

Full Length Research Paper

A conceptual framework proposition for customer loyalty in the short-term insurance industry - A South African perspective

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The purpose of the study was to investigate CRM and its influence on customer loyalty at selected short-term insurance providers in Gauteng. The target population included all South Africans who currently have a policy with at least one of the selected short-term insurance providers, namely: Outsurance, Santam, Telesure and Hollard. The convenience sampling method was applied and samples of 500 respondents were selected. Personal interviews were conducted with respondents and a structured questionnaire was used for the gathering of data. The statistical analysis that was used in the study included a multiple regression analysis to test the hypotheses formulated for the study and an analysis of variance test (ANOVA). The study indicated that a significant positive relationship exists between conflict handling and CRM at four selected short-term insurance providers. It was also indicated that a significant negative relationship existed between commitment and CRM. It was evident that no relationship existed between trust and two-way communication and CRM. The study also revealed that a strong relationship existed between CRM and customer loyalty at the four selected short-term insurance providers in South Africa.

Key words: Short-term insurance organisation, customer relationship management, customer loyalty, trust, commitment, two-way communication, conflict handling.

INTRODUCTION

Ndubisi (2007) argues that the aggressively competitive environment present in the business world has forced organisations to build stronger relationships with their customers which provide rewards for both parties. He further states that organisations fully utilize these strong relationships with their customers as this provides them with insight information relating to the needs and wants of their customers in order to encourage them to remain loyal to the organisation. There are various reasons why organisations have the objective to create relationships with customers. Cambra-Fierro and Polo-Redondo (2008) states that organisations experience positive results when greater attention is paid to their customer base, due

to the fact that they are then able to focus on their most profitable customers. Improving the retention rates of the organisation provides assistance in building this customer base and therefore improving the level of profitable customers. In a typical service environment such as the short-term insurance industry, retaining customers has become increasingly important in order to secure the future survival and profitability of the organisation. Customer retention in the short-term insurance industry is imperative due to the fact that it is an extremely competitive industry containing many choices for customers. The unstable environment in which short-term insurers in South Africa operate necessitates them to put greater focus on customer retention. The reasons for this being the fact that customers are experiencing tough times and are therefore searching for ways in which to cut costs. Customers are more likely to choose an alternative supplier due to the range of choices in order to

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Table 1. South African short-term insurance market share, % share by value in 2009.

| Organisation | % share |
|--------------|---------|
| Oursurance | 22.50 |
| Santam | 19.20 |
| Hollard | 14.30 |
| Telesure | 12.00 |
| Other | 32.00 |
| Total | 100 |

Source: Datamonitor (2010a).

decrease their monthly costs.

The reasons for the increased emphasis on the retention of customers is two-fold: firstly customer retention holds a financial benefit for an organisation in the form of increased profits and also the fact that it costs more to attract a new customer than it does to retain an existing one. Therefore, the focus of this article is to determine the influence of CRM on customer loyalty in the South African short-term insurance industry. The influence of the CRM elements trust, commitment, two-way communication and conflict handling on customer loyalty will also be determined.

LITERATURE REVIEW

The short-term insurance industry in South Africa

The South African insurance market was characterized by a gross premium income of \$4.9 billion, an increase of 31.7% since 2008. Life insurance dominated the South African insurance market in 2008 and generated 75.8% of the market's overall gross premium income and non-life insurance generated the remaining 24.2% of the market's aggregate gross premium income. The short-term insurance industry exists in a highly competitive environment that has grown in recent years. The property and causality sectors have contributed the most to this growth in the industry by contributing 75.3% of the total industry income. The accident and health sector contributed the remaining 24.7% (Datamonitor, 2010a). The annual growth rate in the industry had been 11.2% between 2004 and 2008 but a decrease in its annual growth rate for 2009 and 2013 has been forecasted. The forecast growth rate is 2.8%, a substantial decrease of 8.4% in annual growth (Datamonitor, 2010b). The short-term insurance industry is characterised by various role players of which Oursurance, Santam, Hollard and Telesure are the most dominant in terms of market share (both property and motor vehicle insurance) (Metcalfe, 2010). Table 1 depicts the main short-term insurance organisations in South Africa by market share. Economic activity in South Africa slowed in the last quarter of 2009

and the first quarter of 2010 (Life Offices Association, 2010). With the slowdown in economic activity, short-term insurance providers have to focus on retaining their current customers. CRM can be used to improve customer loyalty.

Relationship marketing will work best when customers are engaged in relationship building activities (Leverin and Liljander, 2006).

Customer relationship management (CRM)

Today, many organisations such as banks and life insurance organisations realise the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximise their lifetime value (Onut et al., n.d). 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 (Baran et al., 2008). Kotler and Keller (2006) state that CRM encompasses a process of managing detailed information about individual customers and carefully managing all customer touchpoints to maximise customer loyalty. A customer touch point is any occasion on which a customer encounters the brand and product, from actual experience to personal or mass communication to casual observation (Ma et al., 2010).

Four important components of CRM

Scholars have listed the virtues that have been theorised in the CRM literature as trust, commitment, two-way communication and conflict handling (Ndubisi and Wah, 2005: 544; Buttle, 2004: 15).

Trust

Trust can be viewed as a partner's belief that the other partner will perform actions that will result in positive outcomes as well as not take actions that will result in negative outcomes (Morgan and Hunt, 1994). The trusting relationships between customers and organisations are associated with overall positive outcomes and trust in the organisation should increase the benefit derived from transacting with the organisation (Botha and Van Rensburg, 2010). Where trust is focused, there is a generalised sense of confidence and security in the other party. The parties believe that each party will act in the interest of the other, that each party will be credible and that each party has the necessary expertise (Lian et al., 2008).

Commitment

Commitment implies that partners forgo short-term

alternatives in favour of long-term benefits associated with their current partners. Customers will only make commitments to trustworthy partners because commitment entails vulnerability and leaves them open to opportunism (Read, 2009). Commitment is higher among individuals who believe that they receive more value from a relationship, therefore highly committed customers would be willing to reciprocate effort on behalf of an organisation due to past benefits received (Botha and Van Rensburg, 2010). Commitment in this context refers to both parties understanding that they are in the market together for the long run. They are willing to make sacrifices for their partners because they are mutually dependent upon each other in their quest to achieve long-term returns on their psychological and financial investments (Morgan and Hunt, 1994).

Two-way communication

Today there is a new view of communication as an interactive dialogue between the organisation 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 (Helkkula and Kelleher, 2010; Ndubisi and Wah, 2005). 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 (Tsai et al., 2010).

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). Only approximately 5% of all dissatisfied customers complain and only 50% of them report a satisfactory problem resolution. The need and the ability to resolve customer problems in a satisfactory manner are 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 loyal towards the organisation than customers who were never dissatisfied (Botha and Van Rensburg, 2010).

Customer loyalty

Oliver (1999) refers to customer loyalty as a deeply held

commitment to repurchase a preferred product or service in the future, thereby causing repetitive same-brand purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. Customer satisfaction relates to the results of a process, however, customer loyalty relates to a relationship. Customer loyalty does not occur at once, it is a long-term process but customer satisfaction can occur immediately following a successful process. Loyalty can survive a negative process (Botes, 2008). Satisfaction is a necessary step in loyalty formation, and satisfaction becomes less significant as loyalty begins to set in through other mechanisms such as personal determinism and social bonding (Oliver, 1999). To keep customers loyal, they must be satisfied. Customer satisfaction is the customer's evaluation of the product or service to ascertain if it met his/her needs and expectations. Failure by organisations to meet the expectation of customers will lead to dissatisfaction with the product or service, as customer loyalty flows from customer satisfaction (Zeithaml et al., 2006).

PROBLEM INVESTIGATED

According to Stokes (2008), the surrendering of short-term policies is increasing. This is said to be due to the fact that organisations do not fully explain the details pertaining to their policy and they are therefore less reluctant to surrender this policy. The second reason is due to the fact that individuals are living on a restricted budget that does not consider short-term insurance to be a priority cost. At the time of the economic recession, the need for the organisation to understand and ensure the presence of the components trust, commitment, communication and conflict handling is emphasized, as these may be the components that encourage the customer to remain loyal to the customer. The problem statement can thus be described as follows:

The influence of trust, commitment, two-way communication and conflict handling on customer loyalty through the intervening role of CRM in the short-term insurance industry in Gauteng remains unclear and unexplored

Figure 1 illustrates that the independent variables of the research constitute selected variables as identified in the literature on CRM. These variables are trust, commitment, 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 selected short-term insurance providers in Gauteng, the dependent variable. The dependent variable, customer loyalty refers to the impact of the underpinnings of CRM on customer loyalty.

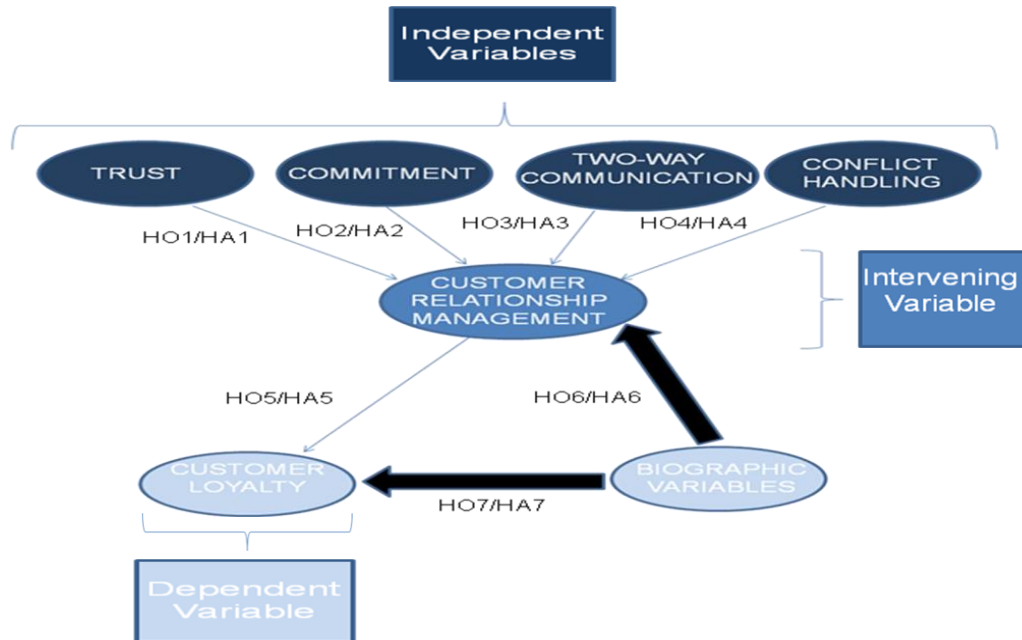


Figure 1. Conceptual framework. Source: researcher's own construct.

Service organisations can benefit from CRM as customers focus on the service aspect and interaction with the service provider when evaluating a service organisation as no physical product is involved (Rootman, 2006). Short-term insurance organisations need to be aware of the variables that influence its CRM activities. This would assist these organisations in adopting 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

Primary objective

The primary objective of this study is to investigate the influence of the variables, trust, commitment, two-way communication and conflict handling on customer loyalty via CRM at selected short-term insurers in Gauteng.

Secondary objectives

The following secondary objectives were identified:

- i) To determine whether trust, commitment, two-way communication and conflict handling influence CRM at selected short-term insurers in Gauteng.
- ii) To investigate the intervening role of CRM on the effect of trust, commitment, two-way communication and conflict handling on customer loyalty at selected short-

term insurers in Gauteng.

RESEARCH HYPOTHESES

Relationship between trust, commitment, two-way communication, conflict handling and CRM

HO₁: There is no relationship between the perceived trustworthiness of selected short-term insurers and CRM at these insurance providers in Gauteng.

HA₂: There is a relationship between the perceived trustworthiness of selected short-term insurers and CRM at these insurance providers in Gauteng.

HO₃: There is no relationship between the perceived commitment of selected short-term insurers and CRM at these insurance providers in Gauteng.

HA₄: There is a relationship between the perceived commitment of selected short-term insurers and CRM at these insurance providers in Gauteng.

HO₅: There is no relationship between the perceived two-way communication of selected short-term insurers and CRM at these insurance providers in Gauteng.

HA₆: There is a relationship between the perceived two-way communication of selected short-term insurers and CRM at these insurance providers in Gauteng.

HO₇: There is no relationship between the perceived conflict handling by selected short-term insurers and CRM at these insurance providers in Gauteng.

HA₈: There is a relationship between the perceived conflict handling by selected short-term insurers and CRM at these insurance providers in Gauteng.

Table 2. Reliability statistics.

| Construct | Cronbach's alpha |
|-----------------------|------------------|
| Trust | 0.894 |
| Commitment | 0.849 |
| Two-way communication | 0.856 |
| Conflict handling | 0.863 |
| CRM | 0.885 |
| Loyalty | 0.95 |
| CRM and loyalty | 0.869 |

Relationship between CRM and customer loyalty

HO₉: There is no relationship between CRM and customer loyalty at selected short-term insurance providers in Gauteng.

HA₁₀: There is a relationship between CRM and customer loyalty at selected short-term insurance providers in Gauteng.

RESEARCH METHODOLOGY

The study made use of a quantitative research approach and a descriptive research design. The study was also cross-sectional since the respondents were only interviewed once. The target population included all South Africans that currently have a policy with at least one of the selected short-term insurance providers, namely: Outsurance, Santam, Telesure and Hollard in the Gauteng province. Non-probability sampling was used to determine the sample size for the study. The convenience sampling technique was applied to select the sample size of 500 respondents. A total of 431 respondents completed questionnaires. The measuring instrument used was a structured questionnaire and was developed and validated by Du Plessis (2010). The empirical research component of the study consisted of the completion of interviewer administered questionnaires through personal interviews. The questionnaire consisted of two sections: Section A was in the format of a seven-point Likert type scale. The statements' response continuum ranged from 1 to 7, where 1 = strongly disagree; 2 = disagree; 3 = somewhat disagree, 4 = neutral, 5 = somewhat agree, 6 = agree and 7 = strongly agree. This section investigated the influence of the variables trust, commitment, two-way communication and conflict handling on customer loyalty through the intervening role of CRM at selected short-term insurance providers in South Africa. Section B gathered demographic information from the respondents. This section contained fixed-alternative questions and open-ended response questions which the respondents answered in their own words (Zikmund and Babin, 2007; Roberts-Lombard, 2006; Rootman, 2006; Ndubisi and Wah, 2005; Zikmund, 2003).

The questionnaire was pre-tested in a pilot study in Johannesburg, South Africa, involving five customers holding insurance policies from the short-term insurance providers in the study. Personal interviews were conducted with individuals who hold a policy with at least one of the four selected short-term insurance providers (Outsurance, Santam, Telesure and Hollard). These individuals were approached to complete the questionnaires in the Tshwane Metropole and the Johannesburg Metropole, respectively. A time frame of thirty days was used to complete the interviews. 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 (Cant et al., 2005; Ndubisi and Wah, 2005). 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 technique 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). The statistical analysis that was used in the study included a multiple regression analysis to test the hypotheses formulated for the study and an analysis of variance test (ANOVA). The rotation of the factor matrix was also performed to assess the discriminant validity of the measuring instrument.

FINDINGS

Reliability

Cronbach's alpha was used to determine the reliability of the measurement sets in the study. The measure ranges from 0 to 1. A value of 1 indicates perfect reliability, whilst the value of 0.6 is deemed to be the lower level of acceptability (Malhotra, 2007). The reliability statistics for the measurement sets are presented in Table 2. It is evident in Table 2 that the Cronbach alpha values for all seven measurement sets are above the lower limit of acceptability, 0.60. This confirms that the measurement sets used in the study were reliable. It was also proven that the measurement instrument had proved itself reliable in a previous study. Therefore, the reliability of the current state of affairs was assessed.

Validity

When assessing validity, the researcher determines whether a measure used in the study actually does measure what the researcher intends it to measure. As previously indicated, the measurement instrument developed and validated by Du Plessis (2010) was used in this study. The instrument was considered valid for the purposes of the present study.

DISCUSSION

Trust

The majority of the respondents (84%) agreed that trust is an important variable in the relationship that they have with their short-term insurance provider. 'I will have a better relationship with my short-term insurance provider if it fulfils its obligations towards me'. This statement was rated the highest under the independent variable trust, and aspects such as the speed of service delivery and

the accuracy of information provided are perceived as important characteristics that will support loyalty between the customer and the organisation. 'My relationship with my short-term insurance provider depends on whether its employees show respect to customers'. This statement was rated the lowest under the independent variable trust and it can therefore be assumed that the respect that employees have for customers will have the least impact on securing customer loyalty. Therefore, respect is least effective in securing customer loyalty.

Commitment

The majority of the respondents (87%) are of the opinion that commitment is not an important factor that influences the relationship that they have with their short-term insurance provider. 'My relationship with my short-term insurance provider depends on the attitude of its employees towards customers.' This statement was rated the highest under the independent variable commitment, and aspects such as the helpfulness and friendliness of employees are important characteristics that will support loyalty between the customer and the organisation. 'I am very committed to my relationship with my short-term insurance provider.' This statement was rated the lowest under the independent variable commitment and it would seem that the customers of the four short-term insurance providers in the study are not strongly committed to them.

Two-way communication

The majority of the respondents (81%) are of the opinion that two-way communication is an important variable in the relationship that they have with their short-term insurance provider. 'My relationship with my short-term insurance provider depends on whether it makes and fulfils promises'. This statement was rated the highest under the independent variable two-way communication, and illustrates that the ability of a short-term insurance provider to fulfil and act on promises are important characteristics that will support loyalty between the customer and the organisation. 'The more extensively i communicate with my short-term insurance provider, the better relationship i develop with them'. This statement was rated the lowest under the independent variable two-way communication and it can therefore be assumed that trust will be least restored if employees communicate with customers on a regular basis. Therefore, the use of communication alone would not secure the loyalty of customers.

Conflict handling

The largest proportion of respondents (91%) illustrated

that conflict handling is an important variable in the relationship that they have with their short-term insurance provider. 'My relationship with my short-term insurance provider will be better if they apologise for problems that arose.' This statement was rated the highest under the independent variable conflict handling, and it is therefore aspects such as the speed by which problems are resolved, as well as the manner in which these are dealt with which are important characteristics that will support loyalty between the customer and the organisation. 'I have a good relationship with my short-term insurance provider because it tries to avoid potential conflict with me.' This statement was rated the lowest under the independent variable conflict handling and it would seem that the avoidance of conflict is the least effective in securing customer loyalty. This may be due to the fact that avoiding conflict is not clearly evident to the customer and the customer may not be aware that the avoidance of conflict is taking place.

CRM and customer loyalty

The majority of the respondents (89%) are of the opinion that CRM has an influence on their decision to be loyal to their short-term insurance provider. 'My short-term insurance provider's customer loyalty depends on whether it understands the needs of customers.' This statement is rated the highest, and it can therefore be argued that understanding the needs of customers has the greatest impact on the loyalty of the customer. 'I will be a satisfied client of my short-term insurance provider if I have extensive relationships with my short-term insurance provider.' This statement is rated the lowest, and it would seem that customers do not find it important to have an extensive relationship with their short-term insurance provider. Therefore, having extensive relationships with customers in the short-term insurance industry is least effective in securing customer loyalty.

Goodness-of-fit and multiple regression analysis

The goodness-of-fit model and multiple regression analysis were performed to assess the relationship between the four independent variables and customer loyalty as well as the influence of CRM on customer loyalty. The discussion will be guided by Figure 2.

Goodness of fit

Model 1 was the initial model (Figure 1) and when assessed, it was found to have a RMSEA value of 0.093 (Table 3). According to Byrne (2010), if this value is between 0.08 and 0.10 it is an indication of a mediocre fit that can be improved. If this value is greater than 0.10,

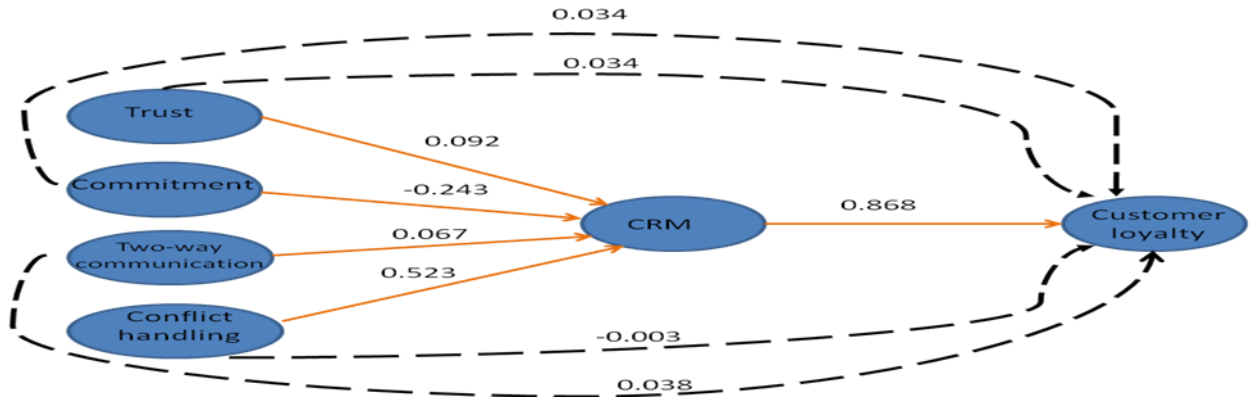


Figure 2. Proposed relationship between the independent variables, CRM and customer loyalty. Source: researcher’s own construct.

Table 3. The goodness of fit model for the predictors.

| Model | GFI | AGFI | NFI | CFI | TLI | RMSEA | DF | CMIN (x) |
|---------|-------|-------|-------|-------|-------|-------|-----|----------|
| Model 1 | 0.764 | 0.721 | 0.789 | 0.825 | 0.808 | 0.093 | 344 | 1619,513 |
| Model 2 | 0.837 | 0.802 | 0.848 | 0.88 | 0.865 | 0.085 | 246 | 1012,681 |
| Model 3 | 0.879 | 0.845 | 0.894 | 0.92 | 0.908 | 0.078 | 164 | 597,701 |

GFI = goodness of fit index/AGFI = adjusted goodness of fit index; NFI = normed fit index; CFI = comparative fit index; TLI = Tucker-Lewis index; RMSEA = root mean square error of approximation; DF = degrees of freedom; Min (x) = Chi-square.

Table 4. Removed statements from Model 2 to improve the goodness of fit.

| Statement code | Statement |
|----------------|--|
| A1G | My short-term insurance provider is concerned with the protection of my assets. |
| A2G | I am very committed to my relationship with my short-term insurance provider. |
| A3A | The more extensively i communicate with my short-term insurance provider, the better relationship i develop with it. |
| A4A | I have a good relationship with my short-term insurance provider because it tries to avoid potential conflict with me. |

this indicates a poor fit. Therefore, the ideal value would be one that is less than 0.08. Model 1 was therefore not found to be a good fit and was adapted. Four statements were excluded from Model 1 (Table 4) in order to improve the fit. These statements were excluded due to the fact that their squared multiple correlations were below 0.400. The removal of these statements created Model 2. The statements earlier mentioned had a negative effect on the goodness-of-fit of Model 1 due to the fact that they may not be specific enough and therefore respondents are uncertain about how to respond to the statement. Another reason may be that respondents are simply not able to respond to the statement. This may have been evident in statement A4A stating that respondents may not be aware of whether or not the short-term insurance provider has tried to avoid potential conflict. The exclusion of the earlier mentioned statements caused a drop in the

RMSEA value to 0.085. However, the model still required improvement and therefore a third model was considered through the exclusion of four more statements. In Model 3, the statements in Table 4 were excluded as well as the statements in Table 5 that had squared multiple correlations of less than 0.300.

The exclusion of the statements in Table 5 decreased the RMSEA to 0.078 which provided a more favourable model fit. Thereby, Model 3 was created.

Multiple regression analysis

Influence of trust, commitment, two-way communication and conflict handling on CRM

The aim of the final model was to describe the influence

Table 5. Removed statements from Model 3 to improve the goodness-of-fit.

| Statement code | Statement |
|----------------|--|
| A2F | My short-term insurance provider is willing to invest in maintaining relationships with its customers. |
| A3C | My relationship with my short-term insurance provider can improve If it regularly provides me with information on new or important services through different media sources. |
| A3F | My relationship with my short-term insurance provider depends on whether it tailor makes their communication to suit my needs. |
| A4B | My relationship with my short-term insurance provider is good because it has the ability to openly discuss solutions when problems arise. |

Table 6. Influence of the independent variables on CRM.

| | GFI | AGFI | NFI | CFI | TLI | RMSEA |
|----------------|-------|-------|-------|-------|-------|-------|
| Model 3 | 0.836 | 0.810 | 0.877 | 0.916 | 0.908 | 0.066 |

Table 7. P-values for the different constructs in the study.

| Construct | P-value |
|-----------------------|---------|
| Trust | 0.315 |
| Commitment | 0.026 |
| Two-way communication | 0.290 |
| Conflict handling | 0.017 |
| CRM | 0.040 |

of trust, commitment, two-way communication and conflict handling on CRM. The standardised regression rates for this model are illustrated as solid arrows in Figure 2. There is low regression between trust, two-way communication and CRM. There is a moderate regression between commitment and CRM but this relationship is negative. A negative regression implies that an increase in one aspect results in the decrease of the other. The relationship between conflict handling and CRM is the strongest of the four constructs. A model is perceived to have a good fit if the RMSEA value is below 0.08 and the CFI value is higher than 0.09. The evident good fit from Table 6 indicates that the observed measurements obtained illustrated that the different independent variables had an overall significant influence on CRM.

Influence of trust, commitment, two-way communication, conflict handling and CRM on customer loyalty

The final model further aimed to determine the regression between CRM and customer loyalty. The standardised

regression rates for the influence of CRM on customer loyalty are illustrated by Figure 2. This figure illustrates the important function of CRM as an intervening factor in the relationship between the independent and dependent variables. This therefore necessitates the need for the intervening variable, CRM. This is due to the fact that the regression is extremely low when CRM is excluded from the model.

P-VALUES FOR AN EXACT FIT MODEL

The p-values in Table 7 is based upon the close fit model (final empirical model) as illustrated by Figure 3. These p-values are used to accept or reject the hypotheses in the study. If the significant p-value is larger than 0.05, it implies that the null hypothesis for a close fit model cannot be rejected.

ACCEPTANCE OR REJECTION OF HYPOTHESES

The following hypotheses are accepted and the alternative hypotheses rejected:

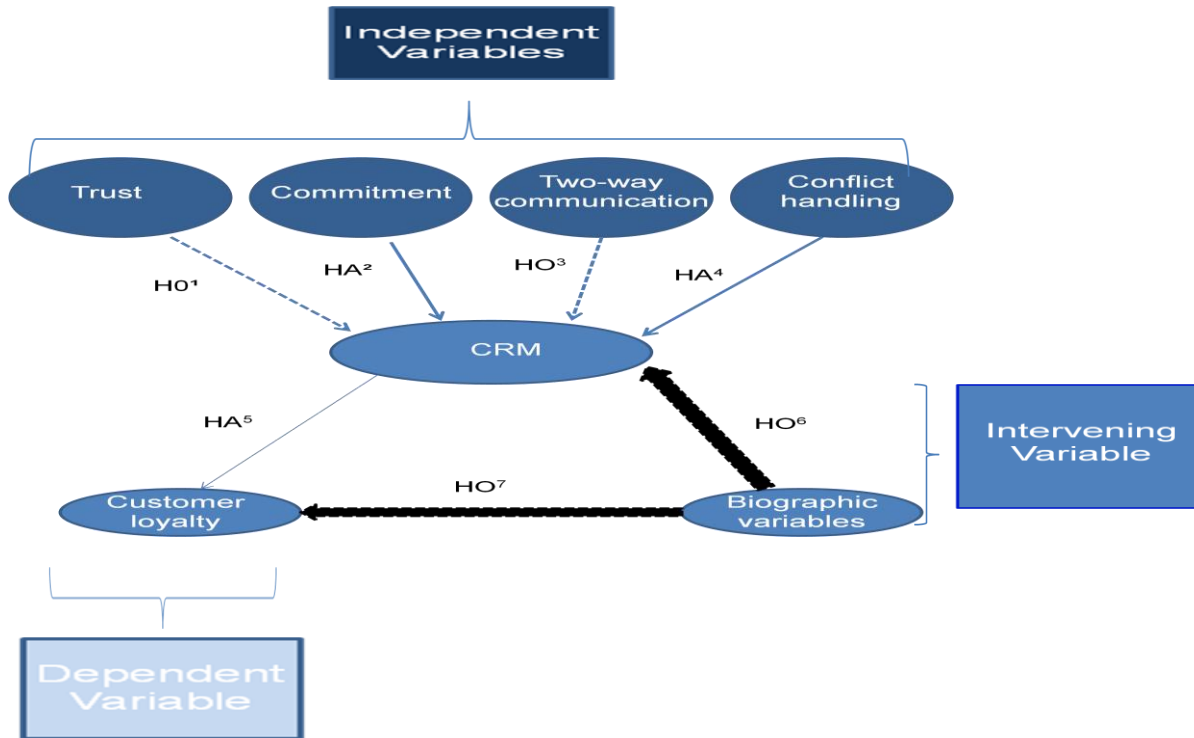


Figure 3. Final empirical model of hypotheses acceptance. Source: researcher’s own construct.

HO₁₁: There is no relationship between the perceived trustworthiness of selected short-term insurers and CRM at short-term insurance providers in Gauteng.

HA₁₂: There is a relationship between the perceived commitment of selected short-term insurers to customers and CRM at selected short-term insurance providers in Gauteng.

HO₁₃: There is no relationship between the perceived two-way communication of selected short-term insurers and CRM at selected short-term insurance providers in Gauteng.

HA₁₄: There is a relationship between the perceived conflict handling by selected short-term insurers and CRM at selected short-term insurance providers in Gauteng.

HA₁₅: There is a relationship between CRM and intentional customer loyalty at selected short-term insurance providers in Gauteng.

Figure 3 illustrates the hypotheses that have been accepted. The null hypotheses are indicated as a dotted arrow.

MANAGERIAL IMPLICATIONS

Trust

A study in the long-term insurance industry in South

Africa, based on the same variables as the study at hand, revealed that trust is an important factor in the development of relationships, and there is a relationship between trust and CRM and therefore customer loyalty (Du Plessis, 2010). However, the regression analysis of the study at hand revealed that there is no significant relationship between trust and CRM in the short-term insurance industry. This could be due to the fact that long-term insurance such as life insurance is perceived to be of greater importance than short-term insurance and this therefore decreases the need for trust. The four short-term insurance providers must therefore emphasise the need for short-term insurance in order to highlight its importance. This can be done by emphasising the outcome of unforeseen circumstances, and the fact that the outcome is worse if the customer does not have short-term insurance. Due to the fact that the majority of the respondents agreed with the statements relating to trust, it can be assumed that trust is needed to enhance and strengthen a relationship. Short-term insurance providers must therefore enhance the levels of trust by communicating regularly with their customers on aspects such as better deals or better options that will clearly benefit the customer, and by making sure that insurance claims are managed in a professional manner without any hassles. If customers are paying a monthly premium, it is expected that they benefit at a time of need. The level of trust should be assessed on a regular basis in order to determine any changes that need to be made

relating to staff and strategies.

The staff of the organisation must be trained in keeping the personal information of clients confidential. They may also need training on how to make customers feel that they can trust the organisation, such as reassuring them that their personal details will be kept confidential and their requests will be processed in due time.

Commitment

It is evident from the results that commitment is important in building relationships between the short-term insurance industry and their customers. Customers cannot be loyal if there is a lack of commitment from both the customer and the supplier. The short-term insurance industry can encourage commitment by offering incentives such as a no-claims bonus for not claiming over a certain period of time as well as rewarding customers with lower payments and cash back bonuses. These insurance providers must ensure that the incentives provided are relevant and appealing to customers. They can do research in order to determine this. Each customer will have different preferences which will provide the organisations with various options to offer. Some may like the idea of a weekend away, financial incentives, meal vouchers. These organisations could go as far as linking up with a specific car dealership and providing incentives such as discounts on vehicles, parts or services for remaining with the organisation. The more short-term insurance organisations adjust their offerings to the individual needs of their customers, the more likely it is for the customer to be committed and therefore possibly remain loyal to the organisation. Commitment is an attribute that contributes greatly to the achievement of loyal customers. Short-term insurance providers can segment their customers according to their life-time value as well as profitability. With regard to CRM, organisations should first divide their customers into groups before deciding which customers have greater potential and therefore need increased attention. It may not be viable for a relationship to be built with each customer.

The four selected short-term insurance providers are large organisations that have a high number of customers; it would therefore be too difficult for relationships to be developed with each of these customers. The level of commitment of the organisation and the customers should be assessed on a regular basis by means of surveys or questionnaires. If commitment is low, the reason must be determined and corrective actions must be put into place.

Two-way communication

Two-way communication can be described as a 'two-way

process of reaching mutual understanding in which participants not only exchange (encode-decode) information, but also create and share meaning' (Baran et al., 2008). Although it is clear that there is no relationship between two-way communication and CRM, recommendations will be made due to the fact that respondents agree with the statements relating to two-way communication and therefore consider two way communication to be important in relationship building. The short-term insurance industry can ensure communication by sending monthly newsletters to their customers in order to ensure that the customer has the opportunity to become aware of any news in the short-term insurance industry. The staff of these providers must be well trained and fully understand the functioning of the organisation in order to have the necessary information to communicate with the various customers. These providers should also ensure that customers are promptly notified should anything happen with any of their insurance policies, claims or pay outs. This is where two-way communication relates to conflict handling, if communication occurs, the need for conflict handling is less likely to be necessary. Monthly statements should be prepared if the customer deems it necessary. The level of communication should be assessed regularly in order to determine if the organisation is not communicating enough, or is perhaps communicating too little. The two-way communication of the organisation should be assessed on a regular basis by means of surveys or questionnaires. Organisations must ensure that two-way communication is implemented throughout the individual departments in order to ensure that each department works in synergy and towards achieving the same objectives.

An important fact is that CRM is not dependent on one department; it must be implemented and accepted in each department. Organisations must also ensure that they are able to communicate in certain language preferences, using a preferred method such as telephone, e-mail, post or fax. Some customers may request monthly statements or annual statements.

Conflict handling

If an organisation does not handle complaints with urgency and respect, customers will see no reason to trust, commit to or communicate with the organisation. This emphasises the need for adequate and effective problem recovery. It is evident from the empirical results that conflict handling is important in building relationships. It is important for the short-term insurance industry to realise the benefits of conflict handling. If these providers resolve conflicts effectively, customers who experience a problem again will not hesitate to notify the organisation before it affects any other customers. Conflict between a customer and an organisation can possibly result in

customer loyalty due to the positive handling of a conflict situation. The short-term insurance industry should make the process of laying a complaint problem-free in order to encourage customers to notify them of problems as their customers comprise their only source of identifying problems or areas that need improvement. Short-term insurance providers can do this by providing blogs or complaint boards on their website that can be accessed at any time. These organisations must also realise the importance of keeping customers informed regarding the progress of the resolving of a conflict or problem. It is the effective resolving of these problems that causes the customer to build greater respect for the organisation and this in turn encourages the customer to be loyal to the organisation. The conflict handling of the organisation should be assessed on a regular basis by means of surveys or questionnaires. This will enable the organisations to determine if they are resolving conflicts in a satisfactory manner, or if weaknesses need to be brought to their attention.

Organisations can also offer online complaints facilities with set standards relating to response time and follow up. It is imperative to have facilities such as call centres that make it easy for customers to voice their complaints and feel satisfied in doing this and getting conflicts resolved.

Relationship between CRM and customer loyalty

The empirical results state that there is a significant relationship between CRM and customer loyalty. The intervening variable CRM is needed in order to achieve customer loyalty due to the fact that there is no relationship between trust, commitment, two-way communication and conflict handling and customer loyalty, without the intervening variable CRM. This therefore necessitates the need for CRM. The success of CRM can only be achieved if the entire organisation is behind its implementation. The top management of short-term insurance providers have to believe in the benefits that CRM can provide, as well as justify its expenditure in order to lead by example. Short-term insurance providers should therefore retain and develop loyal customers by being trustworthy, committed, by communicating adequately and regularly and lastly by resolving conflicts in a timely and acceptable manner, limiting the hassle and disappointment experienced by the customer. This can be achieved by monitoring complaints and communication with customers, as well as conducting regular surveys assessing the level of trust and commitment in order to determine how and if these levels need to be improved. Trust can be obtained by delivering on promises made, which in turn can lead to commitment. Commitment can also be achieved through personalising offerings to the individual needs of customers in order to provide them with a reason to be

loyal. Two-way communication and conflict handling also have a link, if a conflict is being resolved, the progress of this must be communicated.

The short-term insurance providers must ensure that they offer incentives in order to encourage customers to be loyal. These incentives include the “pay as you drive” which is offered by Hollard, and is relevant to customers who do not drive a lot and therefore cannot warrant an expensive premium. It is the tailoring of offers such as this that encourages customers to be loyal. They could also introduce loyalty programmes that track the number of claims made and decrease the premiums for every year that no claims are made.

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