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Full Length Research Paper

Customer relationship management (CRM) in a South African service environment: An exploratory study

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The primary objective of the study was to investigate the influence of trust, commitment, two-way communication and conflict handling on customer loyalty through customer relationship management (CRM) as a mediating variable at a South African long-term insurance organization. Both a qualitative and quantitative research approach was followed in the study. The population included all the customers of a long-term insurance provider in South Africa who held a life-insurance policy at the time of the study. The sample consisted of 254 customers in four major centers in South Africa. Primary data was gathered using a structured questionnaire, with items on a 7-point Likert scale referring to trust, commitment, two-way communication, conflict handling, CRM and customer loyalty. The statistical analysis that was used in the study included multiple regression analysis to test the hypotheses. The findings stipulate that a significant positive relationship exists between trust, commitment and conflict handling, and CRM at a long-term insurance provider in South Africa. The study further revealed that a significant negative relationship exists between two-way communication and CRM at the insurance provider. In addition, it was found that there is a significant positive relationship between CRM and customer loyalty at the insurance provider in South Africa. Therefore, long-term insurance providers in South Africa can improve and maintain the relationships between themselves and their customers if they exhibit trustworthy behavior, show genuine commitment to service, communicate information to customers efficiently and accurately, thereby also listening to their customers and handling potential and manifested conflicts skilfully. This will ultimately contribute to customer loyalty, which will ensure economic prosperity for the long-term insurance provider.

Key words: Long-term insurance organization, customer relationship management (CRM), customer loyalty, trust, commitment, two-way communication and conflict handling.

INTRODUCTION

The services sector is spearheaded by the financial services sector. The services sector employs 65% of the total workforce in South Africa (Datamonitor, 2011b). 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 liberalization created the stimulus for competition from new areas. The insurance industry in South Africa is revolutionizing the financial services sector.

The long-term insurance industry, also referred to as the life insurance industry, contributes to the South African economy in two ways. The savings of customers are invested into capital projects to develop the country, and the income of households is protected against loss of income related to the untimely death of the breadwinner.

South African families are underinsured by R10 billion (Hugo and Zondagh, 2007). The South African insurance market generated total gross written premiums of $25.1 billion in 2010, representing a compound annual growth rate (CAGR) of 9% for the period spanning 2007 to 2010. The long-term insurance segment was the market's most lucrative in 2009, generating gross written premiums of

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$15.3 billion, equivalent to 61.2% of the market's overall value. The performance of the market is forecast to accelerate with an anticipated CAGR of 9.7% for the five-year period 2007 to 2012, which is expected to drive the market to a value of $38.5 billion by the end of 2012 (Datamonitor, 2011a).

However, economic activity in South Africa has slowed in the last quarter of 2009 and the first quarter of 2010 (Liberty Life, 2010). With the slowdown in economic activity, long-term insurance providers have to focus on retaining their current customers and customer relationship management (CRM) can be used to improve such retention. Relationship marketing will work best when customers are engaged in relationship building activities (Jain and Bagdare, 2009; Leverin and Liljander, 2006).

An organization that wants to succeed in today’s global competitive market where customers are empowered and brand loyalty erosion is increasing will therefore have to move to CRM. CRM enables organizations to provide excellent real-time customer service through the effective use of individual account information (Kotler and Keller, 2006). This requires a more complex approach since organizations 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).

Long-term insurance organizations will therefore require a loyal customer base to secure their sustainability. Loyal customers can be generated through CRM. It can assist long-term insurance organizations 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 organization in the market. This will lead to customer loyalty and increased profits for the organization.

Relationship Marketing and its application, CRM, focus on the long-term profitability of keeping customers for life. This requires two-way dialogue between the organization and the customer to develop a relationship (Du Plessis et al., 2005).

The literature stipulates that trust, commitment, two-way communication and conflict handling form important parts of CRM. Before a customer will transact with long-term insurance organizations, he/she must trust the organization. Trust is based on repeated, reliable interactions and follow- through on expected behaviors (Sauers, 2008).

Communication is very important, especially in the early stages of the relationship when the customer, as an organization wants to build awareness and convince interested customers to make a purchase. Communication is the ability to provide timely and trustworthy information (Ndubisi, 2007). An organization would not be able to function without two-way communication, as its management would not be able to convey important information to employees via downward communication, and vice versa, upward communication, or to customers (Rootman, 2006).

If an organization 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). This again will lead to commitment which can be described as the willingness to work and stay in the relationship indefinitely (Sauers, 2008).

This article includes a literature review of trust, commitment, two-way communication, trust, 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

Describing the term “customer relationship management”

CRM is an information term for methodologies, software and usually Internet capabilities that help an organisation to manage customer relationships in an organized way. An organization might build a database about its customers that depicts relationships with sufficient detail so that management, salespeople, people providing service, and perhaps the customer directly, could access information, match customer needs with product plans and offerings, remind customers of service requirements and know what other products a customer had purchased, amongst others.

CRM is also perceived as an all embracing approach, which seamlessly integrates sales, customer service, marketing, field support and other functions that touch customers. When using this approach, by integrating people, process and technologies and leveraging the Internet, the relationship with all customers and suppliers is maximized (Hasounet and Alqeed, 2010). Basically, CRM is a notion, regarding how an organization can keep its most profitable customers and at the same time reduce the costs and increase the values of interaction to consequently maximize the profits (Frow et al., 2011).

CRM explores an approach to maximize customer value through differentiating the management of customer relationships. The organization utilizes its understanding of the drivers of current and future customer profitability to appropriately allocate the resources across all areas that affect customer relationships. These areas are communications, customer service, billing and collections, product or service development and pricing strategies (Venkatesan et al., 2007).

The importance of how CRM is described is not merely semantics. Its description has a significant impact on how

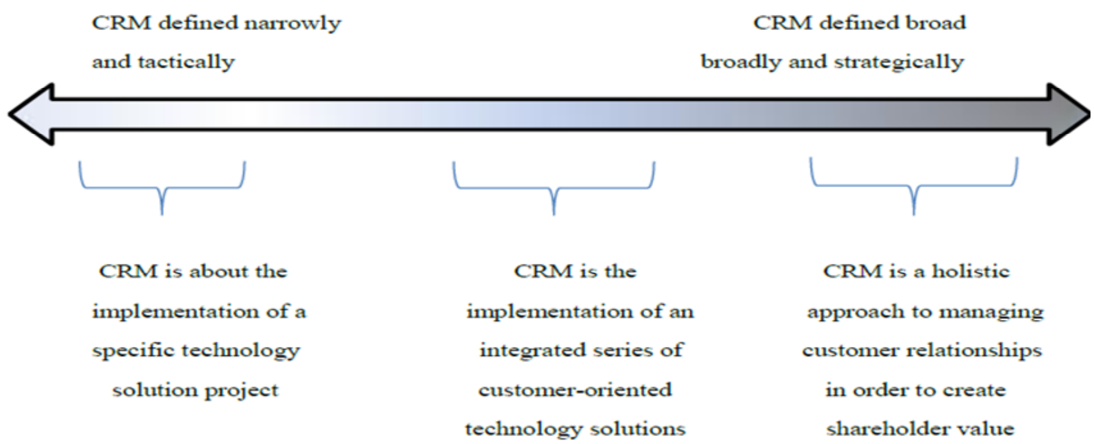

Figure 1. The CRM continuum**.** Source: Adapted from Payne (2009).

Table 1. Characteristics of CRM.

Characteristic	Impact
Relationship management	Instant response based on customer input
Sales force automation	Empowers sales professionals
Use of technology	Develop strong customer relationship through an improved understanding of customer preferences, expectations and changing needs
Opportunity in management	Flexibility to manage unpredicted demand and a good forecasting model to integrate sales history with sales projections

Source: Developed for the study.

CRM is accepted and practised by the entire organization. CRM is not only an IT solution to the problem of getting the right customer base, and growing it; CRM is much more (Robinson et al., 2011). It involves a profound synthesis of strategic vision, an organizational understanding of the nature of customer value and loyalty within a multi-channel environment, the utilization of the appropriate information management and CRM applications and high quality operations, fulfilment and service.

The CRM continuum (Figure 1) illustrates that at one extreme, CRM is defined as a particular technology solution, whilst at the other extreme, CRM is viewed as a holistic approach to managing customer relationships in order to create shareholder value (that is, the organization becomes more customer centric) (Payne, 2009).

CRM therefore emphasizes that managing customer relationships is a complex and ongoing process and a response to, and reflection of a rapidly changing marketing environment. Therefore, it is advocated to position CRM in any organization in a broad strategic context to the far right of the continuum illustrated by Figure 1 (Payne, 2009).

Characteristics of CRM

CRM is no longer only a method used by service organizations to obtain a competitive advantage, since it has become a necessity for survival. As markets become increasingly competitive, the development of relationships with customers that can be maintained in the face of many incentives to switch service providers is seen as a method of creating a sustainable competitive advantage. Professional services such as banking and medical and insurance services are rated and rewarded by the client relationships they manage (Berndt et al., 2006). A well-designed CRM strategy will incorporate four key characteristics (Berndt et al., 2009; Buttle, 2004) (Table 1).

Relationship management

This characteristic includes instant response based on customer input. Customers expect to be able to deal with the organization when they want, where they want and how they want. Organizations are further required to remember past interactions with customers and they must build on those interactions in the future. Organizations should provide customer service centres that can assist customers to address their questions (Berndt et al., 2009).

Sales force automation

Sales force automation systems (SFA), is typically a part of an organization’s CRM system that automatically records all the stages in a sales process. SFA includes a contact management system which tracks all contact that has been made with a customer, the purpose of the contact, and any follow-up that might be required. This ensures that sales efforts are not duplicated, reducing the risk of irritating customers.

Other elements of an SFA system can include sales forecasting, order management and product knowledge. While sales force automation products were originally introduced to improve sales force productivity and provide better documentation for the organization, they are increasingly orientated towards developing customer relationships and improving satisfaction.

The development of any CRM system depends on a significant level of infield technology. In order for salespeople to use the system, they must be connected to it through a computer, Personal Digital Assistant (PDA) or other device. The CRM system requires continued communication among all operations that touch the customer. This includes automation of sales promotion analysis, tracking the customer's account history and coordinating sales, marketing, call centers and retail outlets to realize that sales force automation (SFA) assists with developing trust and commitment with customers, as organizations are in a position to know exactly what a customer wants and when he wants it (Baran et al., 2008).

Use of technology

The ability to extend customer knowledge and develop successful relationships with customers lies in the organization's ability to understand customers, their individual preferences, expectations and changing needs. Technology is employed to capture information on customers, which in turn is used to monitor the customers' buying behaviour and to communicate with them on an individual basis, often with personalized offers (Egan, 2004).

Customer data is considered to have value and the potential to augment the customer-organization relationship. The storing of data for later retrieval is known as data warehousing, and the manipulation of the warehoused data is known as data mining (Evans et al., 2004). CRM is dependent on technologies. An example is where data warehousing allows the organization to search, store and integrate data from all available sources, systems and organizational units. The data warehouse is a more advanced form of database, often supplemented by mini-bases and data marts.

Data warehousing integrates information about customers and other stakeholders in an organization's network of relationships. With this knowledge the organization can better customize and target communication, goods and services to boost the organization's competitive power and increase customer retention. The data warehouse becomes a key knowledge tool for the organization and can be used to stimulate indices of intimacy and connectedness (Gummesson, 2008).

Other technologies have developed that give companies a myriad of opportunities for communicating with customers. These new technologies can make up-to-the-second customer data available and allow organizations to communicate with customers directly. These new technologies include the Internet, telecommunication and computer-telephony in call centers (Evans et al., 2004). Technology is to the advantage of the customer and should lead to customer loyalty, as the organization can communicate up-to-date information with customers which will remove uncertainty and will lead to the creation of trust. The created trust will lead to an enduring desire from the customers to maintain the valued relationship with the organization (Ndubisi and Wah, 2005).

Opportunity in management

This characteristic includes the flexibility to manage unpredicted demand and a good forecasting model to integrate sales history with sales projections.

Customer portfolio analysis (CPA) and customer intimacy (CI) analysis can be used by the organization as primary analytical activities. CPA involves using customer and market data to decide which customers to serve; CI involves getting to understand customers and their requirements. Network development and value proposition development are focused on building and acquiring resources to create and deliver value to customers. Managing the opportunity in the customer's lifetime is about implementing CRM by acquiring and retaining customers and developing their value (Berndt et al., 2009; Buttle, 2004).

Organizations can use opportunity management to win the trust of customers by understanding the customers' requirements and delivering on their promises, whereas CI can be used to be flexible in communicating with customers and this should lead to committed customers. The combination of CPA and CI should notify an organization of potential conflicts and should allow the organization to take corrective action immediately (Ndubisi, 2007).

Four underpinnings of CRM

Scholars have emphasized four key virtues that have been theorized in the relationship marketing literature, namely trust (Morgan and Hunt, 1994; Moorman et al., 1983), commitment (Ndubisi, 2004; Morgan and Hunt, 1994), communication (Morgan and Hunt, 1994; Crosby et al., 1990), and conflict handling (Chan, 2004; Dwyer et al., 1987).

Morgan and Hunt (1994) stipulate that trust and commitment are central to relationship marketing because they encourage marketers to work at preserving relationship investments by cooperating with exchange partners, resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically. Therefore, when both trust and commitment – not just one or the other – are present, they produce outcomes that promote efficiency, productivity and effectiveness.

In short, trust and commitment lead directly to cooperative behaviors that are conducive to relationship marketing success. However, Ndubisi and Wah (2005) argue that communication and conflict handling are two additional virtues that are underpinning the value of CRM in retaining customers over the long-term. They stipulate that these two virtues have not been explored to the same extent as trust and commitment, but are as important in the establishment and maintenance of long-term relationships with customers.

Trust

Before a relationship can exist, both parties must mutually perceive that the relationship exists. Relationships are therefore a series of transactions which build an awareness of a shared relationship through trust and commitment. Higher levels of trust and commitment in turn are associated with higher levels of customer retention, and this leads to increased organizational profitability (Read, 2009).

Trust is focused and there is a generalized sense of confidence and security in the other party. The parties believe that the one party will act in the interest of the other, that the other party will be credible, and that the other party has the necessary expertise (Lian et al., 2008). 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. The trusting relationships between customers and organizations are associated with overall positive outcomes, trust in the organization should increase the benefit derived from transacting with the organization (Botha et al., 2010).

Commitment

Commitment is an essential ingredient for successful, long-term relationships (Biedenbach and Marell, 2010). It arises from trust, shared values and the belief that partners will be difficult to replace. Commitment motivates partners to co-operate in order to preserve the relationship investments. This implies that partners forgo short-term alternatives in favor of long-term benefits associated with 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 organization due to past benefits received (Botha and van Rensburg, 2010).

Therefore, 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 (Baran et al., 2008). For example, the way in which employees of an organization perform their tasks, can lead to trust, and this will have a significant impact on the commitment from the customer and therefore customer loyalty (Helkkula and Kelleher, 2010).

Two-way communication

Today there is a new view of communication as an interactive dialogue between the organization 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).

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). Employees are at the front line of service and they know more than anyone else in the organization what customers want. Having open communication channels between employees and management (upward communication) can prevent service problems before they occur and minimize them when they arise (Du Plessis, 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 organization than customers who were never dissatisfied (Botha and van Rensburg, 2010). About 34% of customers who register a major complaint will buy from an organization 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 organization again. Organizations 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).

Managing long-term relationships with customers

In recent years, customer relationship management (CRM) has emerged as a top commercial priority. CRM is not simply used by leading service organizations to gain a competitive advantage: It has become a necessity for their survival. As markets become increasingly competitive, the development of relationships that can be maintained in the face of the many inducements to switch service providers is seen as a method of creating a sustainable competitive advantage (Rootman, 2006).

Many organizations such as banks and long-term insurance organizations realize the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximize their lifetime value (Onut et al., n.d).

Customer loyalty - The outcome of successful CRM

The aim of-relationship marketing is the establishment and maintenance of long-term relationships with customers (Zeithaml et al., 2006). Organizations 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 emphasizes the importance of customer lifetime value, retention and the dynamic nature of a person's customer- relationship over time (Read, 2009).

The rationale behind CRM is that it improves organizational performance by enhancing customer satisfaction and driving up customer loyalty (Lian et al., 2008). Customer satisfaction increases because the insight into customers allows organizations to understand them better, and through this organizations create improved customer value propositions. As customer satisfaction rises, so does customer repurchase intention. This then influences the actual purchasing behavior, which significantly impacts organizational performance (Angelis et al., 2010).

There are two major approaches when describing and measuring loyalty; one is based on behavior and the other on attitude. The behavioral loyalty refers to a customer's behavior on repeat purchase, indicating a preference for a brand or a service over time. There are two behavioral dimensions to loyalty. Firstly, the question must be asked if the customer is still active. Secondly, the organization must determine if they maintained their share of the customers' spending.

On the other hand, customers who have a strong preference for involvement or commitment to a supplier are the more loyal in attitudinal terms (Read, 2009). Therefore, organizations must track customer loyalty as the truer measure of how they compare to competitors, and this will shift the focus from customer acquisition to customer retention (Baran et al., 2008).

PROBLEM INVESTIGATED

Statistics released by the Life Offices Association of South Africa (2010) indicated that in the second half of 2010, the surrenders of policies increased by 21%, whilst lapsed premiums increased by 31% compared to the corresponding period in 2009. A policy is surrendered when the policy holder stops paying the premiums and withdraws the reduced fund value of the policy before maturity. A lapse occurs when the policy holder stops paying premiums before the fund value exceeds the unrecovered costs, meaning that the paid-up or surrender value is zero. In both cases, customers are lost as they terminate their relationship with the long-term insurance organization.

To retain existing customers in the current economic climate where customers are lapsing their long-term insurance policies because of the unsure economic future, long-term insurance organizations in South Africa will have to understand how trust, commitment, 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 (Jain and Bagdare, 2009; Leverin and Liljander, 2006).

Long-term insurance organizations will not be able to survive for much longer in the competitive long-term insurance industry in South Africa, battling the global recession, if they do not understand the importance of these variables influencing their CRM and how they can improve customer loyalty. The article will focus on the importance for long-term insurance organizations to better understand the need for CRM and how that will lead to customer loyalty. The problem statement therefore is as follows: The influence of the variables trust, commitment, two-way communication and conflict handling on customer loyalty through the mediating role of CRM in the long-term insurance industry in South Africa remains unclear and unexplored.

The independent variables of the research study constituted 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 a long-term insurance organization in South Africa, the dependent variable. The dependent variable, customer loyalty, refers to the impact of the underpinnings of CRM on customer loyalty.

Service organizations can benefit from CRM, as customers focus on the service aspect and interaction with the service provider when evaluating a service organization, as no physical product is involved (Rootman, 2006: 32). Long-term insurance organizations need to be aware of the variables that influence its CRM activities. This would assist long-term insurance organizations 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 trust, commitment, two-way communication and conflict handling on customer loyalty via CRM at a long-term insurance organization in South Africa.

The following secondary objectives were identified:

1. To investigate whether trust, commitment, two-way communication and conflict handling influence CRM at a long-term insurance organization in South Africa.
2. To establish the mediating role of CRM on the effect of trust, commitment, two-way communication and conflict handling on customer loyalty at a long-term insurance organization in South Africa.
3. To determine whether a relationship exists between CRM and customer loyalty at a long-term insurance organization in South Africa.

Research hypotheses

HO_1: There is no relationship between the perceived trustworthiness of a long-term insurance organization and CRM at the organization in South Africa.

HA^1: There is a relationship between the perceived trustworthiness of a long-term insurance organization and CRM at the organization in South Africa.

HO_2: There is no relationship between the perceived commitment of a long-term insurance organization and CRM at the organization in South Africa.

HA_2: There is a relationship between the perceived commitment of a long-term insurance organization and CRM at the organization in South Africa.

HO_3: There is no relationship between the perceived two-way communication of a long-term insurance organization and CRM at the organization in South Africa.

HA_3: There is a relationship between the perceived two-way communication of a long-term insurance organization and CRM at the organization in South Africa.

HO_4: There is no relationship between the perceived conflict handling by a long-term insurance organization and CRM at the organization in South Africa.

HA_4: There is a relationship between the perceived conflict handling by a long-term insurance organization and CRM at the organization in South Africa.

HO_5: There is no relationship between CRM and customer loyalty at a long-term insurance organization in South Africa.

HA_5: There is a relationship between CRM and customer loyalty at a long-term insurance organization 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-center in Johannesburg, and two other senior managers responsible for customer relationships at a long-term insurance organization. The focus group interview assisted the researcher in developing the questionnaire and provided the desired information on CRM and customer loyalty from a long-term insurer's perspective (Rootman, 2006). The questionnaire was used during the quantitative phase of the research. The reason for employing quantitative data is that it is easy to interpret the results in simple conclusions (Zikmund and Babin, 2007). Taking into consideration the nature of the research and the research problem being investigated, the research approach 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 included all the customers of a long-term insurance provider in South Africa who held a life-insurance policy at the time of the study and who visited customer walk-in-centers in the six major cities in South Africa (Table 2).

For the purpose of this study, a non-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 or strata, and the sampling process was performed separately on each stratum.

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). The sample size of this study was twofold. Firstly, the sample was based on the percentage of customers visiting customer walk-in-centers presented as a portion of the total number

Table 2. Determining the sample.

Stratum	Number of customer walk-in-centres	Customers normally serviced by centre expressed as a percentage of total customer serviced by centres on a daily basis (%)	Total number of selected customers
Johannesburg	1	30	100
Pretoria	1	26	85
Cape Town	1	9	30
Durban	1	21	70
Port Elizabeth	1	8	25
Bloemfontein	1	6	20
Total	6	100	330

Source: Developed for the study.

of customers visiting these centers. Secondly, the percentage was applied to 330 customers entering the customer walk-in-centers in the six major cities of South Africa.

The research instrument, a questionnaire, was pre-tested in a pilot study involving five customers in the customer walk-in-center in Johannesburg. 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 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 analyses that were used in the study included a multiple regression analysis to test the hypotheses formulated for the study. The rotation of the factor matrix was also performed to assess the discriminant validity of the measuring instrument.

FINDINGS

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). The reliability statistics for the questionnaire are presented in Table 3.

It is evident in Table 3 that Cronbach's alpha for six constructs is above the lower limit of acceptability, 0.60. This confirms that the measurement set used in the study was reliable.

Validity

Exploratory factor analysis, utilizing the Varimax with Kaiser Normalisation was performed to assess the discriminant validity of the questionnaire. Validity was confirmed by conducting the Bartlett's test of sphericity. Through this test all the items on the questionnaire illustrating a significant < 0.05 rating will indicate the validity of the questionnaire as a research instrument (Madiba, 2009). Table 4 indicates the result of the Bartlett's test of sphericity. According to Table 4, the research instrument is valid since the significant level is 0.000.

MULTIPLE REGRESSION ANALYSES RESULTS

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

Multiple regression analysis was performed to assess the relationship between trust, commitment, two-way communication and conflict handling on CRM. The results are reflected in Table 5.

Table 5 indicates that trust, commitment and conflict handling, exerted a statistically significant positive influence on CRM, while two-way communication exerted a statistically significant negative influence on CRM. The reason being that if trust has been established between a customer and the organization and complaints have been managed in a manner that enhances the customer's level of satisfaction, thereby improving the willingness of the customer to commit to the relationship, the need for communication with the organization is reduced.

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 alternative hypotheses are accepted. The relationship between trust and CRM is significant at $p = 0.037$, the relationship between commitment and CRM is significant at $p = 0.001$, 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 $p = 0.000$.

Table 3. Reliability statistics.

Constructs	Cronbach's Alpha
Trust	0.887
Commitment	0.812
Two-way communication	0.856
Conflict handling	0.800
CRM	0.901
Customer loyalty	0.921

Source: Developed for the study.

Table 4. KMO and Barlett's test for item validity.

	Approx. Chi-Square	5318.244
Bartlett's Test	Df	366
	Sig.	0.000

Source: Developed for the study.

Table 5. Influence of trust, commitment, two-way communication and conflict handling on CRM.

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression	314.227	6	82.113	72.477	0.000
Residual	221.556	324	1.354		
Total	533.167	330			
	R^2				
	0.590				
Model	**Standardised coefficients, Beta**	**T**	**Sig.**		
(Constant)		-2.667	0.038		
Trust	0.121	2.346	0.037		
Commitment	0.456	4.033	0.001		
Two-way communication	-0.177	-2.517	0.019		
Conflict handling	0.627	8.776	0.000		

Source: Developed for the study.

The following hypotheses; HO_1, which states that there is no relationship between the perceived trustworthiness of a long-term insurance organization and CRM at the organization in South Africa; HO_2, which states that there is no relationship between the perceived commitment of a long-term insurance organization and CRM at the organization in South Africa; HO_3, which states that there is no relationship between the perceived two-way communication of a long-term insurance organization and CRM at the organization in South Africa; and HO_4, which states that there is no relationship between the perceived conflict handling by a long-term insurance organization and CRM at the organization in South Africa, are therefore rejected.

The following alternative hypotheses; HA_1, which states that there is a relationship between the perceived trustworthiness of a long-term insurance organization and CRM at the organization in South Africa; HA_2, which states that there is a relationship between the perceived commitment of a long-term insurance organization and CRM at the organization in South Africa; HA_3, which states that there is a relationship between the perceived two-way communication of a long-term insurance organization and CRM at the organization in South Africa; and HA_4, which states that there is a relationship between the perceived conflict handling by a long-term insurance organization and CRM at the organization in South Africa, are therefore accepted.

Influence of customer relationship management on customer loyalty

Multiple regression analysis was performed to assess the relationship between CRM and customer loyalty. The

Table 6. Influence of CRM on customer loyalty.

Model	Sum of squares	DF	Mean square	F	Sig.
Regression	564.112	2	527.643	1077.665	0.000
Residual	131.667	328	0.454		
Total	695.779	330			
	R^2				
	0.843				
Model	Standardised coefficients, Beta	T	Sig.		
(Constant)		1.223	0.087		
CRM	0.945	33.117	0.000		

Source: Developed for the study.

results are reflected in Table 6. Table 6 indicates that CRM positively influenced customer loyalty. The relationship between CRM and customer loyalty is significant at p = 0.000. This relationship implied that if the long-term insurance organization successfully maintained relationships with its customers, customer loyalty at the organization will increase.

Table 6 indicates that the CRM multiple regression analysis explained 84.3% of the variance (R^2) in customer loyalty. In other words, it can be said that 84.3% of a possible change in the level of customer loyalty in the long-term insurance organization is caused by CRM. Table 6 further indicates that one unit increase in CRM will increase customer loyalty with 94.5% when considering Beta. The hypothesis HO^5, which states that there is no relationship between CRM and customer loyalty at a long-term insurance organization in South Africa, is rejected. The hypothesis HA^5, which states that there is a relationship between CRM and customer loyalty at a long-term insurance organization in South Africa, is therefore accepted. The results of the findings of the empirical investigation are presented in Figure 2.

MANAGEMENT IMPLICATIONS AND RECOMMENDATIONS

The empirical results imply that a long-term insurance organization can improve and maintain its relationships between the organization and customers if the long-term insurance organization exhibits trustworthy behavior and shows genuine commitment to service.

Trust

In terms of trust, the majority of customers strongly agree that trust is an important dimension that underpins CRM and their relationship with a long-term insurance organization. The empirical results indicate a positive relationship between perceived trustworthiness of long-term insurance organizations and CRM at these organizations in South Africa. In other words, if the trustworthiness of long-term insurance organizations increased, CRM at these organizations would also increase. Financial matters are important to people, they want to know that their and their dependents' future is secure should an unplanned future event take place that could make them disabled or force their dependents to fulfil financial obligations after their death.

Therefore, customers desire to trust long-term insurance organizations. Customers therefore desire these organizations to be trustworthy. This specifically indicates that employees of long-term insurance organizations working at the customer walk-in-centers, with whom clients directly interact, should show respect to customers and be honest and truthful in their dealings with customers. Managers at these organizations can increase the organizations' level of CRM if they ensure that the promises made by the long-term insurance organizations are reliable, they provide quality service to customers on an ongoing basis and they fulfil their obligations to customers. For the level of CRM at long-term insurance organizations to increase, customers must have confidence in the organizations' service provision.

Trust is an important dimension of the relationship between long-term insurance organizations and customers, and ultimately in the development of customer loyalty. Therefore, long-term insurance organizations should strive to win customers' trust. These organizations should remember that trust develops over time and as a result of experiences and actions in the past. Long-term insurance organizations must also be willing to be exposed to risks in order to be trustworthy.

These organizations can become more trustworthy by giving and keeping promises to customers, showing concern for the security of their transactions, providing quality services, showing respect for customers through front-line staff and fulfilling obligations. All these will contribute to building confidence in long-term insurance organizations and the services they offer.

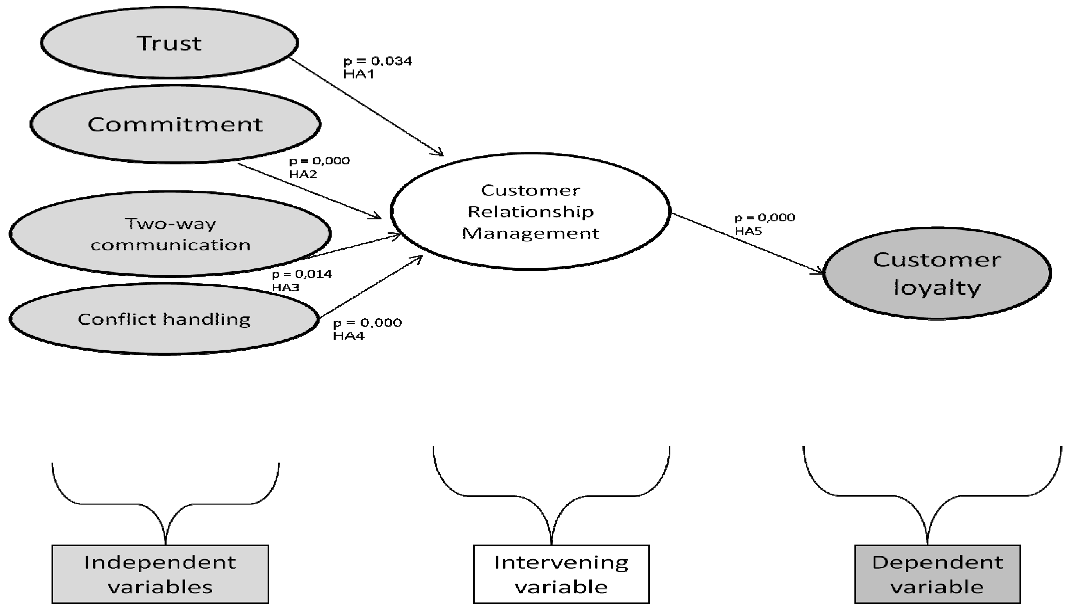

Figure 2. Empirical model recommended. Source: Developed for the study.

Finally, long-term insurance organizations should also take steps to ensure that their sales force only sell policies developed for different target markets to the identified target market, thus reducing the risk of policies being sold outside the target market and therefore not living up to their promises.

Commitment

Commitment is central to a successful relationship between long-term insurance organizations and customers. Commitment is the desire by both parties to maintain the relationship and is indicated by ongoing investment into activities which are expected to maintain the relationship into the future. Commitment is a critical factor in building customer loyalty, therefore long-term insurance organizations should accommodate customer needs, should tailor financial products to meet their requirements, and should generally be flexible in their relationships with customers.

Long-term insurance organizations can identify the needs of different customers and satisfy them through customer segmentation. Financial products can then be developed that address the needs of the target market. The following segmentation criteria may be considered, namely relationship revenue and relationship cost, relationship volume, relationship profitability, or relationship volume and profitability.

By selecting relationship volume and profitability, long-term insurance organizations can ensure that their actions are directed to the most profitable customers, in order to increase their commitment and loyalty towards long-term insurance organizations. Long-term insurance organizations can only fulfil and be flexible to the needs of customers if they understand what customers want.

By understanding what customers want, long-term insurance organizations can create a pull for their services from committed customers. To better understand the segmented customer groups, long-term insurance organizations must capture information each and every time the customer interacts with long-term can insurance organizations.

The interactions can be as a result of the customer entering into a new policy or making an investment, calling the call center, complaining, visiting the walk-in-center or just visiting the website of the long-term insurance organization. This information can then be used with other information such as demographics and psychographics to better understand customers and to create products for the individual needs of customers, or to treat customers as individuals.

Two-way communication

The focus of a long-term insurance organization should be on attracting and retaining customers through cooperation, trust, commitment and the sharing of information between the parties in the relationship. In the ongoing relationship with the customer, a long-term insurance organization 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 long-term insurance organization can nurture the loyalty of customers by providing accurate information that is easy to understand and that is tailored to address the individual needs of customers, and finally by making and fulfilling promises. A long-term insurance organization should ensure that its sales force discloses all necessary information to the customer in a clear, understandable and accurate manner 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 their likely returns, should be a priority for a long-term insurance organization. This can be done through the annual anniversary letter being sent to all customers.

It is important to emphasize a long-term insurance organization's focus on the two-way communication aspect to new employees and to repeat it regularly to all employees. A long-term insurance organization 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 long-term insurance organization 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 long-term insurance organization 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 long-term insurance organization must be willing to discuss problems with customers openly. The manner in which conflicts are handled by a long-term insurance organization will influence customer loyalty directly. The degree to which a long-term insurance organization 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 long-term insurance organization should also make it as easy as possible for customers to complain. Written complaints should only be required if necessary for legal reasons. The organization should inform customers of failures or mistakes, and if the long-term insurance organization cannot correct them immediately, they should inform the customer when they will be rectified.

A long-term insurance organization 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 long-term insurance organization than over-compensation.

The satisfied compensated customer will continue his relationship with the long-term insurance organization and will most probably also contribute to favorable 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. An organization 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 the organisation.

Relationship between customer relationship management and customer loyalty

In order to maintain relationships with customers and to retain loyal customers, an organization can provide 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 long-term insurance organization can increase customer loyalty with 94.5%.

A long-term insurance organization should ensure that CRM, and therefore customer loyalty, increases by delivering high quality and high value products and services. Insurance policies and other services provided to customers should therefore deliver on promises made.

A long-term insurance organization 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 long-term insurance organization must know its customers.

Loyalty schemes equivalent to Discovery's Vitality Programme can be introduced by a long-term insurance organization. This loyalty programme will not only contribute to obtaining a larger share of the wallet of the customer, but can also be used to obtain more information about customers. A long-term insurance organization 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 long-term insurance organization, and determine if anything can be done to rectify the reason why the customer is unhappy.

In addition, a long-term insurance organization must also deliver excellent customer services; the particular experience a customer has with customer service will influence how the customer feels about the organization. A long-term insurance organization should always do the unexpected and that is to treat customers well.

Unfortunately, most customers today expect to be ignored or mistreated. The organization can request senior managers to phone clients personally to thank them for their business or provide reasons for a mistake made, and indicate what the long-term insurance organization is doing to rectify the mistake.

A long-term insurance organization should use its customer database to maximize the personalization of offers to customers. Should a long-term insurance organization be able to implement the recommendations, customer loyalty will increase which will lead to higher profits and will provide a long-term insurance organization with a sustainable competitive advantage.

Conclusion

This research succeeded in identifying a list of dimensions that underpin CRM and which can predict customer loyalty in the long-term insurance industry in South Africa. Managers aiming to build a loyal customer base should concentrate on the issue of trust, commitment, two-way communication and conflict handling.

Strategies to improve the trustworthiness of long-term insurance organizations, commitment to service, how the long-term organization communicates with customers and how it obtains information concerning the customers' needs, and how conflicts between the customer and the organization are dealt with during a service failure, should be implemented. The strategies when implemented will increase customer loyalty, which in turn will lead to both the increased profitability and sustainability of the organizations in the future.

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