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Customer retention through customer relationship management: The exploration of two-way communication and conflict handling

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Organisations such as banks and short-term insurance organisations become more aware of the importance of customer relationship management (CRM) and its potential to help them acquire new customers, retain existing ones and maximise their lifetime value. A close relationship with customers will require a strong coordination between information technology (IT) and marketing departments to provide a long-term retention of selected customers. The primary objective of this study is to investigate the influence of selected independent variables, two-way communication and conflict handling on intentional customer loyalty via CRM as the intervening variable at a South African short-term insurance organisation. Primary data were gathered using a questionnaire, with items referring to CRM, customer loyalty, two-way communication and conflict handling. The sample consisted of 254 customers in four major centres in South Africa. Data were factor-analysed. One independent variable, conflict handling exerted a statistically significant positive influence on the intervening variable (CRM), while two-way communication exerted a statistically significant negative influence on the intervening variable (CRM). The intervening variable (CRM) positively influenced the dependent variable (Customer Loyalty). If short-term insurance organisations communicate timeously and accurately, and are skilled in conflict handling, greater loyalty will be created among customers.

Key words: Customer relationship management (CRM), two-way communication, conflict handling, customer retention.

INTRODUCTION

Over the past twenty years, the importance of the service industries to the world economy has grown tremendously. In 2003, the service sector contributed to over 80% of the employment and gross domestic product (GDP) of the United States (Zeithaml et al., 2006: 8). In the South African economy, the service sector contributed 71.4% of South Africa's total GDP in 2006 (Datamonitor, 2008: 45). The services sector is spearheaded by the financial services sector. The services sector employs 65% of the total workforce in South Africa (Datamonitor, 2008: 55). Since democracy in 1994, there has been increasing competition in the South African financial services industries from niche players and foreign entrants, as technology and financial liberalisation created the stimulus for competition from new areas.

A business that wants to succeed in today's global competitive market, where customers are empowered and brand loyalty erosion is increasing, will have to move to customer relationship management (CRM). Customer relationship management enables organisations to provide excellent real-time customer service through the effective use of individual account information (Kotler and Keller, 2006: 152). This requires a more complex approach. Organisations need to investigate customer needs, they have to build relationships with both existing and potential customers, and they will have to satisfy their customers' needs (Rootman, 2006: 2). Short-term insurance organisations will therefore require a loyal customer base to secure their sustainability. Loyal customers can be generated through CRM. CRM can

assist short-term insurance organisations in building long-term beneficial relationships with customers which has a direct influence on the value proposition to customers, and the competitive position of the organisation in the market. This will lead to customer loyalty and increased profits for the organisation due to customer retention (resulting in increased R and value spent over the long-term).

Relationship marketing and its application, CRM, focus on the long-term profitability of keeping customers for life (Sauers, 2008: xxi). This requires two-way dialogue between the organisation and the customer to develop a relationship (Du et al., 2005: 73). The literature stipulates that two-way communication and conflict handling form important parts of CRM. Communication is very important, especially in the early stages of the relationship with the customers, as an organisation wants to build awareness and convince interested customers to make a purchase. Communication is the ability to provide timeously and trustworthy information (Ndubisi, 2007: 100). An organisation would not be able to function without two-way communication, as its management would not be able to convey important information to employees, downward communication, and vice versa, upward communication, or to customers (Rootman, 2006: 12). If an organisation succeeds in avoiding or resolving conflicts with customers before they become problems, this will have a positive influence on customer loyalty (Ndubisi and Wah, 2005: 553). This will lead to commitment which can be defined as the willingness to work and stay in the relationship indefinitely (Sauers, 2008: 35).

This article includes a literature review of CRM and customer loyalty, and an explanation of the problem that was investigated. The research objectives, hypotheses and methodology are then discussed. Thereafter the empirical results are discussed followed by management implications and recommendations.

Literature review

The literature review presented in this article aims at providing a broader understanding of the major constructs examined in the research. Specifically, a brief discussion of the South African short-term insurance industry is provided. The literature review will also focus on CRM, two-way communication, conflict handling and customer loyalty.

The short-term insurance industry in South Africa

The South African insurance market generated total gross written premiums of $24.2 billion in 2007, representing a compound annual growth rate (CAGR) of 8.9% for the period spanning 2003 to 2007. The short-term insurance segment was a lucrative segment in the market

in 2008, generating gross written premiums of $10.2 billion, equivalent to 43.8% of the market's overall value. The performance of the market is forecasted to accelerate, with an anticipated CAGR of 4.8% for the five-year period, 2007 to 2012, which is expected to drive the market to a value of $29.6 billion by the end of 2012 (Datamonitor, 2009: 7). Santam is the largest short-term insurance organisation in South Africa, accounting for 23% of the country's value.

Customer relationship management

Today, many organisations such as banks and short-term insurance organisations realise the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximise their lifetime value. A close relationship with customers will require a strong coordination between information technology (IT) and marketing departments to provide a long-term retention of selected customers (Onut et al., n.d.:1). The broad application of CRM has lead to a multitude of definitions. Berndt et al. (2009: 237 - 238) defined CRM as "an enterprise-wide commitment to identify the individual customers of an organisation, and to create a relationship between the organisation and these customers as long as the relationship is mutually beneficial. CRM evolved from organisation processes such as relationship marketing (RM) and the increased emphasis on improved customer retention through the effective management of customer relationships." Relationship marketing is a consumer centered approach seeking long term relationships with existing as well as with prospective partners to the marketing process (that is, consumers, suppliers, alliances, competitors, distributors and employees and consumers) (Steynet al., 2004: 35 - 36). Relationship marketing wants to establish a long term relationship with customers of the organisation as well as other role players which will contribute to the successful operation of the organisation in the future (Eiriz and Wilson, 2006: 275 - 276).

The purpose of CRM is to develop appropriate relationships with customers through communication and conflict handling and to create long-term profit (Ndubisi, 2007: 98; Grönroos, 2003: 31). CRM provides a transition from a transaction-based to a relationship-based model that concentrates on the acquisition, development and retention of profitable customer relationships. Two-way communication with customers is enabled by advances in information and telecommunications systems. All the communication with customers, when it is integrated into the organisation, recorded and managed, allows the relationships with customers to develop and to be maintained (Baran et al., 2008: 6 - 7). A goal of CRM is to create an opportunity for re-purchase by a customer through an improvement in the communication process to the customer, providing the right offer, relating to product

and price, through the right channel, at the right time.

This will lead the customer to perceive that the organisation is concerned with the customer's needs, and this in turn may lead to greater satisfaction towards the organisation. When the customer has additional experiences with the organisation in which the customer's needs were satisfied, the customer may develop a sense of loyalty to the organisation (Egan, 2004: 20). How conflict is handled between the organisation and the customer will either ensure loyalty, or the customer will leave the company and go to a competitor (Ndubisi and Wah, 2005: 545). Long-term relationships with customers can successfully be created, reinforced and retained by communicating with the customers in a timely, reliable and pro-active fashion and handling conflicts between the organisation and the customers effectively (Ndubisi, 2007: 98).

Two important components of CRM

The only real sustainable business growth strategy is through a mutualistic symbiotic relationship with customers, which allows the business to understand the customers' needs more clearly and to create and deliver superior value. Organisations must fulfil their promises to customers as this will lead to customer satisfaction, customer retention and long-term profitability for the organisation. Scholars have listed two important virtues that have been theorised in the customer relationship management literature as two-way communication and conflict handling (Du Plessis et al., 2005: 73 - 76; Ndubisi and Wah, 2005: 544; Buttle, 2004: 15).

Two-way communication

Today, there is a new view of communication as an interactive dialogue between the company and its customers which takes place during the pre-selling, selling, consuming and post-consuming stages. Communication in a relationship means providing information that can be trusted, providing information when problems occur and fulfilling promises (Ndubisi and Wah, 2005: 545). For a customer to perceive a relationship as valuable, the customer's needs must be fulfilled. The needs of the customers can be established through gathering information from them.

This can take place during face-to-face interviews with customers, focus groups and observing the services customers purchase (Du et al., 2005: 82). Employees are at the front line of service and they know more than anyone else in the organisation what customers want. Having open communication channels between employees and management (upward communication) can prevent service problems before they occur and minimise them when they arise (Zeithaml et al., 2006: 507).

Conflict handling

Conflict handling can be described as the supplier's ability to avoid potential conflicts, solve manifested conflicts before they create problems, and the ability to discuss solutions openly with customers when problems do arise (Ndubisi and Wah, 2005: 550). Only approximately 5% of all unsatisfied customers complain, and only 50% of them report a satisfactory problem resolution. The need and ability to resolve customer problems in a satisfactory manner is critical. On average, satisfied customers tell three people of their good experience, while dissatisfied customers will tell eleven people. Customers whose complaints are satisfactorily resolved often become more company loyal than customers who were never dissatisfied. About 34% of customers who register a major complaint will buy from a company again if their complaint is resolved, and the number rises to 52% for minor complaints. If the complaint is resolved quickly, between 52%, for major complaints, and 95%, for minor complaints, of customers will buy from the company again. Organisations that encourage disappointed customers to complain and empower employees to remedy the situation on the spot have been shown to achieve higher revenues and greater profits (Kotler and Keller, 2006: 419 - 420).

Customer loyalty

The aim of relationship marketing is the establishment and maintenance of long-term relationships with customers (Zeithaml et al., 2006: 182). Organisations understand that it is considerably more profitable to keep and satisfy existing customers, than to renew a strongly-churning customer base constantly. To make relationship marketing work, marketers have adopted a customer management orientation, which emphasises the importance of customer lifetime value, retention and the dynamic nature of a person's customer-firm relationship over time (Reinartz and Kumar, 2003: 77). The rational behind CRM is that it improves business performance by enhancing customer satisfaction and driving up customer loyalty. A model has been designed to explain this logic, and it is called the satisfaction-profit chain (Buttle, 2004: 20). Customer satisfaction increases because the insight into customers allows organisations to understand them better, and through this organisations create improved customer value propositions. As customer satisfaction rises, so does customer repurchase intention. This then influences the actual purchasing behaviour, which significantly impacts business performance (Buttle, 2004: 20 - 21).

There are two major approaches when defining and measuring loyalty; one is based on behaviour and the other on attitude. The behavioural loyalty refers to a customer's behaviour on repeat purchase, indicating a preference for a brand or a service over time. There are

two behavioural dimensions to loyalty. Firstly, the question must be asked if the customer is still active. Secondly, the organisation must determine if they maintained their share of the customers spending. Attitudinal loyalty refers to a customer's intention to repurchase and recommend, which are good indicators ofa loyal customer. A customer who has the intention to repurchase and recommend is very likely to remain with the organisation (Buttle, 2004: 21 - 22; Kandampully and Suhartanto, 2003: 346 - 347). Attitudinal (intentional) loyalty is measured by reference to components of attitude such as beliefs, feelings and purchasing intention. Customers who have a strong preference for involvement or commitment to a supplier are the more loyal in attitudinal terms (Buttle, 2004: 22). This study will focus on the attitudinal (intentional) loyalty of the customers of short-term insurance organisations. Organisations must track customer loyalty as a measure of how they compare to competitors. This will shift the focus from customer acquisition to customer retention (Baran et al., 2008: 327).

Problem statement

Statistics released by the Life Offices Association (2007), indicated that in the second half of 2006, surrenders of policies increased. Lapsed premiums also increased by 18% compared to the previous half-year, and by 31% compared to the corresponding period in 2005. The purpose of CRM is to increase customer satisfaction, improve customer perception of service quality and increase customer loyalty (Baran et al., 2008: 397). CRM applied correctly leads to customer loyalty, and loyal customers are usually more profitable (Grönroos, 2003: 7).

To retain existing customers in the current economic climate where customers are cancelling their short-term insurance policies because of the unsure economic future, short-term insurance organisations will have to understand how two-way communication and conflict handling through the application of CRM can contribute to customer loyalty. Larger portions of long-term customers than short-term customers exhibit high profitability, therefore the theory of an overall positive connection between customer loyalty and profitability cannot be rejected (Leverin and Liljander, 2006: 235). Short-term insurance organisations will not be able to survive for much longer in the competitive short-term insurance industry, battling the global recession, if they do not understand the importance of these two variables influencing their CRM and how they can improve customer loyalty. The article will focus on the importance for short-term insurance organisations, to better understand the need for CRM and how that will lead to customer loyalty. The problem statement therefore refers to an investigation of the influence of the variables two-way communication and conflict handling on customer loyalty through the intervening role of customer relationship management at a short-term insurance organisation in South Africa.

The independent variables of the study constitute selected variables as identified in literature on CRM. These variables are two-way communication and conflict handling. In this article, each variable's influence was assessed through an empirical investigation. The article will further attempt to identify the degree of influence of CRM on the customer loyalty of a short-term insurance organisation in South Africa, the dependent variable. The dependent variable, customer loyalty, refers to the impact of the underpinnings of CRM on customer loyalty. Service firms can benefit from CRM, as customers focus on the service aspect and interaction with the service provider when evaluating a service firm, as no physical product is involved (Rootman, 2006: 10). Short-term insurance organisations need to be aware of the variables that influence its CRM activities. This would assist short-term insurance organisations in adapting the required variables to ensure the improved application of the CRM process to strengthen customer loyalty and increase market share in South Africa.

Research objectives

The primary objective of this article is to investigate the influence of the independent variables, two-way communication and conflict handling on intentional customer loyalty via CRM as the intervening variable at a short-term insurance organisation in South Africa.

Research hypotheses

To give effect to the problem statement, a number of null hypotheses were formulated, stating that no relationships exist. Hypotheses were also formulated stating that the relationships exist.

Relationship between the independent variables and the intervening variable, CRM

HO_1: There is no relationship between the perceived two-way communication of a short-term insurance organisation and CRM at the organisation in South Africa.

H_1: There is a relationship between the perceived two-way communication of a short-term insurance organisation and CRM at the organisation in South Africa.

HO_2: There is no relationship between the perceived conflict handling by a short-term insurance organisation and CRM at the organisation in South Africa.

H_2: There is a relationship between the perceived conflict

Table 1. Reliability statistics.

Construct	Cronbach's alpha
Two-way communication	0.887
Conflict handling	0.773
CRM	0.798
Loyalty	0.795
CRM and its influence on loyalty	0.834

handling by a short-term insurance organisation and CRM at the organisation in South Africa.

Relationship between the intervening variable, CRM, and the dependent variable, customer loyalty

HO$_3$: There is no relationship between CRM and intentional customer loyalty at a short-term insurance organisation in South Africa.

H$_3$: There is a relationship between CRM and intentional customer loyalty at a short-term insurance organisation in South Africa.

RESEARCH METHODOLOGY

This study was conducted in two phases. The first phase focused on qualitative research, and the second phase focused on a quantitative research approach. A focus group interview was held with a manager of the Customer Walk-in-Centre in Johannesburg, and two other senior managers responsible for customer relationships at a short-term insurance organisation. The focus group interview assisted the researcher in developing the questionnaire and provided the desired information on CRM and customer loyalty from a short-term insurer's viewpoint (Rootman, 2006: 22). The questionnaire was used during the quantitative phase of the research. The reason for quantitative data is that it is easy to interpret the results in simple conclusions (Zikmund and Babin, 2007: 83). Taking into consideration, the nature of the research, the problem statement and all other related matters regarding the research, the research was descriptive.

A structured questionnaire survey was used to collect data for this research, and this process was administered by conducting personal interviews. The questionnaire included self developed items, as well as items from questionnaires used in previous research. The population of the research consists of the short-term insurer's entire individual, natural person, customers who visited Customer Walk-in-Centres in Johannesburg, Pretoria, Durban and Cape Town. For the purpose of this study, a probability sampling method was used. Stratified sampling, followed by simple random sampling was used in this study. The reason for selecting this sampling technique was that the sampling frame of the study was divided into subgroups, strata, and the sampling process was performed separately on each stratum. The different walk-in-centres of the short-term insurer in the study compiled the different strata. Stratified samples are the most statistically efficient and they allow the investigation of the characteristics of the interest for particular subgroups within the population (Churchill and Iacobucci, 2005: 354). The sample size of this study was twofold. Firstly, the sample

was based on the percentage of customers visiting Customer Walk-in-Centres presented as a portion of the total number of customers visiting these centres. Secondly, the percentage was applied to 450 customers of the short-term insurer entering the Customer Walk-in-Centres in Johannesburg, Pretoria, Cape Town and Durban. The percentages and totals for the different walk-in centres were as follows, Johannesburg (40%) (180), Pretoria (26.7%) (120), Cape Town (11.1%) (50) and Durban (22,2%) (100).

The research instrument, a questionnaire was pre-tested in a pilot study involving fifteen customers in the Customer Walk-in-Centres in Johannesburg and Pretoria. Reliability and validity are the hallmarks of good measurement and the keys to assessing the trustworthiness of any research conducted. The reliability measurement for this study was the internal consistency reliability test. Reliability tests whether the questionnaire will measure the same thing more than once and result in the same outcome every time (Rootman, 2006: 124; Cant et al., 2005: 235; Ndubisi and Wah, 2005: 551; Zikmund, 2003: 301). The extent to which a particular measure is free from both systematic and random error indicates the validity of the measure. In this study exploratory factor analysis, utilising the Varimax with Kaiser Normalisation, was performed to assess the discriminant validity of the questionnaire. Validity was also confirmed by conducting the Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity (Madiba, 2009: 121; Norusis, 2003: 399 - 401).

Data analysis refers to the transformation of raw data into a form that makes it easy to understand and interpret. Describing responses or observations is typically the first form of analysis (Naidoo, 2008: 81; Roberts-Lombard, 2006: 52; Cant et al., 2005: 204; Zikmund, 2003: 473). Computers were used for the analysing of data. STATKON of the University of Johannesburg was used to analyse the data so that the data could be interpreted into meaningful information or findings that were explored further to propose recommendations to the research.

FINDINGS

The findings of the empirical investigation are subsequently presented. Firstly, this article will look at reliability, then validity and lastly the findings of the multiple regression analyses will be discussed.

Reliability

The internal consistency reliability test compares different samples of the items being
used to measure a phenomenon, during the same time period. This can be done by means of a split-half reliability test, also known as the coefficient alpha or Cronbach's alpha, and results exceeding 0.60 will reflect the lower level of acceptability (Ndubisi and Wah, 2005: 551). The reliability statistics for the questionnaire are presented in Table 1.

It is evident in Table 1 that Cronbach's alpha for all five constructs are above the lower limit of acceptability, 0.60.

This confirms that the measurement set used in the study was reliable.

Validity

A factor analysis can also be performed to assess the

Table 2. Exploratory rotated factor analysis results.

No.	Item	Conflict handling	Two-way communication
1	My relationship with my short-term insurance provider depends on whether it compensates me for mistakes made	0.812	0.117
2	My relationship with my short-term insurance provider will be better if it apologises for problems that arose	0.815	0.277
3	My relationship with my short-term insurance provider will be better if it identifies problems even before they occur and corrects them	0.712	0.287
4	If my short-term insurance provider keeps me informed on how they are resolving problems that occurred, I feel more positive towards it	0.733	0.226
5	My relationship with my short-term insurance provider depends on whether the information it provides is always accurate	0.321	0.788
6	My relationship with my short-term insurance provider can improve if the communication that I receive from it is easy to understand	0.314	0.713
7	My relationship with my short-term insurance provider depends on whether it makes and fulfils promises	0.278	0.698
8	My relationship with my short-term insurance provider depends on whether it tailor makes their communication to suit my needs	0.266	0.744

discriminant validity of the measuring instrument (Rootman, 2006: 128). As stated earlier, the rotation method used in this research was the Varimax with Kaiser Normalisation. Table 2 reflects the rotated factor analysis results of the variables two-way communication and conflict handling.

Multiple regression analyses results

Influence of the independent variables on the intervening variable

Multiple regression analysis was performed to assess the relationship between the independent variables (Two-way Communication and Conflict handling) and the intervening variable (CRM). The results are reflected in Table 3. Table 3 indicates that one of the independent variables, conflict handling, exerted a statistically significant positive influence on the intervening variable (CRM), while Two-way Communication exerted a statistically significant negative influence on the intervening variable (CRM). The researcher relied on a 95% level of confidence, therefore a p-value of less than or equal

to 0.05 implied that it is highly unlikely that the results are due to chance alone according to the Independent Sample T-test. This implied that the null hypotheses are rejected and the hypotheses are accepted. The relationship between two-way communication and CRM is significant at $p = 0.019$ and the relationship between conflict handling and CRM is significant at $p = 0.000$.

The null hypothesis HO_1, which states that there is no relationship between the perceived two-way communication of a short-term insurance organisation and CRM at the insurance provider in South Africa, and the null hypothesis HO_2, which states that there is no relationship between the perceived conflict handling by a short-term insurance organisation and CRM at the organisation in South Africa, are therefore rejected.

The hypothesis H_1, which states that there is a relationship between the perceived two-way communication of a short-term insurance organisation and CRM at the organisation in South Africa, and the hypothesis H_2, which states that there is a relationship between the perceived conflict handling by a short-term insurance organisation and CRM at the insurance provider in South Africa, are therefore accepted.

Table 3. Influence of the independent variables on CRM.

Framework	CRM					
Framework	Sum of square	DF	Mean square	F	Sig.	R^2
Regression	333.113	4	85.443			0.671
Residual	277.334	249	1.445	89.233	0.000	
Total	610.447	253				

Framework	Standardised coefficients, Beta	T	Sig.
(Constant)		-3.223	0.044
Two-way communication	-0.211	-2.117	0.019
Conflict handling	0.447	7.668	0.000

Table 4. Influence of the intervening variable on customer loyalty.

Framework	Customer loyalty					
Framework	Sum of square	DF	Mean square	F	Sig.	R^2
Regression	477.116	1	512.776	1244.116	0.000	0.723
Residual	213.336	252	0.501			
Total	690.452	253				

Framework	Standardised coefficients, Beta	T	Sig.
Constant		2.115	0.077
CRM	0.755	29.449	0.000

Influence of the intervening variable on the dependent variable

Multiple regression analysis was performed to assess the relationship between the intervening variable (CRM) and the dependent variable (Customer Loyalty). The results are reflected in Table 4.

Table 4 indicates that the intervening variable (CRM) positively influenced the dependent variable (Customer Loyalty). The relationship between CRM and customer loyalty is significant at p = 0.000.

This relationship implied that if the short-term insurance organisation successfully maintained relationships with its customers, intentional customer loyalty at the short-term insurance organisation would increase. Table 4 indicates that the intervening variable in the multiple regression analysis explained 72.3% of the variance (R^2) in the dependent variable. In other words, it can be said that 72.3% of a possible change in the level of customer loyalty in the short-term insurance organisation is caused by CRM. Table 4 further indicates that one unit increase in CRM will increase customer loyalty by 75.5% when considering Beta.

The null hypothesis HO_3, which states that there is no relationship between CRM and intentional customer loyalty at a short-term insurance organisation in South Africa is rejected. The hypothesis H_3, which states that there is a relationship between CRM and intentional customer loyalty at a short-term insurance organisation in South Africa is accepted.

MANAGEMENT IMPLICATIONS

The empirical results imply that a short-term insurance organisation can improve and maintain its relationships between the organisation and customers if the short-term insurance organisation communicate information to customers efficiently and accurately, thereby also listening to their customers and handling potential and manifested conflicts skilfully. Furthermore, it is clear that if conflict handling skills exhibited by the short-term insurance organisation are apparent, customer require less two-way communication to improve the relationship quality.

Two-way communication

The focus of a short-term insurance organisation should be on attracting and retaining customers through

co-operation, trust, commitment and the sharing of information between the parties in the relationship. In the ongoing relationship with the customer, a short-term insurance organisation is required to communicate with the customer, and the customer is expected to listen. Both parties in a relationship have to communicate with each other. A short-term insurance organisation can nurture the loyalty of customers by providing accurate information that is easy to understand and that is tailored to address the customers' needs, and finally by making and fulfilling promises. A short-term insurance organisation should ensure that its sales force discloses all necessary information to the customer in a clear, understandable and accurate way at the point of sale. Once the policy is in force, communicating to the customer in a timely, accurate and understandable way, and ensuring customers are promptly informed about key changes to their policies and its likely returns should be a priority for a short-term insurance organisation. This can be done through the annual anniversary letter being sent to all customers. A short-term insurance organisation should regularly measure their two-way communication through the customers' eyes and not use the short-term insurance organisation's yardstick. A short-term insurance organisation can design specific training sessions. The training sessions can be made compulsory to attend for new employees and can be provided annually to all employees, to enforce the importance of the two-way communication aspect. It is important to emphasise the short-term insurance organisation's focus on the two-way communication aspect to new employees and to repeat it regularly to all employees. A short-term insurance organisation must ensure that once the conflict handling aspect has firmly been imbedded, it reduces its two-way communication with customers to a customer desired level.

Conflict handling

Customers will be loyal to a short-term insurance organisation if it handles customer complaints and other conflicts satisfactorily. It is therefore important that effective conflict resolution mechanisms are not only in place, but are proactive, so as to pre-empt potential sources of conflict and address them before problems manifest. A short-term insurance organisation should also ensure the effectiveness of the Customer Relations Department to ensure that reactive solutions are marshalled decisively and in time to resolve problems and protect customers from avoidable losses. A short-term insurance organisation must be willing to discuss problems with customers openly. The way in which conflicts are handled by a short-term insurance organisation will influence customer loyalty directly. The degree to which a short-term insurance organisation and its customers in the relationship engage in conflict handling processes will depend on their prior satisfaction with the relationship, the magnitude of the investment in the relationship and the alternatives that the parties have.

A short-term insurance organisation should make it as easy as possible for customers to complain. Written complaints should only be required if it is necessary for legal reasons. A short-term insurance organisation should inform customers of failures or mistakes, and if the short-term insurance organisation cannot correct them immediately, they should inform the customer when it will be rectified. A short-term insurance organisation should compensate customers immediately, and where immediate compensation cannot be given, no unnecessary delays should be allowed. A lost profitable customer has a greater effect on the long-term profitability of a short-term insurance organisation than over-compensation. The satisfied compensated customer will continue his relationship with the short-term insurance organisation and will most probably also contribute to favourable word-of-mouth communication. Emotional reactions from customers, such as anxiety and frustration as a result of the service failure or mistake, must also be managed, in addition to recovering the failure. A short-term insurance organisation must apologise, but it may not be enough in some situations. Customers must be compensated for losses suffered as a result of a mistake by a short-term insurance organisation. A short-term insurance organisation should regularly measure their conflict handling through the customers' eyes, and not use a short-term insurance organisation's yardstick. A short-term insurance organisation can design specific training sessions for employees emphasising the conflict handling aspect. Managers should only employ employees who can work with difficult customers.

Relationship between the intervening variable, CRM, and the dependent variable, customer loyalty

A short-term insurance organisation should develop training sessions to inform employees that the core CRM processes are customer acquisition, customer retention and customer development. Just as a customer acquisition strategy aims to increase the customer base, the focus of customer retention is to keep a high proportion of current customers by reducing customer defections. The short-term insurance organisation should launch a customer development strategy which aims to increase the value of retained customers. A short-term insurance organisation should retain and develop loyal customers by communicating timeously and accurately and must resolve conflicts in a manner that will eliminate unnecessary loss and inconvenience to customers.

In order to maintain relationships with customers and to retain loyal customers, a short-term insurance organisation can give special benefits to loyal customers, for example lowering policy charges when new policies

are entered into, and charging less administrative fees for managing investments. It is clear from the empirical studies that only one unit increase in CRM at the short-term insurance organisation can increase customer loyalty by 89.5%. A short-term insurance organisation should ensure that CRM and therefore customer loyalty increases by delivering high quality and high value products and services. The policies and other services should deliver on promises.

A short-term insurance organisation should train employees to understand that every single contact with a customer must count. Customers' first impressions are the ones they remember; therefore frontline employees should be equipped to ensure a positive first experience. This is the best way to acquire loyal customers. A short-term insurance organisation must know their customers. Loyalty schemes equivalent to Discovery's Vitality Programme can be introduced by a short-term insurance organisation. This loyalty programme will not only contribute to obtaining a bigger share of the wallet of the customer, but can also be used to obtain more information about customers. A short-term insurance organisation must build a system linked to its policy master that will inform management when customers defect. These customers should be contacted immediately and asked why they intend leaving the short-term insurance organisation, and determine if anything can be done to rectify the reason why the customer is not happy.

A short-term insurance organisation must deliver excellent customer services. The particular experience a customer has with customer service will influence how the customer feels about a short-term insurance organisation. A short-term insurance organisation should always do the unexpected and that is to treat customers well. Unfortunately, most customers today expect to be ignored or mistreated. A short-term insurance organisation can request senior managers to phone clients personally to thank them for their business or give reasons for a mistake made, and indicate what the short-term insurance organisation is doing to rectify the mistake. A short-term insurance organisation should use its customer database to maximise the personalisation of offers to customers. Should a short-term insurance organisation be able to implement the recommendations, customer loyalty will increase, which will lead to higher profits and will give a short-term insurance organisation a sustainable competitive advantage.

Conclusions

It is important to note that, although the research was conducted in four major centres in South Africa at one short-term insurance organisation, the findings and recommendations may be applicable to other short-term insurance organisation in South Africa due to the uniformity of services on offer. This research succeeded in identifying a list of dimensions that underpin CRM and

which can predict customer loyalty at a short-term insurance organisation in South Africa. Managers aiming to build a loyal customer base should concentrate on the issue of two-way communication and conflict handling. Strategies to improve how the short-term organisation communicates with customers and how it obtains information concerning the customers' needs, and how conflicts between the customer and the organisation are dealt with during a service failure should be implemented. The strategies when implemented will increase customer loyalty, which in turn will lead to increased profitability of the organisation and sustainability of the organisation's future.

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