who are contacted at different frequencies do not differ largely practically significantly with regard to loyalty or word-of-mouth.

Main finding BI10_s:

- Overall, respondents who are contacted on a monthly basis by their insurers have *statistically significantly* higher loyalty intentions towards their insurers than those respondents who are contacted once a year.
- Overall, respondents who are contacted on a monthly basis, every 2 to 3 months and twice a year by their insurers have *statistically significantly* higher loyalty intentions towards their insurers than those respondents who are contacted less than once a year.

- Overall, respondents who are contacted on a monthly basis by their insurers have *statistically significantly* higher word-of-mouth intentions towards their insurers than those respondents who are contacted once a year.
- Overall, respondents who are contacted on a monthly basis, every 2 to 3 months and twice a year by their insurers have *statistically significantly* higher word-of-mouth intentions towards their insurers than those respondents who are contacted less than once a year.

Main finding BI10_p: Overall, respondents who are contacted by their insurers at different frequencies differ in a **small** or **moderately** extent, but not largely *practically significantly* in terms of any of the three behavioural intention factors.

G) Hypothesis 13_h

Initial analysis found statistically significant differences between respondents paying different *monthly insurance premiums* and behavioural intention factor 1 (loyalty) and factor 2 (word-of-mouth). The *p*-values, *d*-values and means are as follow:

- Loyalty ($p < 0.05$):
 - Respondents paying a monthly insurance premium of R2 501 - R3 000 (mean = 8.38) have higher loyalty intentions than those respondents paying less than R500 (mean = 6.48; $d = 0.90$), R500 - R1 000 (mean = 6.19; $d = 0.95$), R1 001 - R1 500 (mean = 6.26; $d = 0.92$), R1 501 - R2 000 (mean = 6.69; $d = 0.55$), and R2 001 - R2 500 (mean = 6.55; $d = 0.89$) per month.
 - Respondents paying a monthly insurance premium of more than R3 000 (mean = 7.31) have higher loyalty intentions than those respondents paying R500 - R1 000 per month (mean = 6.48; $d = 0.49$).
- Word-of-mouth ($p < 0.05$):
 - Respondents paying a monthly insurance premium of R2 501 - R3 000 (mean = 7.75) have higher word-of-mouth intentions than those respondents paying less than R500 (mean = 6.33; $d = 0.65$), R500 - R1 000 (mean = 6.18; $d = 0.71$), R1 001 - R1

500 (mean = 6.20; $d = 0.72$), R1 501 - R2 000 (mean = 6.12; $d = 0.68$), and R2 001 - R2 500 (mean = 6.22; $d = 0.74$) per month.

Based on the above results, **H_{13h} is partially supported**, since statistically significant differences could be uncovered between respondents paying different monthly insurance premiums for two of the behavioural intention factors, namely loyalty and word-of-mouth.

Medium d -values were obtained, indicating that respondents paying different monthly insurance premiums do not all differ largely practically significantly with regard to behavioural intention. However, the large d -values with regard to loyalty indicate large practically significant differences between respondents paying a monthly insurance premium of R2 501 - R3 000 and those respondents paying less than R500, R500 - R1 000, R1 001 - R1 500, and R2 001 - R2 500 per month.

Main finding BI11_s:

- Overall, respondents paying a monthly insurance premium of R2 501 - R3 000 have *statistically significantly* higher loyalty intentions than those respondents paying less than R2 500 per month.
- Overall, respondents paying a monthly insurance premium of more than R3 000 have *statistically significantly* higher loyalty intentions than those respondents paying R500 - R1 000 per month.
- Overall, respondents paying a monthly insurance premium of R2 501 - R3 000 have *statistically significantly* higher word-of-mouth intentions than those respondents paying less than R2 500 per month.

Main finding BI11_p: Overall, respondents paying a monthly insurance premium of R2 501 - R3 000 have **large** *practically significantly* higher loyalty intentions towards their insurers than those respondents paying less than R1 500 per month, and those respondents paying R2 001 - R2 500 per month.

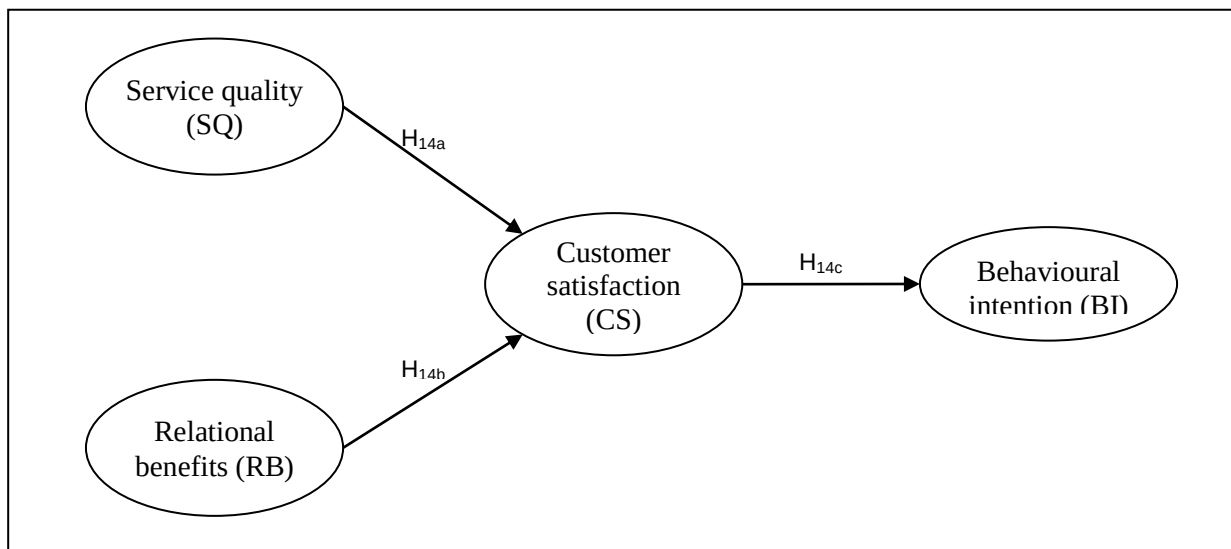
6.7 TESTING THE PROPOSED THEORETICAL MODEL AND HYPOTHESIS 14

As explained in Chapter 5 (section 5.3.5.2, p. 157), SEM is used to test the interrelationship between multiple (dependent and/or independent) variables – comparing a proposed theoretical model – and to determine the importance of each of these variables (Shook *et al.*, 2004:397). Therefore, to evaluate hypothesis 14 (H_{14}), the proposed theoretical model (Figure 1.4, p. 13) was tested using SEM with maximum likelihood estimates of the model parameters. This section presents the SEM results and related findings.

6.7.1 SEM results

The assessment of the fit of the structural model with the observed data was determined by means of Structural Equation Modelling (SEM). The results of the SEM showed acceptable fit between the measures and the data of the total sample. The theoretical model to be tested (section 1.5.4, p. 13) is illustrated in Figure 6.1, which also indicates the related hypotheses.

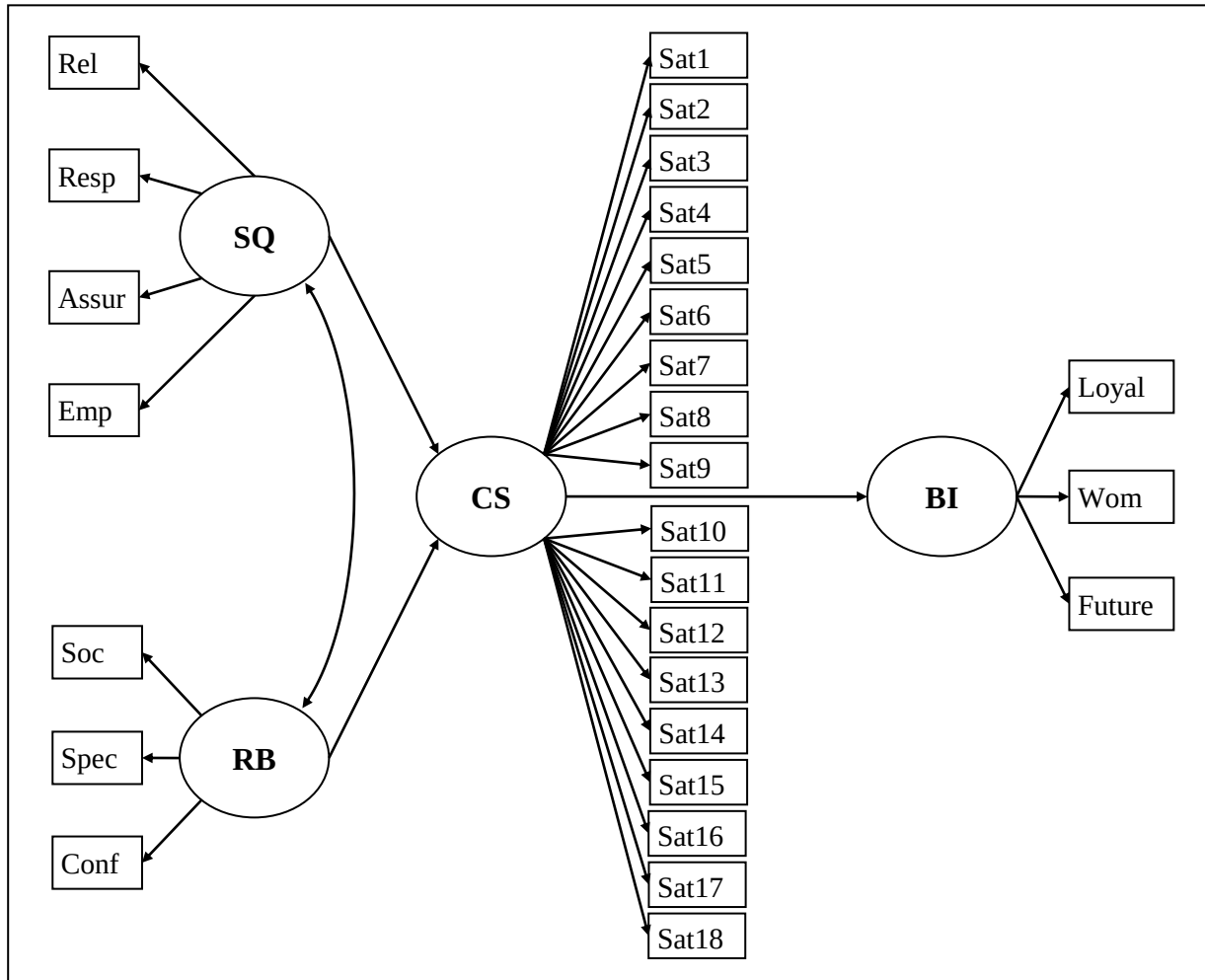
Figure 6.1: Theoretical model



The structural model, as compiled from the collected empirical data, is presented in Figure 6.2, followed by the standardised regression weights and correlations in Table 6.31 and Table 6.32.

The SEM goodness of fit indices for the structural model (compared to the empirical data) as well as for direct and indirect insurers are presented in Table 6.33.

Figure 6.2: SEM model



(Abbreviations used: **SQ** = Service quality; **RB** = Relational benefits; **CS** = Customer satisfaction; **BI** = Behavioural intentions; **Rel** = Reliability; **Resp** = Responsiveness; **Assu** = Assurance; **Emp** = Empathy; **Soc** = Social benefits; **Spec** = Special treatment benefits; **Conf** = Confidence benefits; **Sat** = Satisfaction; **Loyal** = Loyalty; **Wom** = Word-of-mouth; **Future** = Future loyalty)

For this study, the best model fit with the data obtained (Figure 6.2), indicates that:

- The service quality construct (consisting of reliability, responsiveness, assurance, and empathy) has an effect on customer satisfaction (consisting of the 18 satisfaction items – Appendix D, p. 335).

- The relational benefits construct (consisting of social benefits, special treatment benefits, and confidence benefits) has an effect on customer satisfaction (consisting of the 18 satisfaction items).
- The service quality construct (consisting of reliability, responsiveness, assurance, and empathy) and the relational benefits construct (consisting of social benefits, special treatment benefits, and confidence benefits) correlate with each other.
- The customer satisfaction construct (consisting of the 18 satisfaction items) has an effect on behavioural intention (consisting of loyalty, word-of-mouth, and future loyalty).

The standardised regression weights (β) and correlations between the CRM constructs – as indicated in Table 6.31 and Table 6.32 – are all statistically significant and interpretable.

Table 6.31: Standardised regression weights

	β weight	p -value
Service quality → Customer satisfaction	0.116	< 0.001
Relational benefits → Customer satisfaction	0.848	< 0.001
Customer satisfaction → Behavioural intention	0.921	< 0.001
Behavioural intention → Loyalty	0.867	< 0.001
Behavioural intention → Word-of-mouth	0.813	< 0.001
Behavioural intention → Future loyalty	0.412	< 0.001
Service quality → Reliability	0.895	< 0.001
Service quality → Responsiveness	0.942	< 0.001
Service quality → Assurance	0.863	< 0.001
Service quality → Empathy	0.885	< 0.001
Relational benefits → Special benefits	0.583	< 0.001
Relational benefits → Confidence benefits	0.873	< 0.001
Relational benefits → Social benefits	0.633	< 0.001
Customer satisfaction → Sat1	0.796	< 0.001
Customer satisfaction → Sat2	0.814	< 0.001
Customer satisfaction → Sat3	0.809	< 0.001
Customer satisfaction → Sat4	0.844	< 0.001

Table 6.31: Standardised regression weights (continued)

	β weight	<i>p</i> -value
Customer satisfaction → Sat5	0.816	< 0.001
Customer satisfaction → Sat6	0.820	< 0.001
Customer satisfaction → Sat7	0.825	< 0.001
Customer satisfaction → Sat8	0.827	< 0.001
Customer satisfaction → Sat9	0.830	< 0.001
Customer satisfaction → Sat10	0.798	< 0.001
Customer satisfaction → Sat11	0.701	< 0.001
Customer satisfaction → Sat12	0.807	< 0.001
Customer satisfaction → Sat13	0.822	< 0.001
Customer satisfaction → Sat14	0.768	< 0.001
Customer satisfaction → Sat15	0.807	< 0.001
Customer satisfaction → Sat16	0.883	< 0.001
Customer satisfaction → Sat17	0.846	< 0.001
Customer satisfaction → Sat18	0.869	< 0.001

(β weight: Standardised regression weight)

Table 6.32: Correlations

	Correlation	<i>p</i> -value
Relational benefits ↔ Service quality	0.785	< 0.001

As explained in section 5.3.5.2 (p. 157), several fit indices need to be reported to ascertain whether an SEM model fits the observed data. Consequently, a χ^2/df value of 7.056 was obtained, which is above the adequate fit threshold (section 5.3.5.2, p. 158) – indicating an unacceptable fit. However, the CFI and RMSEA fit indices indicate a good overall fit of the model to the data (CFI = 0.910; RMSEA = 0.082 [0.080 – 0.085]). A more detailed analysis of the results and measures for model fit is reported in Table 6.33.

In addition, SEM was also performed to test whether the structural model is the same for direct and indirect short-term insurers. As depicted in Table 6.33 the χ^2/df value of 4.324 indicates

that the difference between the SEM fit of direct and indirect insurers was not significant. This was further supported by a CFI value of 0.902, and RMSEA value of 0.061 [0.059 – 0.063]. It could thus be concluded that the factor structure for direct and indirect insurers does not differ in practice, which confirms previous discussions and analyses indicating no significant differences between direct and indirect insurance respondents (main findings SQ6_s, p. 191; SQ15_s, p. 199; RB3_p, p. 216; CS3_s, p. 230; BI3_s, p. 242).

Table 6.33: Goodness of fit indices for different structural equation models

	χ^2/df	CFI	RMSEA
Suggested cut-off points	≤ 5.00	≥ 0.90	≤ 0.10
Structural model	7.056	0.910	0.082 [0.080 – 0.085]
Direct and indirect insurance model	4.324	0.902	0.061 [0.059 – 0.063]

6.7.2 SEM findings pertaining to hypothesis 14

As with hypothesis H₅, H₁₄ was also refined into sub-hypotheses to enable testing of the main hypothesis.

H ₁₄ : There is an interrelationship between the selected CRM initiatives in leading to customer satisfaction and behavioural intention.
H _{14a} : Service quality as CRM initiative leads to customer satisfaction.
H _{14b} : Relational benefits as CRM initiative leads to customer satisfaction.
H _{14c} : Customer satisfaction as CRM initiative leads to behavioural intention.

Taking the results of the above section into consideration, the following main findings can be observed:

- **Main finding SEM1:** Service quality perceptions (consisting of reliability, responsiveness, assurance, and empathy) have a significant positive effect on customer satisfaction. Therefore, **H_{14a} is supported**.

- **Main finding SEM2:** Relational benefits (consisting of social benefits, special treatment benefits, and confidence benefits) have a significant positive effect on customer satisfaction. Therefore, **H_{14b} is supported**.
- **Main finding SEM3:** Customer satisfaction (consisting of the 18 satisfaction items – Appendix D, p. 335) has a significant positive effect on behavioural intention (consisting of loyalty, word-of-mouth, and future loyalty). Therefore, **H_{14c} is supported**.
- **Main finding SEM4:** Service quality and relational benefits correlate with each other.
- **Main finding SEM5:** Service quality perceptions and relational benefits lead to customer satisfaction, which in turn leads to behavioural intention.

Based on these findings, **H₁₄ is supported**, since there is an interrelationship between the selected CRM initiatives (service quality and relational benefits) in leading to customer satisfaction and behavioural intention (loyalty, word-of-mouth and future loyalty).

6.8 SUMMARY OF MAIN FINDINGS

This section provides a summary of all the main findings throughout this chapter.

6.8.1 Main findings observed: insurance patronage habits of respondents

Section A of the questionnaire contained questions that aimed to determine the insurance patronage habits of respondents, including: with which insurer respondents are insured; the type of insurance respondents have; the duration the respondents have been with their respective insurers; and the regularity, reason and methods of communication between the insurer and respondent. The following main findings from section A of the questionnaire were observed:

Section A main findings	
A1	The majority of respondents (70.7%) have vehicle insurance, followed by household contents insurance, and house owner's insurance, respectively.
A2	The majority of respondents have been with their insurer for between 1 and 5 years.
A3	A higher percentage of direct insurance respondents have been with their insurer for less than 1 year as opposed to indirect insurance respondents.
A4	A higher percentage of indirect insurance respondents have been with their insurer for longer (10 years or more) as opposed to direct insurance respondents.
A5	Overall, insurers communicate with respondents on at least a monthly basis or every 2 to 3 months.
A6	Direct insurers contact respondents more frequently (monthly, or every 2 to 3 months) than indirect insurers do.
A7	Indirect insurers contact respondents less frequently (once a year, or less than once a year) than direct insurers do.
A8	Overall, insurers communicate mainly with respondents regarding their policies.
A9	Direct insurers communicate mainly with respondents regarding their policies, for marketing purposes and for offering additional products.
A10	Indirect insurers communicate mainly with respondents regarding their policies and premium increases.
A11	Overall, insurers communicate mainly with respondents via phone, e-mail or post.

6.8.2 Main findings observed: SERVQUAL

In section 6.5.3 (p. 181), a confirmatory factor analysis was performed in order to determine whether the four SERVQUAL factors were reliable for use in this study. The following main findings were observed from the factor analysis:

Main findings: SERVQUAL confirmatory factor analysis

SQ1	The confirmatory factor analysis supports that the four factors identified through the theoretical exploration of the study are valid and correspond with the SERVQUAL instrument which measures service quality.
SQ2	The four factors as confirmed by the confirmatory factor analysis are reliable for measuring the service quality expectations.

The following main findings were reported for hypotheses 1 to 3 regarding respondents' expectations and perceptions of service quality:

Hypothesis 1 – Main findings

SQ3_s	Overall, the expectations of respondents are <i>statistically significantly</i> higher than their perceptions for all four of the SERVQUAL factors.
SQ3_p	Overall, the expectations of respondents are moderately , and not largely <i>practically significantly</i> higher than their perceptions for all four of the SERVQUAL factors.

Hypothesis 2 – Main findings

SQ4_s	The expectations of direct insurance respondents are <i>statistically significantly</i> higher than their perceptions for all four of the SERVQUAL factors.
SQ4_p	The expectations of direct insurance respondents are moderately <i>practically significantly</i> higher than their perceptions for all the SERVQUAL factors.

Hypothesis 3 – Main findings

SQ5_s	The expectations of indirect insurance respondents are <i>statistically significantly</i> higher than their perceptions for all four of the SERVQUAL factors.
SQ5_p	The expectations of indirect insurance respondents are moderately , and not largely <i>practically significantly</i> higher than their perceptions for all four of the SERVQUAL factors

The following main findings were reported for hypotheses 4 and 5 regarding the differences between different groups of respondents and their expectations of service quality:

Hypothesis 4 – Main finding	
SQ6 _s	Direct and indirect insurance respondents do not differ <i>statistically significantly</i> in their expectations of the four SERVQUAL factors.
Hypothesis 5 – Main findings	
SQ7 _s	Overall, no <i>statistically significant</i> differences were found between the expectations of respondents and their gender regarding the SERVQUAL factors.
SQ8 _s	Overall, respondents of ages 41 - 60, 20 - 50 and 41 - 50 respectively expect <i>statistically significantly</i> more from their insurers in terms of reliability, assurance and empathy than those respondents younger than 20.
SQ8 _p	Overall, respondents of different ages differ moderately and not largely <i>practically significantly</i> with regard to their expectations for each of the four SERVQUAL factors.
SQ9 _s	Overall, respondents with different levels of education do not differ <i>statistically significantly</i> with regard to their expectations for any of the four SERVQUAL factors.
SQ10 _s	Overall, respondents who have been with their insurers for different durations do not differ <i>statistically significantly</i> with regard to their expectations for any of the four SERVQUAL factors.
SQ11 _s	Overall, respondents who are contacted by their insurers at different frequencies do not differ <i>statistically significantly</i> with regard to their expectations for any of the four SERVQUAL factors.
SQ12 _s	Overall, respondents paying different monthly insurance premiums do not differ <i>statistically significantly</i> in terms of their expectations for any of the four SERVQUAL factors.

Hypothesis 5 – Main findings (continued)

SQ13 _s	Overall, respondents who earn more than R30 000 and R10 001 - R15 000 per month expect <i>statistically significantly</i> more from their insurers' reliability than those who earn less than R5 000 per month.
	Overall, respondents who earn more than R5 000 per month expect <i>statistically significantly</i> more from their insurers' assurance than those who earn less than R5 000 per month.
	Overall, respondents who earn more than R30 000, R20 001 - R25 000, R10 001 - R15000, and R5 000 - R10 000 per month expect <i>statistically significantly</i> more from their insurers' responsiveness than those who earn less than R5 000.
	Overall, respondents who earn more than R30 000, R20 001 - R25 000 en R10 001 - R15 000 per month expect <i>statistically significantly</i> more from their insurers' empathy than those who earn less than R5 000 per month.
SQ13 _p	Overall, respondents in different income groups differ moderately and not largely <i>practically significantly</i> with regard to their expectations for any of the four SERVQUAL factors.
SQ14 _s	Overall, Afrikaans speaking respondents expect <i>statistically significantly</i> more assurance from their insurers than English speaking respondents.
	Overall, Afrikaans speaking respondents expect <i>statistically significantly</i> more empathy from their insurers than English and Sotho speaking respondents.
SQ14 _p	Overall, respondents speaking different home languages differ to a small degree and not largely <i>practically significantly</i> with regard to their expectations for any of the four SERVQUAL factors.

The following main findings were reported for hypotheses 6 and 7 regarding the differences between different groups of respondents and their perceptions of service quality:

Hypothesis 6 – Main finding	
SQ15 _s	Direct and indirect insurance respondents do not differ <i>statistically significantly</i> in their perceptions of the SERVQUAL factors.
Hypothesis 7 – Main findings	
SQ16 _s	Overall, no <i>statistically significant</i> differences were found between the perceptions of respondents and gender regarding the SERVQUAL factors.
SQ17 _s	Overall, the perceptions of respondents aged 31 - 40 and 51 - 60 are <i>statistically significantly</i> higher in terms of reliability and responsiveness than those of respondents younger than 20.
	Overall, the perceptions of respondents aged 31 - 60 are <i>statistically significantly</i> higher in terms of assurance than those younger than 20.
SQ17 _p	Overall, respondents of different ages differ moderately <i>practically significantly</i> regarding their perceptions of the four SERVQUAL factors.
SQ18 _s	Overall, respondents with different levels of education do not differ <i>statistically significantly</i> regarding their perceptions for any of the four SERVQUAL factors.
SQ19 _s	Respondents that have been with their insurers for different durations do not differ <i>statistically significantly</i> regarding their perceptions of the SERVQUAL factors.
SQ20 _s	Overall, the perceptions of respondents who earn R10 001 - R15 000 per month are <i>statistically significantly</i> higher with regard to their insurers' reliability than those respondents who earn less than R5 000 per month.
	Overall, the perceptions of respondents who earn R10 001 - R20 000 and more than R30 000 per month are <i>statistically significantly</i> higher with regard to their insurers' responsiveness than those respondents who earn less than R5 000.
	Overall, the perceptions of respondents who earn R10 001 - R20 000 per month are <i>statistically significantly</i> higher with regard to their insurers' assurance than those respondents who earn less than R5 000 per month.

Hypothesis 7 – Main findings (continued)

SQ20_p	Overall, respondents of different income groups differ either to a small or moderate degree, and not largely <i>practically significantly</i> with regard to their perceptions for the four SERVQUAL factors
SQ21_s	Overall, Afrikaans speaking respondents' perceptions with regard to their insurers' reliability are <i>statistically significantly</i> higher than those of English speaking respondents. Overall, Afrikaans and Sotho speaking respondents' perceptions with regard to their insurers' empathy are <i>statistically significantly</i> higher than those of English speaking respondents.
SQ21_p	Overall, respondents speaking different home languages differ to a small degree and not largely <i>practically significantly</i> with regard to their perceptions for any of the four SERVQUAL factors.
SQ22_s	The perceptions of respondents who are contacted on a monthly basis, every 2 to 3 months, twice a year, or once a year are <i>statistically significantly</i> higher with regard to reliability than those respondents being contacted less than once a year. Overall, the perceptions of respondents who are contacted on a monthly basis, every 2 to 3 months, twice a year, or once a year by their insurers are <i>statistically significantly</i> higher with regard to responsiveness than those respondents being contacted less than once a year. Overall, the perceptions of respondents who are contacted on a monthly basis, every 2 to 3 months, and twice a year are <i>statistically significantly</i> higher with regard to empathy than those respondents contacted less than once a year. Overall, the perceptions of respondents who are contacted on a monthly basis or every 2 to 3 months are <i>statistically significantly</i> higher with regard to empathy than those respondents being contacted once a year. The perceptions of respondents who are contacted on a monthly basis, every 2 to 3 months, or once a year by their insurer are <i>statistically significantly</i> higher with regard to assurance than those respondents being contacted less than once a year.

Hypothesis 7 – Main findings (continued)

SQ22_p	Overall, respondents who are contacted at different intervals by their insurers differ either in a small or moderate sense, but not largely <i>practically significantly</i> with regard to their perceptions for any of the four SERVQUAL factors.
SQ23_s	Overall, the perceptions of respondents paying a monthly insurance premium of R2 501 - R3 000 are <i>statistically significantly</i> higher with regard to reliability than those respondents paying less than R500 per month.
SQ23_p	Overall, respondents who pay different monthly insurance premiums differ moderately and not largely <i>practically significantly</i> with regard to their perceptions for any of the four SERVQUAL factors.

6.8.3 Main findings observed: relational benefits

In section 6.6.1.3 (p. 211), a confirmatory factor analysis was performed with a view to determine whether the three relational benefits factors were reliable for this study. The following main findings were observed from the factor analysis:

Main findings: relational benefits confirmatory factor analysis

RB1	The confirmatory factor analysis supports the three relational benefits factors identified through the literature review of the study.
RB2	The three factors as confirmed by the confirmatory factor analysis are reliable to measure the relational benefits respondents receive in this study.

The following main findings were reported for hypotheses 8 and 9 regarding the relational benefits respondents receive from their insurers:

Hypothesis 8 – Main findings

RB3_s	Indirect insurance respondents perceive that they receive <i>statistically significantly</i> more confidence benefits, social benefits and special treatment benefits from their insurers than direct insurance respondents do.
RB3_p	Indirect insurance respondents perceive that they receive a small measure, but not largely <i>practically significantly</i> more relational benefits from their insurers than direct insurance respondents.
RB4_s	Overall, no <i>statistically significant</i> differences were found between male and female respondents regarding perceptions of the relational benefits.
RB5_s	Overall, respondents of ages 51 - 60 perceive that they receive <i>statistically significantly</i> more confidence benefits from their insurers than those respondents younger than 20. Overall, respondents of ages 31 - 40 perceive that they receive <i>statistically significantly</i> more special treatment benefits from their insurers than those respondents of ages 20 - 30. Overall, respondents of ages 61 and older perceive that they receive <i>statistically significantly</i> more social benefits from their insurers than those respondents younger than 20.
RB5_p	Overall, respondents of ages 61 and older perceive that they receive a small or moderate degree but not largely <i>practically significantly</i> more social benefits from their insurers than those younger than 20.
RB6_s	Overall, respondents with different levels of education do not differ <i>statistically significantly</i> with regard to their perceptions of the three relational benefits factors.
RB7_s	Respondents who have been with their insurers for different durations do not differ <i>statistically significantly</i> with regard to relational benefits.

Hypothesis 8 – Main findings (continued)

RB8_s	Overall, respondents with a monthly income of more than R30 000 and R10 001 - R15 000 perceive that they receive <i>statistically significantly</i> more confidence benefits from their insurers than those respondents earning R10 000 and less. Overall, respondents with a monthly income of R15 001 - R25 000 perceive that they receive <i>statistically significantly</i> more confidence benefits from their insurers than those earning less than R5 000.
RB8_p	Overall, respondents with a monthly income of more than R30 000 perceive that they receive largely <i>practically significantly</i> more confidence benefits from their insurers than those respondents earning less than R5 000 per month.
RB9_s	Overall, Afrikaans respondents perceive that they receive <i>statistically significantly</i> more confidence benefits than English, Sotho and Nguni speaking respondents.
RB9_p	Overall, respondents with different home languages perceive that they receive small or moderately, but not largely <i>practically significantly</i> more relational benefits from their insurers.
RB10_s	Overall, respondents who are contacted on a monthly basis, twice a year, once a year, or every 2 to 3 months perceive that they receive <i>statistically significantly</i> more confidence benefits from their insurers than those respondents who are contacted less than once a year. Overall, respondents who are contacted on a monthly basis perceive that they receive <i>statistically significantly</i> more social benefits from their insurers than those who are contacted twice a year, once a year, or less than once a year. Overall, respondents who are contacted every 2 to 3 months, twice a year, or once a year perceive that they receive <i>statistically significantly</i> more social benefits than those who are contacted less than once a year. Overall, respondents who are contacted on a monthly basis perceive that they receive <i>statistically significantly</i> more special treatment benefits from their insurers than those respondents who are contacted every 2 to 3 months, twice a year, once a year, or less than once a year.

Hypothesis 8 – Main findings (continued)

RB10_p	Overall, respondents who are contacted on a monthly basis, or every 2 to 3 months perceive that they receive largely <i>practically significantly</i> more social benefits from their insurers than those respondents being contacted less than once year. Overall, respondents who are contacted on a monthly basis perceive that they receive largely <i>practically significantly</i> more special treatment benefits from their insurers than those contacted less than once a year.
RB11_s	Overall, respondents paying a monthly insurance premium of more than R3 000 perceive that they receive <i>statistically significantly</i> more social benefits from their insurers than those respondents paying R500 - R1 500 per month.
RB11_p	Overall, respondents paying different monthly insurance premiums perceive that they receive moderately , but not <i>largely practically significantly</i> more relational benefits.

6.8.4 Main findings observed: customer satisfaction

In section 6.6.3.3 (p. 228), a confirmatory factor analysis was performed with a view to determine whether the customer satisfaction factor was reliable for this study. The following main findings were observed from the factor analysis:

Main findings: customer satisfaction confirmatory factor analysis

CS1	The confirmatory factor analysis supports the customer satisfaction factor identified through the literature review of the study.
CS2	The customer satisfaction items from the questionnaire are reliable to measure the satisfaction of respondents with their insurer.

The following main findings were reported for hypotheses 10 and 11 regarding the satisfaction of respondents with their insurers:

Hypothesis 10 – Main finding	
CS3 _s	Direct and indirect insurance respondents do not differ <i>statistically significantly</i> in terms of their levels of satisfaction.
Hypothesis 11 – Main findings	
CS4 _s	Overall, no <i>statistically significant</i> differences were found between male and female respondents regarding levels of customer satisfaction.
CS5 _s	Overall, respondents of different ages do not differ <i>statistically significantly</i> with regard to their levels of satisfaction.
CS6 _s	Overall, respondents with different levels of education do not differ <i>statistically significantly</i> with regard to their levels of satisfaction with their insurers.
CS7 _s	Overall, respondents who have been with their insurers for different durations do not differ <i>statistically significantly</i> with regard to their levels of satisfaction with their insurers.
CS8 _s	Overall, respondents with a monthly income of more than R30 000 and R10 001 - R15 000 have <i>statistically significantly</i> higher levels of satisfaction with their insurers than those respondents earning less than R5 000 per month.
CS8 _p	Overall, respondents with different levels of income differ moderately and not largely <i>practically significantly</i> in terms of their levels of satisfaction with their insurers.
CS9 _s	Overall, Afrikaans speaking respondents have <i>statistically</i> significantly higher levels of satisfaction with their insurers than English speaking respondents.
CS9 _p	Overall, respondents speaking different home languages differ to a small degree, but not largely <i>practically significantly</i> in terms of their levels of satisfaction with their insurers.

Hypothesis 11 – Main findings (continued)

CS10_s	• Overall, respondents who are contacted on a monthly basis by their insurers have <i>statistically significantly</i> higher levels of satisfaction with their insurers than those respondents who are contacted once a year. • Overall, respondents who are contacted on a monthly basis, every 2 to 3 months, twice a year, and once a year have <i>statistically significantly</i> higher levels of satisfaction with their insurers than those respondents who are contacted less than once a year.
CS10_p	Overall, respondents contacted by insurers at different frequencies differ in a small or moderate degree, but not largely <i>practically significantly</i> in terms of their levels of satisfaction with their insurers.
CS11_s	Overall, respondents paying a monthly insurance premium of R2 501 - R3 000 have <i>statistically significantly</i> higher levels of satisfaction with their insurers than those respondents paying premiums of less than R2 000 per month.
CS11_p	Overall, respondents paying different monthly insurance premiums differ moderately , but not largely <i>practically significantly</i> in terms of their levels of satisfaction with their insurers.

6.8.5 Main findings observed: behavioural intention

In section 6.6.5.3 (p. 238), a confirmatory factor analysis was performed to determine whether the three behavioural intention factors were reliable for this study. The following main findings were observed from the factor analysis:

Main findings: behavioural intention confirmatory factor analysis

BI1	The confirmatory factor analysis indicates that the three factors identified through the theoretical exploration of the study are valid and correspond with respondents' behavioural intentions.

Main findings: behavioural intention confirmatory factor analysis (continued)

BI2	The three factors confirmed by the confirmatory factor analysis are reliable to measure the behavioural intention of respondents in this study.

The following main findings were reported for hypotheses 12 and 13 regarding the respondents' behavioural intentions towards their insurers:

Hypothesis 12 – Main finding

BI3_s	Direct and indirect insurance respondents do not differ <i>statistically significantly</i> in terms of any of the three behavioural intention factors.

Hypothesis 13 – Main findings

BI4_s	Overall, no <i>statistically significant</i> differences were found between male and female respondents regarding any of the three behavioural intention factors.
BI5_s	Respondents of different ages do not differ <i>statistically significantly</i> in terms of any of the three behavioural intention factors.
BI6_s	Respondents with different levels of education do not differ <i>statistically significantly</i> in terms of any of the three behavioural intention factors.
BI7_s	Overall, respondents who have been with their insurers for different durations differ in a small degree, and not largely <i>practically significantly</i> in terms of any of the three behavioural intention factors.
BI8_s	Overall, respondents with a monthly income of more than R30 000 have <i>statistically significantly</i> higher loyalty intentions towards their insurers than those respondents earning less than R5 000 per month. Overall, respondents with a monthly income of R25 001 - R30 000 have <i>statistically significantly</i> higher future loyalty intentions towards their insurers than those respondents earning less than R5 000 per month.

Hypothesis 13 – Main findings (continued)	
BI8_p	Overall, respondents with different levels of income differ moderately and not largely <i>practically significantly</i> in terms of any of the three behavioural intention factors.
BI9_s	Overall, Afrikaans speaking respondents have <i>statistically significantly</i> higher positive word-of-mouth intentions towards their insurers than English speaking respondents.
BI9_p	Overall, respondents with different home languages differ to a small degree and not largely <i>practically significantly</i> in terms of any of the three behavioural intention factors.
BI10_s	Overall, respondents who are contacted on a monthly basis by their insurers have <i>statistically significantly</i> higher loyalty intentions towards their insurers than those respondents who are contacted once a year.
	Overall, respondents who are contacted on a monthly basis, every 2 to 3 months and twice a year by their insurers have <i>statistically significantly</i> higher loyalty intentions towards their insurers than those respondents who are contacted less than once a year.
	Overall, respondents who are contacted on a monthly basis by their insurers have <i>statistically significantly</i> higher word-of-mouth intentions towards their insurers than those respondents who are contacted once a year.
BI10_p	Overall, respondents who are contacted on a monthly basis, every 2 to 3 months and twice a year by their insurers have <i>statistically significantly</i> higher word-of-mouth intentions towards their insurers than those respondents who are contacted less than once a year.
	Overall, respondents who are contacted by their insurers at different frequencies differ to a small or moderate degree, and not largely <i>practically significantly</i> in terms of any of the three behavioural intention factors.

Hypothesis 13 – Main findings (continued)

BI11_s	Respondents paying a monthly insurance premium of R2 501-R3 000 have <i>statistically significantly</i> higher loyalty intentions than those paying less than R2 500. Respondents paying a monthly insurance premium of more than R3 000 have <i>statistically significantly</i> higher loyalty intentions than those paying R500-R1 000. Respondents paying a monthly insurance premium of R2 501-R3 000 have <i>statistically significantly</i> higher word-of-mouth intentions than those paying less than R2 500 per month.
BI11_p	Overall, respondents paying a monthly insurance premium of R2 501 - R3 000 have large <i>practically significantly</i> higher loyalty intentions towards their insurers than those respondents paying less than R1 500 per month, and those respondents paying R2 001 - R2 500 per month.

6.8.6 Main findings observed: SEM

The objectives of this study included determining whether there is an interrelationship between service quality, relational benefits, customer satisfaction and behavioural intention. As a result, structural equation modelling was conducted in order to compare the theoretical model with the model compiled from the data of this study. The following main findings pertaining to SEM and hypothesis 14 were observed:

Hypothesis 14 – Main findings

SEM1	Service quality perceptions (consisting of reliability, responsiveness, assurance, and empathy) have a <i>significant</i> positive effect on customer satisfaction. Therefore, H_{14a} is supported.
SEM2	Relational benefits (consisting of social benefits, special treatment benefits, and confidence benefits) have a <i>significant</i> positive effect on customer satisfaction. Therefore, H_{14b} is supported.

Hypothesis 14 – Main findings (continued)

SEM3	Customer satisfaction (consisting of the 18 satisfaction items – Appendix D, p. 335) has a <i>significant</i> positive effect on behavioural intention (consisting of loyalty, word-of-mouth, and future loyalty). Therefore, H_{14c} is supported .
SEM4	Service quality and relational benefits correlate with each other.
SEM5	Service quality perceptions and relational benefits lead to customer satisfaction, which in turn leads to behavioural intention.

6.9 CONCLUSION

This chapter provided the main research findings pertaining to the study. The chapter commenced by presenting the sample profile. The rest of the results were discussed in the same order of the related hypotheses. Confirmatory factor analyses were conducted on the service quality factors, the relational benefit factors, the customer satisfaction factors, as well as the behavioural intention factors. The remaining data was further analysed by means of frequency analyses, *t*-tests for independent groups and one-way ANOVAs. In conclusion, a structural equation model was composed with a view to compare the theoretical model regarding CRM initiatives and intentions with the model obtained from the data collected. The next chapter concludes the study by presenting the conclusions and implications arrived at, and recommendations that can be made in light of this study.

CHAPTER 7

CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

7.1 INTRODUCTION

This chapter concludes this study by drawing a number of conclusions and proposing recommendations based on the empirical results reported in Chapter 6 and the preceding literature chapters (Chapters 2 to 4). The chapter commences with an overview of the study, after which the conclusions and recommendations pertaining to each secondary objective are presented. A flow diagram provides a visual representation of the links between the objectives of the study, the tested hypotheses, the questions developed for the questionnaire, the main findings, the conclusions, and the recommendations made. In addition, the limitations of the study are presented. The chapter concludes with recommendations for future research.

7.2 OVERVIEW OF THE STUDY

The short-term insurance industry – which consists of direct and indirect insurers – is a highly competitive industry and is faced with multiple and complex challenges. One of the main challenges for indirect short-term insurers is the increasing number of direct insurers who are entering the insurance industry (PwC, 2012:14). Direct insurers, on the other hand, are confronted with a different kind of challenge – the tendency of customers to switch fairly easily between insurers (Datamonitor, 2011b:15). In order to address customers' switching tendencies and also with a view to ensure the business' survival, Buttle (2009:2) and Anderson and Kerr (2002:1) suggest that businesses should pursue a customer-centred approach. This means that instead of simply focusing on selling their “product”, insurers should rather focus on emphasising their entire package (service offering). In order to achieve a customer-centred approach, Baran *et al.* (2008:391) suggest that businesses should implement a CRM strategy. CRM – as defined in section 2.2 (p. 21) of this study – is a comprehensive business strategy, focused on optimising profits through the development of beneficial long-term customer

relationships, by integrating business processes towards satisfying customers' individualised needs successfully.

As explained in section 2.4.1 (p. 29), businesses are constantly confronted with changing customers, a changing marketplace, and the changing effectiveness of their marketing function. Consequently, Kumar and Reinartz (2006:16) propose that businesses should not only implement an appropriate CRM strategy, but they should also continuously adapt this strategy to address these changes. Successful CRM practices enable businesses to obtain the information that is necessary to satisfy customers' heterogeneous demands and expectations. These demands and expectations include information regarding the time of purchase, the manner of purchase, and purchase response. Such information can, in turn, be used to compile an effective marketing approach (Maklan *et al.*, 2007:223).

Several advantages (for businesses) are associated with the implementation of successful CRM strategies, including (1) identifying with customers (i.e. getting to know customers); (2) improving overall customer satisfaction; (3) increasing customer retention; (4) customers are willing to pay premium prices; (5) customers are prone to referrals; (6) decreasing marketing costs; (7) increasing long-term profitability; and (8) attaining a competitive advantage (Baran *et al.*, 2008:14; Bligh & Turk, 2004:70; Buttle, 2009:17; Knox *et al.*, 2003:103; Zikmund *et al.*, 2003:3). These advantages to the business were discussed in greater detail in section 2.6.1 (p. 34) of this study.

The implementation of a CRM strategy, however, promises benefits not only to the business, but also to customers. Advantages for customers include, among others, (1) the feeling of safety and security with the business (confidence benefits); (2) the development of a "friendship" with the business (social benefits); (3) receiving individualised services or discounts from the business (special treatment benefits); (4) receiving better quality services; (5) the avoidance of switching-costs (Hennig-Thurau *et al.*, 2002:236 & Jobber, 2010:798). These advantages of CRM to customers were discussed in more detail in section 2.6.2 (p. 36) of this study.

Accordingly, Ekinici *et al.* (2008), Olorunniwo *et al.* (2006), Wetsch (2006), and Xu *et al.* (2006), have identified service quality and relational benefits (including confidence benefits, social benefits, and special treatment benefits) as the most significant influences on customers' satisfaction with a business – which are based on the advantages of CRM to customers explained in the previous section. In light of this, the current study set out to determine customers' experiences in terms of these related CRM aspects (specifically service quality and relational benefits) in order to provide businesses with focused guidance that may assist them to benefit from a CRM approach.

In order to achieve this aim, this study focused on the South African short-term insurance industry, since research on the topic of CRM within this industry is relatively limited. The short-term insurance industry has also contributed approximately R56.4 billion to the South African GDP in 2010 alone (KPMG, 2011:35) – therefore this industry hopes to make a significant contribution to the South African economy. Consequently, this study specifically aimed to determine short-term insurance customers' experiences regarding their insurers' CRM efforts. It also aimed to provide insight into the way that the service quality and relational benefits experiences had a bearing on customers' satisfaction levels, as well as their potential behavioural intentions towards their insurers. In addition, the differences between the two types of short-term insurers (direct and indirect) were also explored with the aim of presenting possible strategies towards obtaining a competitive advantage.

The primary objective of the study (section 1.5.1, p. 11) was, therefore, to determine the influence of selected CRM initiatives, including service quality and relational benefits, on customer satisfaction and ultimately on behavioural intention. By investigating this, the researcher was able to obtain knowledge of customers' current experiences of their short-term insurers' level of service quality, relational benefits received, level of satisfaction, and possible behavioural intentions. As a result, the researcher can make a number of focused and meaningful recommendations in terms of how short-term insurers might ensure that their CRM efforts are implemented and managed effectively.

In order to achieve the primary objective of the study, the following secondary objectives were formulated in Chapter 1 (section 1.5.2, p. 11):

- 1) To investigate the service quality expectations and perceptions of short-term insurance customers.
- 2) To determine the relational benefits received by short-term insurance customers.
- 3) To measure the satisfaction levels of short-term insurance customers.
- 4) To determine the behavioural intentions of short-term insurance customers.
- 5) To determine whether differences exist between different groups of respondents in terms of each of the constructs (service quality, relational benefits, customer satisfaction and behavioural intention) measured in this study.
- 6) To determine the interrelationships between the selected CRM initiatives in leading to customer satisfaction and ultimately to behavioural intention.

With reference to the research methodology discussed in Chapter 5, this study used a descriptive research approach in the form of a quantitative, person-administered questionnaire that was distributed among customers (clients) of direct and indirect short-term insurers in Gauteng. Fieldworkers – students at the University of Johannesburg with a basic knowledge of marketing and marketing research – were assigned to distribute the questionnaires to respondents by means of mall-intercepts. A convenience sample was drawn that consisted of 907 short-term insurance respondents from the Gauteng area. However (section 6.2, p. 166), 16 of the responses were discarded due to response errors, resulting in a final sample size of 891 respondents.

The SPSS statistical programme (SPSS, 2007) was used to capture and analyse the data collected from the questionnaires. Statistical analyses conducted in this study (section 5.3.5.3, p. 153), included Cronbach's alpha values; frequencies; percentages; top and low box scores; means; standard deviations; paired-samples *t*-tests for dependent groups; *t*-tests for independent groups; one-way ANOVAs; and SEM.

The empirical results obtained from the statistical analyses (Chapter 6) commenced with the different insurers with which respondents are insured, followed by an outline of the sample profile of respondents. However, no specific objectives, hypotheses or main findings have been formulated for this section, since the focus of this study was not on the demographic profile of short-term insurers. This part of the study was therefore only used to provide

contextual background regarding the sample. The remainder of the empirical results were presented according to each of the formulated hypotheses (section 1.5.3, p. 12), which were subsequently tested, and from which the main findings were drawn.

As indicated in section 6.5.5 (p. 185), it should be noted that when interpreting the results the main findings only reported on those cases where statistically significant differences were found to exist. In addition, although the results took into account all the effect sizes measured (small, medium, or large), only large effect sizes are incorporated into the conclusions pertaining to each secondary objective (Ellis & Steyn, 2003:51). The conclusions and recommendations related to each secondary objective are subsequently presented.

7.3 CONCLUSIONS AND RECOMMENDATIONS FOR SECONDARY OBJECTIVES

Based on the empirical results (in Chapter 6) and the preceding literature chapters (Chapters 2 to 4), this section draws conclusions from, and proposes recommendations for each secondary objective.

7.3.1 Secondary objective 1

To investigate the service quality expectations and perceptions of short-term insurance customers.

Service quality – as discussed in Chapter 3 – is the result of a comparison of what customers expect from their service provider and how the service provider actually performs (Parasuraman & Zeithaml, 2002:340). Parasuraman and Zeithaml (1988:35) and Grönroos (2007:73) further emphasise that service quality can only be evaluated from the customer's point of view – in this sense, depending on the *customer's* perceptions and expectations of the service offering. Service quality is, therefore, the result of the relationship between a customer's expectations of a service provider and the customer's perceptions of the service provider's service offering.

Since customers' service quality evaluations are generally based on more than one aspect of the offering, Parasuraman *et al.* (1988) have compiled a multidimensional measure that can be used to encompass the most essential evaluation criteria (factors) – the SERVQUAL measure. The SERVQUAL measure, which started out as a relatively cumbersome measure, was refined to include five service quality factors, namely reliability, responsiveness, assurance, empathy and tangibles (Lovelock & Wirtz, 2011:420):

- Reliability includes the business' ability to perform promised services dependably and accurately. Zeithaml *et al.* (2009:113) identify "reliability" as one of the most important determinants of customers' perceptions of a business' service quality offering.
- Responsiveness refers to employees' willingness to assist customers and to deliver prompt service.
- Assurance signifies the ability of employees to instil trust, confidence and feelings of safety in customers.
- Empathy refers to the ability of employees to understand and care for customers, to make them feel unique by offering personalised services.
- Tangibles include the appearance of a business' physical facilities, equipment and materials, as well as the appearance of employees. The "tangibles" factor was, however, not included in this study, since policy holders generally do not physically visit their short-term insurers, so that this construct is not relevant to this specific study.

Secondary objective 1 is addressed by main findings SQ1 to SQ6 and SQ15. From the confirmatory factor analysis and Cronbach's alpha values (main findings SQ1 and SQ2, p. 184-185), it was established that reliability, responsiveness, assurance and empathy are valid and reliable factors to determine service quality expectations and perceptions within the short-term insurance industry.

Regarding respondents' overall expectations and perceptions of their insurers' service quality, main finding SQ3 (p. 187) states that the expectations of respondents are not largely practically significantly higher than their perceptions for any of the four SERVQUAL factors (reliability, responsiveness, assurance, empathy). The same findings emerged in terms of both direct and

indirect insurance respondents in main findings SQ4 (p. 188), SQ5 (p. 190), SQ6 (p. 191) and SQ15 (p. 199). Furthermore, main findings SQ6 (p. 191) and SQ15 (p. 199) indicate that direct and indirect insurance respondents do not differ regarding their expectations or perceptions for the four SERVQUAL factors.

It is, according to Baran *et al.* (2008:396), important to ensure that a business continuously improves its service quality offerings, because these improvements influence customers' behaviour positively. Customers are, as explained in section 3.4 (p. 59), generally more satisfied with good or high quality services, which tend to positively influence their actions/attitudes towards the service provider. These positive actions of customers, in turn, reward the service provider with increased profitability (Parasuraman & Zeithaml, 2002:343).

Therefore, despite the fact that no large practically significant differences were found between respondents' expectations and their perceptions of service quality, it is nonetheless still important for short-term insurers to constantly improve their service quality offerings as this will benefit themselves.

Conclusion 1.1: The confirmatory factor analysis and Cronbach's alpha values confirmed the validity and reliability of using the SERVQUAL measures that have been identified in this study to also determine service quality within the short-term insurance industry.

Conclusion 1.2: The same SERVQUAL measures can be used to determine service quality for both direct and indirect short-term insurers.

Recommendation 1.1: Direct and indirect short-term insurers can consider using the SERVQUAL measures that have been identified in this study to assess their own levels of service quality.

Recommendation 1.2: Short-term insurers can improve their current levels of *reliability*, by:

- providing services as promised to their customers; and
- being dependable when handling their customers' service problems.

Recommendation 1.3: Short-term insurers can improve their current levels of *responsiveness*, by:

- offering customers prompt service delivery; and
- ensuring that their employees are always willing to help customers with regards to their questions, requests, complaints and problems.

Recommendation 1.4: Short-term insurers can improve their current levels of *assurance*, by:

- ensuring that their employees have the necessary knowledge to answer customers' questions;
- ensuring that their employees are consistently courteous; and
- ensuring that their employees make customers feel safe in their transactions with the insurer.

Recommendation 1.5: Short-term insurers can improve their current levels of *empathy*, by:

- having convenient operating hours for their customers; and
- ensuring that their employees understand their customers' needs.

Recommendation 1.6: Since it was found that there are no large significant differences between respondents' expectations and perceptions (among direct or indirect insurers), it is recommended that these insurers should focus on improving the quality of their service offerings with a view to improve their competitive advantage in a highly competitive market. As discussed in the literature overview (section 3.6.2, p. 69), the best ways of improving service quality is by:

- closing the *customer gap* by closing all four of the provider gaps mentioned below;
- closing the *listening gap* by acquiring detailed and accurate information on customers' service expectations by means of periodically repeated research studies; businesses should also aim towards increasing and improving interaction and communication between managers, employees and customers;
- closing the *service design and standards gap* by matching customers' expectations

to new service innovations and actual service process designs; setting measurable customer-focused service standards; ensuring that employees understand and comply with service goals and standards;

- closing the *service performance gap* by motivating, educating and supporting employees; recruiting and training employees according to the service goals and standards; measuring employee performance on a regular basis; providing the necessary technology, equipment, and support processes that employees need to maintain and improve service standards; and
- closing the *communication gap* by aligning the business' internal and external messages; ensuring that marketing messages create realistic customer expectations; pre-testing all marketing messages; and by explaining all service performance limitations to customers.

7.3.2 Secondary objective 2

To determine the relational benefits received by short-term insurance customers.

In light of the theoretical overview of relational benefits in Chapter 3 (section 3.7, p. 72), Zeithaml *et al.* (2009:182) indicate that, if a business can establish a reliable relationship with a customer, alternative relationships may seem less attractive for the customer, thus reducing the chances of the customer considering other service providers. The additional benefits that customers receive (above and beyond the core service provided) while being in a relationship with a business are referred to as relational benefits (Hennig-Thurau *et al.*, 2002:234). Gwinner *et al.* (1998) have identified three categories of benefits that customers derive from a relationship with a service provider, including confidence benefits, social benefits, and special treatment benefits (see also Hennig-Thurau *et al.*, 2002:234):

- Confidence benefits pertain to customers' feelings of security and comfort with the service provider in knowing what to expect during the service encounter.

- Social benefits refer to the emotional part of a relationship, and are characterised by aspects such as the personal recognition of customers, the sense of belonging, being known by name, and feelings of familiarity and friendship towards the service provider.
- Special treatment benefits include the result of employees' "special" behaviours towards customers, which may assume the form of price breaks, receiving services faster (than other customers), or personalised additional services.

By offering the above relational benefits, a business can maintain stable, long-term relationships with its customers, which in the end rewards the business with satisfied customers who tend to remain loyal to this relationship (Molina *et al.*, 2007:255).

Secondary objective 2 is addressed by main findings RB1 to RB3. The confirmatory factor analysis and Cronbach's alpha values have confirmed that these three benefits are indeed valid and reliable constructs to determine the relational benefits respondents receive within the short-term insurance industry (main finding RB1 and RB2, p. 213-214).

Once again, no large practically significant differences were found between direct and indirect insurance respondents in terms of the relational benefits that they receive from a relationship with their insurance providers (main finding RB3, p. 216). However, as explained in section 3.9 (p. 73), the significance of relational benefits is lodged in the notion they do not only impact on customers' relationship (or potential relationship) with the business, but also on their perceptions of the overall service offering, their attitude, behaviour (word-of-mouth actions), and loyalty intentions. Consequently, businesses should constantly consider their own actions towards customers in the form of offering possible relational benefits.

Since there are no significant differences between direct and indirect insurance respondents in terms of the relational benefits they receive from a relationship with their insurance providers, it is recommended that these insurers should focus on improving their relational benefits offerings in order to distinguish themselves in the highly competitive insurance industry.

Conclusion 2.1: The confirmatory factor analysis and Cronbach's alpha values confirmed the validity and reliability of the measures identified in this study towards also determining the relational benefits respondents receive from their short-term insurers.

Conclusion 2.2: Direct and indirect short-term insurers can offer the same relational benefits to improve their relationships with their customers.

Recommendation 2.1: Short-term insurers can consider using the relational benefits measures that have been identified in this study to assess their own relational benefits offerings.

Recommendation 2.2: To maintain committed and loyal customer relationships, short-term insurers should improve their *confidence benefits* offerings by:

- establishing feelings of security so that customers can be confident that their insurer will deliver the service correctly; and
- ensuring that customers are confident that their insurer provides clear and reasonable service offerings.

Recommendation 2.3: To maintain committed and loyal customer relationships, short-term insurers should improve their *social benefits* offerings by:

- creating (at least) the impression that their staff knows each customer by name; and
- establishing the feeling among customers that they are familiar with the employee(s) who are performing the service.

Recommendation 2.4: To maintain committed and loyal customer relationships, short-term insurers should improve their *special treatment benefits* offerings by:

- establishing (at least) the belief that established customers receive faster service delivery than other customers; and
- creating (at least) the impression that customers receive personalised and special services.

7.3.3 Secondary objective 3

To measure the satisfaction levels of short-term insurance customers.

Customer satisfaction is described in section 4.2 (p. 78) as the result of the comparison between customers' expectations and perceptions of a business' offering (Raab *et al.*, 2008:61). Next to price, service quality is considered one of the most significant determinants of customer satisfaction (Zeithaml *et al.*, 2009:105). The differences between customers' expectations and perceptions of a business' service quality offerings can therefore be used to determine these customers' basic level of satisfaction. The comparison of customers' expectations with their perceptions is generally referred to as the Expectancy Confirmation/Disconfirmation Model of Satisfaction, and the outcomes of this can include (Lovelock & Wirtz, 2011:58):

- Confirmed expectations: this is the case if the delivered service meets the customer's expectations.
- Positive disconfirmation of satisfaction: if the delivered service exceeds the customer's expectations, the customer is satisfied, which results in customer satisfaction.
- Negative disconfirmation of satisfaction: if the delivered service falls short of the customer's expectations the customer is dissatisfied, and this feeling does not result in customer satisfaction.

In section 4.3 (p. 80), the importance of satisfied customers was expressed as significant enough to be "the reason for a business' existence". Without customers a business will cease to exist; and similarly, without satisfied customers, businesses will have difficulty maintaining their existence (Hoffman & Bateson, 2006:295). In marketing literature, customer satisfaction is generally identified as a key antecedent to loyalty and repurchase intentions (Seiders *et al.*, 2005:26), which coincide with the benefits related to having very satisfied customers. Hoffman and Bateson (2006:299) and Zeithaml *et al.* (2009:109) identify the following benefits of exceeding customers' expectations:

- Positive word-of-mouth from existing customers, which often results in generating new customers.
- Existing satisfied customers often tend to purchase more products more regular.
- Satisfied customers are less likely to switch to competitors, despite possible price increases at their current service provider.
- Businesses that insist on achieving high customer satisfaction ratings generally seem to be able to insulate themselves from competitive pressures, particularly in terms of price competition.

As a result, businesses should aim to define and measure their customers' satisfaction levels proactively, and to create a business atmosphere characterised by exceeding customers' expectations (section 4.5, p. 83).

The main findings CS1 to CS3 address secondary objective 3. The confirmatory factor analysis and Cronbach's alpha values confirmed that the customer satisfaction items from this study are valid and reliable to measure customer satisfaction in the short-term insurance industry (main finding CS1 and CS2, p. 229). No significant differences were found between direct and indirect insurance respondents' levels of satisfaction (main finding CS3, p. 230).

Conclusion 3.1: The confirmatory factor analysis and Cronbach's alpha value confirmed that the validity and reliability of using the satisfaction items that have been identified in this study can also determine customer satisfaction within the short-term insurance industry.

Conclusion 3.2: The same customer satisfaction measures can be used to determine customer satisfaction for both direct and indirect short-term insurers.

Conclusion 3.3: Since (section 7.3.1, p. 276) respondents' perceptions of their insurers' service quality offering do not differ significantly from their expectations, it can be concluded that their expectations are simply confirmed. Thus, neither satisfaction nor dissatisfaction was realised among short-term insurance respondents.

Recommendation 3.1: Direct and indirect short-term insurers can consider using the customer satisfaction items that have been identified in this study to assess their customers' levels of satisfaction on a continuous basis.

Recommendation 3.2: Since there are no significant differences between the levels of satisfaction of direct and indirect insurers, it is recommended that short-term insurers should consider focusing on their satisfied customers as a way to distinguish themselves in the competitive short-term insurance industry.

Recommendation 3.3: Short-term insurers can improve their existing customers' levels of satisfaction by improving their overall perceptions of the insurer's service offering. Short-term insurers can improve their service quality by:

- ensuring that their employees have the necessary knowledge to answer customers' questions;
- providing services as promised to their customers;
- ensuring that their employees are always willing to help customers with questions, requests, complaints and other problems;
- ensuring that their employees are consistently courteous;
- ensuring that their employees make customers feel safe in their transactions with the insurer;
- having convenient operating hours; and
- showing dependably when handling their customers' service problems.

Recommendation 3.4: Short-term insurers can improve their existing customers' levels of satisfaction by improving their overall perceptions of the insurer's relational benefits offerings. Short-term insurers can improve their relational benefits by:

- establishing feelings of security so that customers will be confident that their insurer will deliver the service offering correctly;
- ensuring that customers are confident that their insurer has clear and reasonable service offerings;

- establishing the feeling among customers that they are familiar with the employee(s) performing the service;
- creating the impression that their staff knows each customer by name;
- creating the impression that customers receive personalised and special services; and
- establishing the belief that their established customers receive faster service delivery than other customers.

7.3.4 Secondary objective 4

To determine the behavioural intentions of short-term insurance customers.

Behavioural intentions, as described by Zeithaml *et al.* (1996:33), indicate whether customers will stay with or leave a business. Zeithaml *et al.* (1996:33) further explained that customers' behavioural intentions can be classified as either favourable or unfavourable. Favourable behavioural intentions include positive word-of-mouth (recommendations), paying a price premium, spending more money with the business, and remaining loyal towards the business – whereas unfavourable behavioural intentions include the direct opposite (Ladhari, 2009:313). In this study, the confirmatory factor analysis and Cronbach's alpha values confirmed that loyalty, word-of-mouth, and future loyalty are valid and reliable constructs to determine the behavioural intentions of respondents (main finding BI1 and BI2, p. 240, 241).

As from Chapter 4 (section 4.6.1, p. 95), loyalty is defined as a customer's intense commitment to continuously support or repurchase a preferred product/service over time (Musa, 2005:45). Two approaches characterise customer loyalty, namely behavioural and attitudinal loyalty (Kumar & Shah, 2004:319). Behavioural loyalty typically infers the loyalty status of a customer as observed from the customer's purchase record. Attitudinal loyalty, on the other hand, reflects a customer's repurchase intentions – in this study referred to as future loyalty. Word-of-mouth as behavioural intention refers – according to Saha and Theingi (2009:354) – to the flow of information about a business and its products/services from one customer to another. As such, positive word-of-mouth is considered by numerous scholars in the field of

marketing as one of the cheapest and most effective forms of marketing communication (Chaniotakis & Lymperopoulos, 2009:230).

Considerable numbers of researchers have found that service quality is positively related to the achievement of customer satisfaction; thus influencing not only customers' behavioural intentions but also the business' overall performance (Liu, Furrer & Sudharshan, 2001:125; Taylor, 2001:46; Van der Wiele, Boselie & Hesselink, 2002:189; Ladhari, 2009). Taylor (2001:51) emphasises the importance of service quality and customer satisfaction, explaining that the behavioural intentions obtained from these factors are fundamental for the survival of a business, specifically with regard to insurers. This study found similar connections between service quality, satisfaction and behavioural intentions – the influences of which are discussed in subsequent sections (section 7.3.6, p. 295).

Some of the most significant benefits of customers' favourable behavioural intentions include the following:

- Loyalty increases the likelihood that customers would recommend the business and its products/services to their friends, family or colleagues (Reichheld, 2003:51).
- Positive recommendations (word-of-mouth) from satisfied customers may attract new customers, which in turn increase purchases and revenues (Mitchel, 2005:26).
- Positive word-of-mouth decreases the need for marketing expenses, which can result in an increase in revenues (Reichheld & Sasser, 1990:108, Mitchel, 2005:26).
- The cost related to serving loyal customers are lower than cost needed to recruit new customers (Reichheld, 2003:52, Pederson & Nysveen, 2001:147).
- Loyal customers tend to be less price sensitive than other customers (Reichheld, 2003:52; Pederson & Nysveen, 2001:147).

With regard to the behavioural intentions of direct and indirect short-term insurance customers, no large practically significant differences were observed (main finding BI3, p. 242). However, from the above explanation (and as discussed in section 4.6, p. 94), it is evident that

businesses (in general) should aim to inspire positive behavioural intentions within their customers, as to ensure the business' survival (and distinctiveness) in unstable markets.

Conclusion 4.1: The confirmatory factor analysis and Cronbach's alpha values confirmed the validity and reliability of the measures that have been identified in this study and have shown that these can also be used to determine the behavioural intentions of short-term insurance respondents.

Conclusion 4.2: Direct and indirect short-term insurers can focus on the same factors (service quality, relational benefits, and customer satisfaction) with a view to encourage positive behavioural intentions within their customers.

Recommendation 4.1: Short-term insurers can consider using the behavioural intentions measures identified in this study to evaluate their customers' behavioural intentions.

Recommendation 4.2: Since direct and indirect insurance respondents indicated no significant differences in their behavioural intentions (loyalty, word-of-mouth, future loyalty), insurers should find ways to improve the possible behaviours of their customers. Section 4.6 (p. 94) emphasises the importance of positive customer behavioural intention.

Recommendation 4.3: To encourage positive customer behavioural intentions, short-term insurers should ensure continuous customer satisfaction by:

- ensuring that their employees have the necessary knowledge to answer customers' questions;
- providing services as promised to their customers;
- ensuring that their employees are always willing to help customers with their questions, requests, complaints and problems;
- ensuring that their employees are consistently courteous;
- ensuring that their employees make customers feel safe in their transactions with the insurer;
- having convenient operating hours;

- be dependable when handling their customers' service problems;
- establishing feelings of security in that customers are confident that their insurer will deliver the service offerings correctly;
- ensuring that customers are confident that their insurer has clear and reasonable service offerings; and
- establishing the feeling among customers that they are familiar with the employee(s) performing the service.

7.3.5 Secondary objective 5

To determine whether differences exist between different groups of respondents in terms of each of the constructs (service quality, relational benefits, customer satisfaction and behavioural intention) measured in this study.

Parumasur and Roberts-Lombard (2012:112) explain that customers' actions/behaviours tend to differ in the same way that their demographic, geographic and/or psychographic qualities differ. Therefore, secondary objective 5 aimed to determine whether respondents' service quality and relational benefits perceptions, satisfaction levels, and behavioural intentions are influenced by differences in their demographic, geographic and psychographic qualities. Consequently, a number of main findings are associated with secondary objective 5, including main findings SQ7 to SQ14, SQ16 to SQ23, RB4 to RB11, CS4 to CS11, and BI4 to BI11. The differences between different groups of respondents in terms of service quality, relational benefits, customer satisfaction and behavioural intention are discussed accordingly.

7.3.5.1 Service quality

To determine whether differences exist between different groups of respondents in terms of service quality, respondents' expectations and perceptions were determined based on aspects such as gender, age, level of education, duration with insurer, frequency of contact, monthly premiums, monthly income, and home language. However, no large differences were observed

between different groups of respondents' expectations or perceptions of their insurer's service quality offerings (main findings SQ7 to SQ14, SQ16 to SQ23, p. 193-198, 200-208).

Conclusion 5.1: The expectations of different groups of respondents (based on their gender, income, education, language, etc.) regarding their insurers' service quality offerings do not differ. Thus, indicating that all respondents generally have the same expectations from their short-term insurers in terms of the level of service quality they receive.

Conclusion 5.2: The perceptions of different groups of respondents regarding their insurers' service quality offerings do not differ. Thus, indicating that all respondents perceived the service quality delivery of their short-term insurers as similar.

Recommendation 5.1: Since the respondents indicated that they generally expect the same level of service quality from their insurers, short-term insurers should aim to establish and maintain the same level of service quality for each customer across all demographic and/or psychographic dimensions. In addition, the means for the statements regarding the expectations of the four service quality constructs (i.e. reliability, responsiveness, assurance, and empathy) were all above 7 (Table 6.9, p. 178), while the highest mean regarding the statements of perceived service quality was 7.18 (Table 6.10, p. 179). This indicates that respondents considered every aspect of their insurer's service delivery as important, and that their perceptions of the service encounter could be increased. Short-term insurers can, therefore, maintain and improve their overall service quality by:

- providing reliable services;
- dependably handling service problems and/or complaints;
- offering prompt service delivery;
- employing informed, courteous, and customer-friendly personnel;
- having convenient operating hours;
- frequently updating their information on customers' service expectations;
- continuously motivating, educating, and measuring employees' performance standards; and
- aligning the business' internal and external marketing communications messages.

7.3.5.2 Relational benefits

Main findings RB4 to RB11 concern the differences between different groups of respondents (based on gender, age, level of education, duration with insurer, frequency of contact, monthly premiums, monthly income, and home language) and the relational benefits that they perceive to receive from their insurers.

No differences were observed between different groups of respondents based on gender (main finding RB4, p. 217), age (main finding RB5, p. 219), education (main finding RB6, p. 220), duration with insurer (main finding RB7, p. 220), home language (main finding RB9, p. 222), or monthly insurance premiums (main finding RB11, p. 225) and respondents' perceptions of the relational benefits they receive.

As can be gained from main finding RB8 (p. 221), respondents from high income brackets perceive that they receive significantly more confidence benefits – in the form of security and comfort (section 3.8.3, p. 73) – from their insurers than those respondents from low income brackets.

Respondents who are contacted more frequently by their insurers perceive that they receive significantly more social and special treatment benefits – in the form of personal recognition, feelings of familiarity, economic and customisation benefits (sections 3.8.1 and 3.8.2, p. 72) – from their insurers (main finding RB10, p. 223-224).

Conclusion 5.3: Businesses should attempt to provide the same level of relational benefits to all the different groups of customers as a means of improving the overall morale and satisfaction of customers.

Conclusion 5.4: Low income respondents do not believe that they receive the same levels of confidence benefits as high income respondents.

Conclusion 5.5: Respondents who are not contacted on a regular basis by their insurers believe that they do not receive additional social or special treatment benefits.

Recommendation 5.2: Short-term insurers can differentiate themselves by customising their target market(s), by focusing on specific demographic, geographic, and psychographic segments (i.e. based on gender, age, income) and creating exceptional service offerings.

Recommendation 5.3: Short-term insurers should focus on providing more confidence benefits to low income customers, with a view to also ensure their commitment and loyalty towards their insurers. Confidence benefits can be improved by:

- establishing feelings of security in that customers are confident that their insurer will deliver the service correctly; and
- ensuring that customers are confident that their insurer has clear and reasonable service offerings.

Recommendation 5.4: Since respondents who are contacted more frequently by their insurers perceive that they receive more social and special treatment benefits, short-term insurers should attempt to provide more social and special treatment benefits to those customers whom they do not contact on a regular basis, in order to maintain their commitment and loyalty. Social and special treatment benefits can be improved by:

- creating (at least) the impression that their staff knows each customer by name;
- establishing the feeling among customers that they are familiar with the employee(s) performing the service;
- establishing (at least) the belief that established customers receive faster service delivery than other customers; and
- creating (at least) the impression that customers receive personalised and special services.

Recommendation 5.5: Short-term insurers should attempt to provide the same level of relational benefits to all of their customers, independent of demographic differences, as a means of improving the overall morale and satisfaction of customers. Short-term insurers can improve overall relational benefits by:

- instilling confidence in customers through reasonable and consistent service

delivery;

- encouraging personalised service delivery – for example by knowing the customer's name; and
- establishing the belief that the customer receives special treatment.

7.3.5.3 Customer satisfaction

The main findings CS4 to CS11 concern the differences in the level of satisfaction of different groups of short-term insurance respondents. No significant differences were, however, observed between respondents, based on differences such as gender (main finding CS4, p. 231), age (main finding CS5, p. 232), education (main finding CS6, p. 232), duration with insurer (main finding CS7, p. 232), income (main finding CS8, p. 233), home language (main finding CS9, p. 233), frequency of contact (main finding CS10, p. 234), and insurance premium (main finding CS11, p. 235).

Conclusion 5.6: Since customers' satisfaction levels determine their behavioural intentions such as loyalty (section 4.7, p. 102), businesses should attempt to improve customer satisfaction levels on a continuous basis.

Conclusion 5.7: There are no significant differences between different groups of respondents' levels of satisfaction, indicating that no specific group of respondents is exceptionally satisfied or dissatisfied with their insurers.

Recommendation 5.6: Short-term insurers can differentiate themselves by customising their target market(s) by focusing on specific demographic, geographic, and psychographic segments. Offering quality services and additional relational benefits to customers can provide insurers with a noticeable competitive advantage, while at the same time establishing a sense of uniqueness and satisfaction amongst customers. Short-term insurers can improve overall customer satisfaction by focusing on improving service quality and relational benefits.

Service quality:

- ensure employees are always informed and updated regarding the business' product

and/or service offering;

- motivate and train employees to interact with all customers in a consistent and courteous manner;
- provide sales- and aftersales services promptly; and
- provide customers with convenient operating hours.

Relational benefits:

- instil confidence in customers by offering reasonable, consistent, and correct services;
- provide customers with personalised services; and
- encourage employees to treat customers in a way that makes them feel special.

7.3.5.4 Behavioural intention

Main findings BI4 to BI11 address the differences between different groups of respondents and their behavioural intention towards their insurers.

No differences were observed between different groups of respondents based on gender (main finding BI4, p. 243), age (main finding BI5, p. 244), education (main finding BI6, p. 244), duration with insurer (main finding BI7, p. 244), income (main finding BI8, p. 245), home language (main finding BI9, p. 246), or frequency of contact (main finding BI10, p. 247) and their behavioural intentions.

It can be seen from main finding BI11 (p. 249) that respondents paying high monthly insurance premiums have significantly higher loyalty intentions towards their insurers than those respondents paying low monthly insurance premiums.

Conclusion 5.8: Respondents paying high monthly insurance premiums indicated that they are more likely to remain loyal towards their insurer than those respondents paying low monthly insurance premiums.

Conclusion 5.9: Since customers' loyalty and word-of-mouth intentions can influence a business' profitability and continued existence in a significant way (section 4.7, p. 102), businesses should ensure that they cultivate positive customer behavioural intentions.

Conclusion 5.10: There are no significant differences between different groups of respondents' behavioural intentions towards their insurers, indicating that no specific group of respondents is exceptionally interested in remaining loyal towards their insurers, or spreading positive information about their insurers.

Recommendation 5.7: Short-term insurers should focus on maintaining the commitment and loyalty intentions of respondents paying high monthly insurance premiums. To encourage positive customer behavioural intentions, short-term insurers should ensure continuous customer satisfaction by:

- ensuring that their employees are up to date with the business' current product and/or service offerings, as to ensure that they tend to customers' questions, requests, complaints, and problems promptly and accurately;
- ensuring that their employees are trained to interact with customers in a friendly, yet courteous manner;
- encouraging employees to establish a rapport with customers – instilling confidence and giving them peace of mind;
- ensuring that the business offers consistent and reasonable service offerings; and
- providing customers with convenient operating and after-hours services.

Recommendation 5.8: Short-term insurers can differentiate themselves by customising their target market(s), by focusing on specific demographic, geographic, and psychographic segments.

7.3.6 Secondary objective 6

To determine the interrelationships between the selected CRM initiatives in leading to customer satisfaction and ultimately to behavioural intention.

In Chapter 2, the importance of CRM was underlined by an unsettling statistical result – up to 70% of customers end their relationships with a business due to poor or ineffective CRM strategies (section 2.4, p. 28). Barnes (2006:4) therefore emphasises that business should adopt CRM approach in order to remain competitive in a parity business environment – especially when it comes to the short-term insurance market.

Previous research (Ekinici *et al.*, 2008; Olorunniwo *et al.*, 2006; Wetsch, 2006; Xu *et al.*, 2006) has identified customer-perceived service factors (service quality and relational benefits), customer satisfaction and behavioural intentions as the basic components of a CRM. Customer satisfaction is considered as one of the most important variables in a CRM strategy, because it is a significant predictor of customers' behavioural intentions (Payne & Frow, 2004:529). Thus, if customers are satisfied with the quality of service and relational benefits they receive, they are very likely to have positive behavioural intentions (loyalty and positive word-of-mouth) towards that business. Businesses should consequently attempt to cultivate customer satisfaction, as to retain loyal customers and to develop long-term, profitable relationships.

Secondary objective 6 is addressed by main findings SEM1 to SEM5. From the SEM findings, it was found that respondents' service quality perceptions of their insurers (main finding SEM1, p. 254) and the relational benefits they perceive they receive from their insurers (main finding SEM2, p. 255) have a significant positive effect on their levels of satisfaction with their insurers.

From main finding SEM3 (p. 255), in turn, it emerged that respondents' levels of satisfaction have a positive effect on their behavioural intention (loyalty, word-of-mouth and future loyalty). Main finding SEM4 (p. 255) indicated that the two perceived service factors, namely service quality and relational benefits, correlate with each other. Main finding SEM5 (p. 255) concluded that there is indeed an interrelationship between service quality and relational benefits, which lead to customer satisfaction, and which result in behavioural intention.

From these main findings (SEM1 to SEM5, p. 254-255), a SEM model for short-term insurers was compiled (Figure 6.2, p. 251). In addition, it was also concluded that the SEM model for direct and indirect insurers do not differ in practice (section 6.7.2, p. 254).

Conclusion 6.1: Service quality affects customer satisfaction in a positive manner. Therefore, if a short-term insurer is able to improve the quality of its services, customers will be more satisfied with that insurance provider.

Conclusion 6.2: Relational benefits affect customer satisfaction positively. Therefore, if a short-term insurer is able to offer additional relational benefits, customers will be more satisfied with the insurance provider.

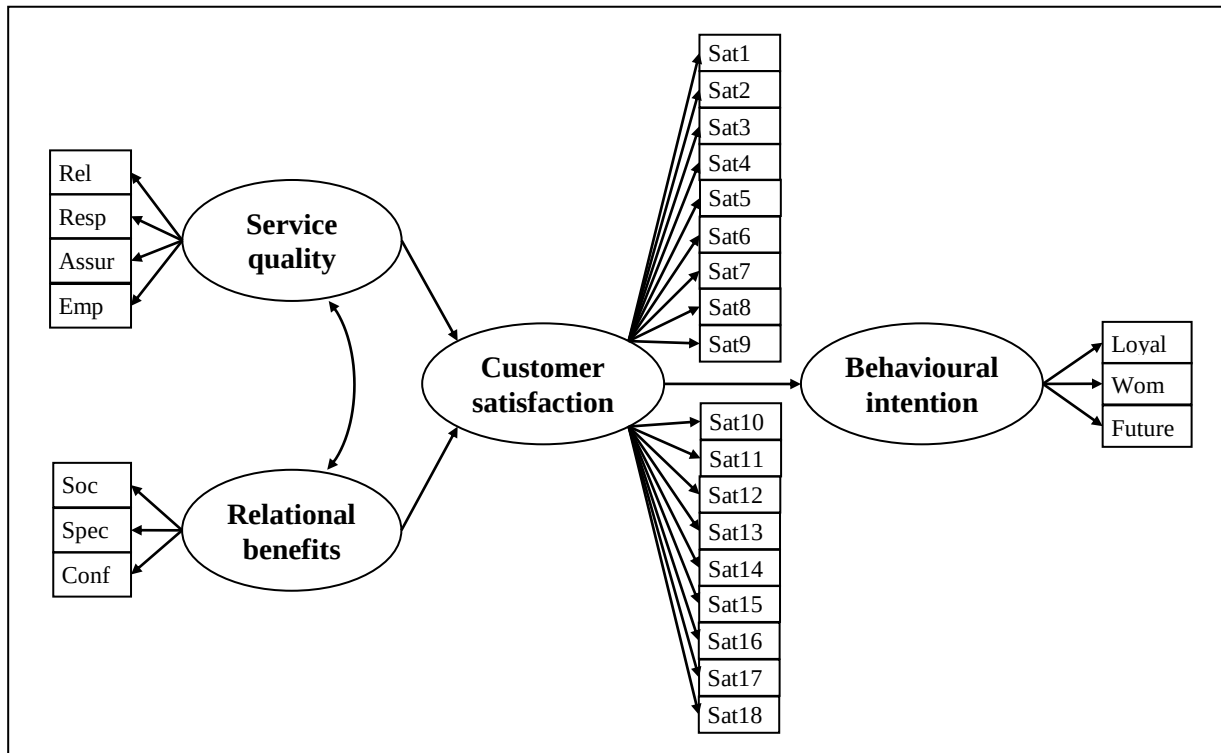
Conclusion 6.3: Service quality and relational benefits strongly correlate with each other. Thus, if a short-term insurer offers better quality services, customers will feel that they receive more relational benefits from their insurer. Similarly, if customers perceive that they receive relational benefits from their insurer, they will also perceive that they receive quality services.

Conclusion 6.4: Customer satisfaction affects behavioural intention positively. Therefore, if a short-term insurer is able to satisfy its customers – by exceeding customers’ expectations with regard to service quality and relational benefits – these customers will be more likely to remain loyal towards the insurer, and to communicate positively about the insurer to other people (potential customers).

Conclusion 6.5: There are no differences between the interrelationship of the selected CRM initiatives and their influence on customer satisfaction and behavioural intention for direct and indirect insurers.

Conclusion 6.6: Service quality and relational benefits lead to customer satisfaction, which in turn results in behavioural intention. Therefore, in order to ensure positive customer behavioural intentions, short-term insurers need to satisfy these customers by means of high quality services and additional relational benefits.

Recommendation 6.1: Short-term insurers can use the model compiled in this study (Figure 7.1) with a view to improve the overall effectiveness of their CRM efforts.

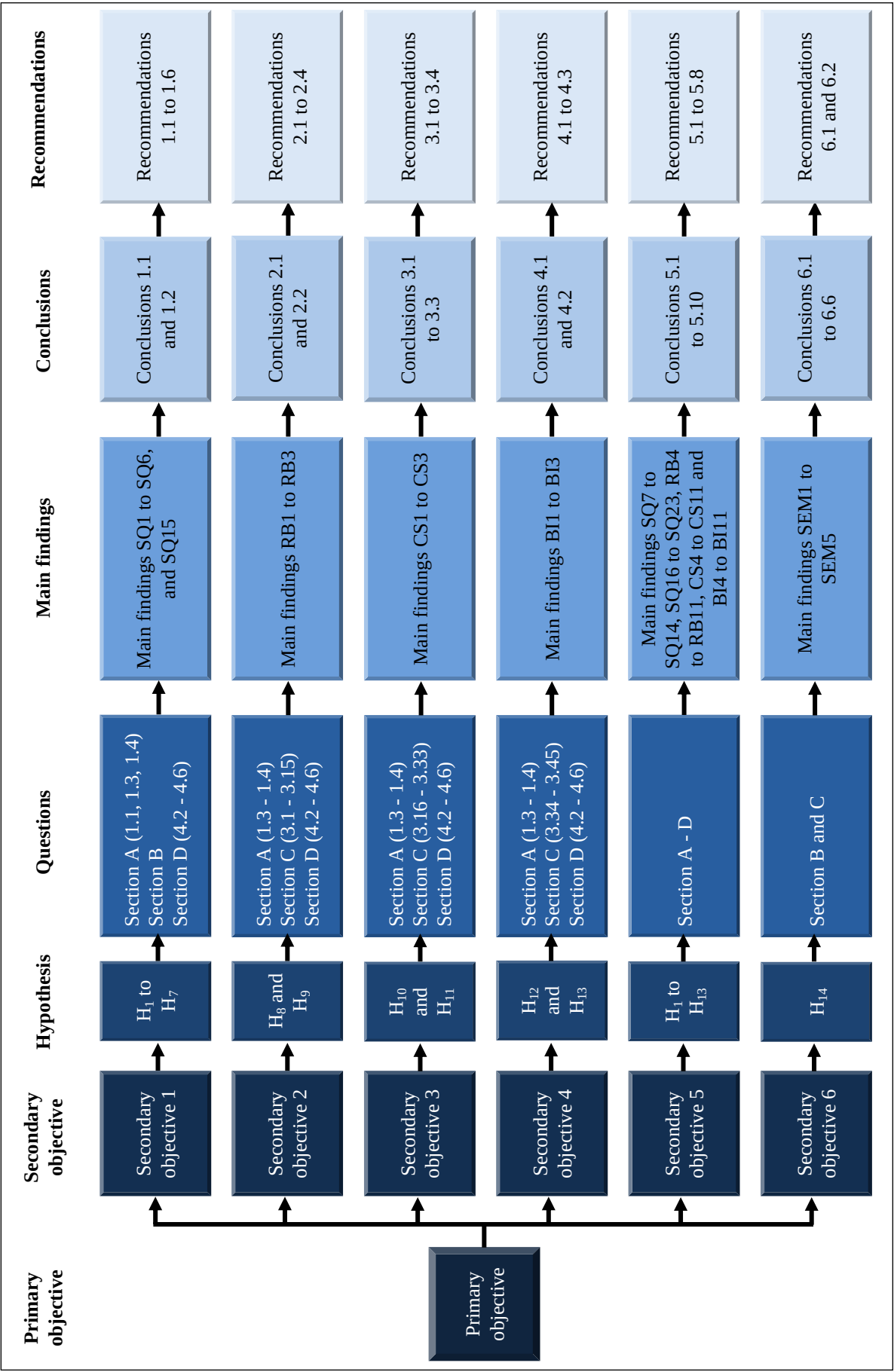
Figure 7.1: CRM model for short-term insurers

Recommendation 6.2: From the above reflections on the various findings, it is clear that direct and indirect insurers should employ the same strategies, and that they should also focus on the same factors (for service quality, relational benefits, customer satisfaction, and behavioural intention) with a view to improve their overall CRM efforts.

7.4 THE LINKS BETWEEN THE RESEARCH OBJECTIVES, HYPOTHESES, QUESTIONS IN THE QUESTIONNAIRE, FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Figure 7.2 presents a flow diagram that indicates how the primary and secondary objectives of the study, the hypotheses, the questions from the questionnaire, the main findings, the conclusions, and the recommendations are linked. Once the conclusions and recommendations for the study have been finalised, it is necessary to highlight the limitations that presented themselves during the course of the study.

Figure 7.2: Links between objectives, questions, main findings, conclusions and recommendations



7.5 CONTRIBUTION OF THE STUDY

Despite the short-term insurance industry's generous contribution of more than R70 000 million to the South African GDP (in 2012), this industry's market value has been decreasing significantly since 2006 (Datamonitor, 2011b:2; KPMG, 2012:4). This decline is largely ascribed to the number of new entrants to the industry, resulting in increased competition, significant price sensitivity, and low profit margins. Consequently, this study aimed to assist short-term insurers in finding ways to improve their profitability and sustainability amidst these challenging conditions.

Based on the extensive literature investigation, it is evident that short-term insurers can benefit significantly from implementing a CRM approach – especially since insurance is a truly service-based offering. The benefits from implementing a successful CRM approach are immense (as discussed in section 2.6, p. 33-38), and include amongst others the establishment of a competitive advantage, increased customer retention rates, increased profitability, and maintaining a long-term loyal customer base. However, to ascertain a successful CRM approach, the literature emphasises (Chapters 3 and 4, p. 53-103) the investigation of current *service quality* levels, the *relational benefits* offered, the *satisfaction* levels of customers, and customers' *behavioural intentions*.

In light of the literature review and empirical results, this study proposes a CRM model which South African short-term insurers can implement as part of their marketing strategy to improve their overall profitability and sustainability. This model (see Figure 7.1, p. 298) entails the assurance of high quality services (specifically in terms of prompt and correct service delivery) and the offering of additional relational benefits (such as social, special treatment, and confidence benefits) to customers.

7.6 LIMITATIONS

All research studies experience limitations that influence the study. The limitations relating to the literature review and the empirical research conducted in this study are identified in the following sections.

7.6.1 Limitations of the literature review

The following limitations of the literature review can be identified:

- Quality secondary sources of a scholarly nature on the short-term insurance industry are limited, which meant the researcher had to base discussions on available literature from alternative service industries.
- Existing research on CRM and the short-term insurance industry is also limited, which implied that the researcher had to rely on other service industry sources (that are mainly founded in the banking industry) and apply this to the short-term insurance industry.
- The body of available literature and research that has been conducted on relational benefits as a CRM initiative is particularly limited; this compelled the researcher to rely on the limited available sources for a literature survey.
- There is a limited body of literature available on South African insurance studies especially regarding the problems associated with customers' behavioural intentions. Therefore, the researcher had to rely on information relevant to international studies on industries other than short-term insurance.

7.6.2 Limitations regarding the empirical research

The following limitations of the empirical research can be identified:

- Short-term insurers were unwilling to release their customer databases to serve as a framework for this study, which means that the study had to rely on a convenience survey. The results of this study are therefore not representative of the entire population, and only represent those respondents who participated in the study.
- This study only surveyed respondents in the Gauteng province, which (although diverse) does not represent the entire South African population.
- The sample did not include representative numbers of respondents who are customers of each of the identified short-term insurers. As a result, the various short-term insurance

companies could not be compared with each other, but only with regard to their direct or indirect aspects.

- The survey instrument used in this study was compiled from existing measures on service quality, relational benefits, customer satisfaction, and behavioural intention. These measures were, however, not compiled specifically for the short-term insurance industry, and are therefore not necessarily suitable to this industry. The reliability and validity of this instrument were accordingly tested, and it was found to be suitable for use in the short-term insurance industry.
- From the empirical results it was found that the differences between different groups of respondents are relatively limited. This might be a true indication of the nature and composition of the target population, but it may also be the result of under-representation of the target population. However, even though the sample size for the study is representative, the demographic, psychographic, and geographic “spread” within the sample might not be sufficiently representative. This limitation can be overcome by increasing the sample size in future studies.
- In order to maintain parsimony, the length of the questionnaire restricted the number of items for some of the main constructs. This was especially the case with the behavioural intentions construct, which focused only on the generic items of loyalty and word-of-mouth.

With these limitations of the study in mind, it is possible to make a number of recommendations for future research.

7.7 RECOMMENDATIONS FOR FUTURE RESEARCH

A number of recommendations can be made for future research:

- This research would have profited from using a probability sampling method, since this method would have made the results representative of the entire population and not only of the participating respondents. Therefore, future research should attempt to involve short-term insurers and while so doing, use their customer databases as a framework for probability sampling.

- This research can be repeated nationally, in all the South African provinces, also in a comparative study of the provinces to determine whether differences exist between respondents from different geographic locations.
- This research can be repeated with a specific focus on each individual short-term insurer. By including representative numbers of respondents from each individual short-term insurance company, these insurers can be compared in terms of the CRM constructs from this study. Consequently, more accurate and representative information regarding specific insurers can be obtained.
- In order to obtain a true and accurate representation of the target population and its demographic, geographic, and psychographic characteristics, future research should involve a larger sample size.
- A similar study can be conducted amongst long-term insurers. This information can then be compared to the short-term insurance industry to determine whether the insurance industry in its entirety can benefit from the findings from this study.
- Since the behavioural intentions construct was restricted to the generic items of loyalty and word-of-mouth, future research can include additional aspects of behavioural intention, such as commitment, switching and retention.
- The CRM model composed in this study can be tested in other service industries to determine its relevance and applicability.

7.8 CONCLUSION

This chapter presented the conclusions, recommendations, and limitations of the study. A number of conclusions have been drawn for each secondary objective, which is based on the main findings formulated in Chapter 6. In addition, a number of recommendations pertaining to the conclusions were formulated in order to provide some direction to short-term insurers on how to improve their overall CRM efforts. Thereafter, Figure 7.2 provided an overview of how the various secondary objectives correlate with the questions in the questionnaire, and the related main findings, conclusions and recommendations. The chapter concluded by proposing a number of limitations found in terms of the literature review and empirical research, and finally, offered a number of suggestions for future research.

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APPENDIX A

QUESTIONNAIRE

Fieldworkers – students from the University of Johannesburg with a basic knowledge of marketing and marketing research – were assigned to distribute the questionnaires to respondents by means of mall-intercepts. The fieldworkers approached people randomly outside shopping malls in Gauteng, and asked the **screening question**: “Do you currently have short-term insurance?” If the potential respondent answered yes, the survey was continued, but if not, the survey was terminated. Due to the length and variation in questions, the questionnaire was handed over to respondents to read and complete it themselves.

Please note that for technical purposes, the questionnaire below has been resized to fit within the page margins of this document. Consequently, the technical layout of the questionnaire differs slightly from its appearance as it was used during the data collection stage. However, the content remains exactly the same.

SECTION A (Patronage habits)

- 1.1 Which **ONE** of the following insurers do you use? If more than one, with which one have you been dealing for the longest period? (Select only one answer)

BROKER		DIRECT	
ABSA	1	Auto & General	8
Alexander Forbes	2	Budget	9
Hollard	3	Dial direct	10
Mutual & Federal	4	OUTsurance	11
New National	5	Centriq insurance	12
Nedgroup	6	1 st for women	13
Santam	7	MiWay	14
Other (please specify)			15

- 1.2 Which of the following types of short-term insurance do you currently have with the insurer selected in question 1.1? (You may have more than one answer)

Household contents insurance (e.g. electronic equipment; furniture; paintings; etc.)	1
House owner's insurance (e.g. protection against fire or water damage to your house)	2
Vehicle insurance (e.g. your personal vehicle, motorbike, boat or caravan)	3
Other (please specify)	4

- 1.3 How long have you been using the insurer you have selected in question 1.1?

Less than 1 year	1
Between 1 and up to 3 years	2
Between 3 and up to 5 years	3
Between 5 and up to 10 years	4
10 years or more	5

- 1.4 How often does the insurer you have selected in question 1.1 contact you / communicate with you? (Select only one answer)

Monthly	1
Every 2 to 3 months	2
Twice a year	3
Once a year	4
Less than once a year	5

- 1.5 For what reason does the insurer you have selected in question 1.1 **mainly** contact you? (Select only one answer here)

Marketing purposes	1
Regarding my policy	2
Just to check	3
Offering additional products	4
Premium increases	5
Other (please specify)	6

- 1.6 By what means does the insurer you have selected in question 1.1 **most frequently** communicate with you? (Select only one answer)

E-mail	1
Surface mail (post)	2
Personal (face-to-face)	3
Phone	4
SMS	5
Other (please specify)	6

SECTION B (Service quality)

This section is aimed at determining your expectations of a short-term insurer's service quality in general. It also serves to determine how you perceive the quality of service of your short-term insurer (the one that you selected in question 1.1).

On a scale of 1 to 10, where 1 is low and 10 is high, first indicate what your expectations are from a short-term insurance provider in general; and secondly, indicate how you would rate what you currently receive from your current insurer (the one you selected in question 1.1).

	Low		Expectations of an insurer in general								High		Low		Perceptions of your current insurer								High
2.1	1	2	3	4	5	6	7	8	9	10	The insurer provides the services as promised	1	2	3	4	5	6	7	8	9	10		
2.2	1	2	3	4	5	6	7	8	9	10	The insurer is dependable in handling your service problems	1	2	3	4	5	6	7	8	9	10		
2.3	1	2	3	4	5	6	7	8	9	10	The insurer’s services are performed right the first time	1	2	3	4	5	6	7	8	9	10		
2.4	1	2	3	4	5	6	7	8	9	10	The insurer provides the required services at the promised time	1	2	3	4	5	6	7	8	9	10		
2.5	1	2	3	4	5	6	7	8	9	10	The insurer maintains error-free records	1	2	3	4	5	6	7	8	9	10		
2.6	1	2	3	4	5	6	7	8	9	10	The insurer keeps you informed about when services will be performed	1	2	3	4	5	6	7	8	9	10		
2.7	1	2	3	4	5	6	7	8	9	10	Employees offer you prompt service	1	2	3	4	5	6	7	8	9	10		
2.8	1	2	3	4	5	6	7	8	9	10	Employees are always willing to help	1	2	3	4	5	6	7	8	9	10		
2.9	1	2	3	4	5	6	7	8	9	10	The insurer is always ready to respond to your requests	1	2	3	4	5	6	7	8	9	10		
2.10	1	2	3	4	5	6	7	8	9	10	Employees instil confidence in you	1	2	3	4	5	6	7	8	9	10		
2.11	1	2	3	4	5	6	7	8	9	10	Employees make you feel safe in your transactions with them	1	2	3	4	5	6	7	8	9	10		
2.12	1	2	3	4	5	6	7	8	9	10	Employees are consistently courteous	1	2	3	4	5	6	7	8	9	10		
2.13	1	2	3	4	5	6	7	8	9	10	Employees have the necessary knowledge to answer your questions	1	2	3	4	5	6	7	8	9	10		
2.14	1	2	3	4	5	6	7	8	9	10	The insurer treats you as an individual and not as a number	1	2	3	4	5	6	7	8	9	10		
2.15	1	2	3	4	5	6	7	8	9	10	The insurer has convenient operating hours	1	2	3	4	5	6	7	8	9	10		
2.16	1	2	3	4	5	6	7	8	9	10	The insurer always provides you with personalised attention	1	2	3	4	5	6	7	8	9	10		
2.17	1	2	3	4	5	6	7	8	9	10	The insurer has your best interest at heart	1	2	3	4	5	6	7	8	9	10		
2.18	1	2	3	4	5	6	7	8	9	10	Employees understand your needs	1	2	3	4	5	6	7	8	9	10		

SECTION C (Relational benefits, Customer satisfaction, Behavioural intention)

On a scale of 1 to 10, please indicate the degree to which you agree or disagree with each of the following statements regarding the insurer that you selected in question 1.1 (1= 'Strongly disagree'; 10= 'Strongly agree').

		1 = Strongly disagree					10 = Strongly agree				
3.1	I feel I can trust my insurer and its employees	1	2	3	4	5	6	7	8	9	10
3.2	I experience less anxiety by making use of my insurer	1	2	3	4	5	6	7	8	9	10
3.3	I have confidence that my insurer will deliver the required services correctly	1	2	3	4	5	6	7	8	9	10
3.4	I benefit from the advice given by my insurer	1	2	3	4	5	6	7	8	9	10
3.5	My insurer has clear and reasonable service offerings	1	2	3	4	5	6	7	8	9	10
3.6	I receive my insurer's highest level of service	1	2	3	4	5	6	7	8	9	10
3.7	The staff knows me by name	1	2	3	4	5	6	7	8	9	10
3.8	I am familiar with the employee(s) who perform(s) the service	1	2	3	4	5	6	7	8	9	10
3.9	I have developed a friendship with the related employee(s)	1	2	3	4	5	6	7	8	9	10
3.10	I believe I have a friendship with my insurer	1	2	3	4	5	6	7	8	9	10
3.11	I believe I receive faster service than most other customers	1	2	3	4	5	6	7	8	9	10
3.12	My insurer offers me special services	1	2	3	4	5	6	7	8	9	10
3.13	My insurer offers me better prices than for other customers	1	2	3	4	5	6	7	8	9	10
3.14	I think that I did the right thing when I purchased my insurance	1	2	3	4	5	6	7	8	9	10
3.15	My choice to make use of my insurer was a wise one	1	2	3	4	5	6	7	8	9	10
3.16	I feel satisfied that the results from insuring with my insurer is the best that can be achieved	1	2	3	4	5	6	7	8	9	10
3.17	I am satisfied with the insurance advice I received	1	2	3	4	5	6	7	8	9	10
3.18	I am satisfied with the product selection my insurer offers	1	2	3	4	5	6	7	8	9	10
3.19	I am satisfied with the insurance information that was communicated to me	1	2	3	4	5	6	7	8	9	10
3.20	I am satisfied with the quality and value of the policies offered	1	2	3	4	5	6	7	8	9	10
3.21	I am satisfied with the level of assistance provided by the employees	1	2	3	4	5	6	7	8	9	10
3.22	I am satisfied with the willingness of the employees of my insurer to provide me with assistance	1	2	3	4	5	6	7	8	9	10
3.23	I am happy with the efforts my insurer is making towards regular customers like me	1	2	3	4	5	6	7	8	9	10
3.24	My insurer offers convenient contact hours / operating hours	1	2	3	4	5	6	7	8	9	10
3.25	My insurer deals professionally with me	1	2	3	4	5	6	7	8	9	10
3.26	I am satisfied with the relationship I have with my insurer	1	2	3	4	5	6	7	8	9	10
3.27	I am satisfied with the social contact that takes place when I deal with my insurer	1	2	3	4	5	6	7	8	9	10
3.28	I am satisfied with my insurer's response time	1	2	3	4	5	6	7	8	9	10
3.29	My feelings about my insurer are very positive	1	2	3	4	5	6	7	8	9	10
3.30	I am always delighted with my insurer's service	1	2	3	4	5	6	7	8	9	10
3.31	Overall, I am satisfied with my insurer	1	2	3	4	5	6	7	8	9	10
3.32	If I had to choose an insurer all over again, I would make the same choice	1	2	3	4	5	6	7	8	9	10

		1 = Strongly disagree					10 = Strongly agree				
3.33	I will remain with my insurer, even if other insurers offer slightly lower prices (less than 10% difference in price)	1	2	3	4	5	6	7	8	9	10
3.34	In future, I will recommend my insurer to someone who seeks my advice	1	2	3	4	5	6	7	8	9	10
3.35	I often recommend my insurer to other people	1	2	3	4	5	6	7	8	9	10
3.36	I will become more loyal to my current insurer if it offered more individualised attention and special treatment	1	2	3	4	5	6	7	8	9	10
3.37	I will remain longer with my insurer if I was offered additional rewards	1	2	3	4	5	6	7	8	9	10

SECTION D (Demographic information)

4.1 Gender

Male	1
Female	2

4.2 Age

Younger than 20	1
20 – 30	2
31 – 40	3
41 – 50	4
51 – 60	5
61 and older	6

4.3 Highest level of education

No schooling	1
Primary school	2
High school	3
Diploma	4
University degree	5
Post-graduate degree	6

4.4 Gross monthly income (income before deductions)

Less than R5 000	1
R5 000 – R10 000	2
R10 001 – R15 000	3
R15 001 – R20 000	4
R20 001 – R25 000	5
R25 001 – R30 000	6
More than R30 000	7

4.5 Home language

English	1
Afrikaans	2
Setswana (Tswana)	3
IsiXhosa (Xhosa)	4
IsiZulu (Zulu)	5
Northern Sotho (Sepedi)	6
IsiNdebele (Ndebele)	7
Sesotho (Southern Sotho)	8
SiSwati (Swati)	9
Tshivenda (Venda)	10
Xitsonga (Tsonga)	11
Other (please specify)	12

4.6 What is your total monthly insurance premium with the insurer you selected in question 1.1?

Less than R500	1
R500 – R1 000	2
R1 001 – R1 500	3
R1 501 – R2 000	4
R2 001 – R2 500	5
R2 501 – R3 000	6
More than R3 000	7

APPENDIX B

SERVQUAL MEASURE

For this study, the SERVQUAL instrument – as developed by Parasuraman *et al.* (1988) – was implemented in section B of the questionnaire. The example is of the basic implementation of the SERVQUAL instrument, with “XYZ” as a generic business. The same statements are used to determine both respondents’ expectations and perceptions of the business’ service quality.

Directions: The following set of statements relate to your feelings about XYZ. For each statement, please show the extent to which you believe XYZ has the feature described by the statement. Circling a 1 means that you strongly disagree that XYZ has that feature, and circling a 10 means that you strongly agree. You may circle any of the numbers in the middle that show how strong your feelings are.

Tangibles (this construct was not measured in this study)

1. XYZ has modern-looking equipment.
2. XYZ’s physical facilities are visually appealing.
3. XYZ’s employees are neat-appearing.
4. Materials associated with the service are visually appealing at XYZ.

Reliability (questions 2.1 – 2.5 of the questionnaire, p. 329)

5. When XYZ promises to do something by a certain time, it does so.
6. When you have a problem, XYZ shows a sincere interest in solving it.
7. XYZ performs the service right the first time.
8. XYZ provides its services at the time it promises to do so.
9. XYZ insists on error-free records.

Responsiveness (questions 2.6 – 2.9 of the questionnaire, p. 329)

10. Employees of XYZ tell you exactly when services will be performed.
11. Employees of XYZ give you prompt service.

- 12. Employees of XYZ are always willing to help you.
- 13. Employees of XYZ are never too busy to respond to your request.

Assurance (questions 2.10 – 2.13 of the questionnaire, p. 329)

- 14. The behaviour of employees of XYZ instils confidence in customers.
- 15. You feel safe in your transactions with XYZ.
- 16. Employees of XYZ are consistently courteous with you.
- 17. Employees of XYZ have the knowledge to answer your questions.

Empathy (questions 2.14 – 2.18 of the questionnaire, p. 329)

- 18. XYZ gives you individual attention.
- 19. XYZ has operating hours convenient to all its customers.
- 20. XYZ has employees who give you personal attention.
- 21. XYZ has your best interests at heart.
- 22. Employees of XYZ understand your specific needs.

APPENDIX C

RELATIONAL BENEFITS MEASURE

The items noted below, as developed by the research of Gwinner *et al.* (1998), are generally used to measure the Relational benefits customers receive from their service providers (Bruner & Hensel, 2005:467-472). These items were implemented in section C of the questionnaire, and are categorised according to the three types of Relational benefits:

Confidence benefits (questions 3.1 – 3.6 of the questionnaire, p. 330)

1. I believe there is less risk that something will go wrong.
2. I feel I can trust the service provider.
3. I have more confidence the service will be performed correctly.
4. I have less anxiety when I buy the service.
5. I know what to expect when I go in.
6. I get the provider's highest level of service.

Social benefits (questions 3.7 – 3.10 of the questionnaire, p. 330)

7. I am recognised by certain employees.
8. I am familiar with the employee(s) who perform(s) the service.
9. I have developed a friendship with the service provider.
10. They know my name.
11. I enjoy certain social aspects of the relationship.

Special treatment benefits (questions 3.11 – 3.13 of the questionnaire, p. 330)

12. I get discounts or special deals that most customers don't get.
13. I get better prices than most customers.
14. They do services for me that they don't do for most customers.
15. I am placed higher on the priority list when there is a line.
16. I get faster service than most customers.

APPENDIX D

CUSTOMER SATISFACTION MEASURE

The items indicated below, as derived from several researchers' measures (De Wulf *et al.*, 2001; Evans *et al.*, 2000; Mano & Oliver, 1993; Mattila & Wirtz, 2001; Ofir & Simonson, 2001), are used to measure the degree of customer satisfaction (Bruner & Hensel, 2005:503). These items appear in the same order as from the questionnaire (questions 3.14 - 3.31, p. 330):

- Sat1: I think that I did the right thing when I purchased my insurance.
- Sat2: My choice to make use of my insurer was a wise one.
- Sat3: I feel satisfied that the results from insuring with my insurer are the best that can be achieved.
- Sat4: I am satisfied with the insurance advice I received.
- Sat5: I am satisfied with the product selection my insurer offers.
- Sat6: I am satisfied with the insurance information that was communicated to me.
- Sat7: I am satisfied with the quality and value of the policies offered.
- Sat8: I am satisfied with the level of assistance provided by the employees.
- Sat9: I am satisfied with the willingness of the employees of my insurer to provide me with assistance.
- Sat10: I am happy with the efforts my insurer is making towards regular customers like me.
- Sat11: My insurer offers convenient contact hours/operating hours.
- Sat12: My insurer deals professionally with me.
- Sat13: I am satisfied with the relationship I have with my insurer.
- Sat14: I am satisfied with the social contact that takes place when I deal with my insurer.
- Sat15: I am satisfied with my insurer's response time.
- Sat16: My feelings about my insurer are very positive.
- Sat17: I am always delighted with my insurer's service.
- Sat18: Overall, I am satisfied with my insurer.

APPENDIX E

BEHAVIOURAL INTENTIONS MEASURE

The items below – as derived from the research of Cronin *et al.* (2000), Ganesh *et al.* (2000), and Price and Arnould (1999) – are used to measure loyalty and word-of-mouth as behavioural intentions (Bruner & Hensel, 2005:340, 647).

Loyalty (questions 3.32, 3.33, 3.36 and 3.37 of the questionnaire, p. 330-331)

1. If I had to choose a service provider all over again, I would make the same choice.
2. I will remain with my service provider, even if other service providers offer slightly lower prices (less than 10% difference in price).
3. I will become more loyal to my current service provider if it offered more individualised attention and special treatment.
4. I will remain longer with my service provider if I was offered additional rewards.

Word-of-mouth (questions 3.34 and 3.35 of the questionnaire, p. 331)

1. In future, I will recommend my service provider to someone who seeks my advice.
2. I often recommend my service provider to other people.

APPENDIX F
LETTER FROM STATISTICS



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
POTCHEFSTROOMKAMPUS
Privatebag X6001 Potchefstroom 2520
Tel (018) 299 1111 Fax (018) 299 2799
<http://www.puk.ac.za>

Statistical Consultation Services

Tel: (018) 299 2018

Fax: (018) 299 2557

7 November 2012

To whom it may concern

Re: Thesis Me N Mackay, student number: 12194778

We hereby confirm that the Statistical Consultation Services of the North-West University has analysed the data and assisted with the interpretation of the results.

Kind regards

Mev. J.W. Breytenbach (MSc Wits)