FACTORS AFFECTING CUSTOMER RETENTION IN
THE NON LIFE INSURANCE SECTOR IN
ADDIS ABABA ETHIOPIA

A thesis submitted in partial fulfillment of the requirement for
Master of Arts Degree in Marketing Management

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Table of Contents

Contents | Page No.

LETTER OF DECLARATION

I, the undersigned, declare that this thesis entitled " Factors affecting customer retention in the non-life insurance sector in Addis Ababa, Ethiopia" is my original work and has not been presented for a degree in any other university and that all the sources of material used for the thesis have been duly acknowledged.

Getinet Aweke

Signature:…………………..

Date : 20/05/16

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Confirmed by:

Rakshit Negi (Ph.D.) ....

(Advisor) Signature Date

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Abstract

The main objective of the study is to identify factors that influence customer retention in the non life insurance sector in Addis Ababa, Ethiopia. In this research study, customers of non life insurance sector were targeted as the population while satisfaction, trust, price, and switching barriers were taken as predicting variables towards customer retention as criterion variable. The researcher used questionnaire to collect relevant data for the research questions from sample respondents of three insurance companies which were selected using simple random sampling. Pearson correlation and multiple regression analysis were used to examine the relationship between the independent variables and customer retention using SPSS 20.0 and the results showed that all factors contributed to explain customer retention but comparatively price had the largest impact on customer retention than trust, satisfaction and switching barriers. Thus insurance companies should design a strategy *to address these factors for increment of their existing customers' retention.*

Keywords: *Customer retention, satisfaction, trust, price, and switching barriers*

CHAPTER ONE

1. INTRODUCTION

This chapter presents background of the study, statement of the problem, research questions, research objectives, and operational definitions, scope of the study, limitation of the study and significance of the study.

1. 1 Background of the Study

In the past, many companies took their customers for granted. Customers often did not have many alternative suppliers, or the other suppliers were just as poor in quality and service, or the market was growing so fast that the company did not worry about fully satisfying its customers. A company could lose 100 customers a week, but gain another 100 customers and consider its sales to be satisfactory. Such a company, operating on a 'leaky bucket' theory of business, believes that there will always be enough customers to replace the defecting ones. However, this high customer churn involves higher costs than if a company retained all 100 customers and acquired no new ones. Companies must pay close attention to their customer defection rate and undertake steps to reduce it. First, the company must define and measure its retention rate. Next, the company must identify the causes of customer defection and determine which of these can be reduced or eliminated (Kotler, Wong, Saunders, and Armstrong, 2005).

A business can pursue several other objectives, but the very survival of any business depends on how best it can capture and retain its market in order to improve its revenues. Customers are the driving force behind the success of any company and their management will ensure the company to succeed in its objective of making profits. Customer retention is therefore a major concern for any business in the competitive environment of today.

Insurance industry is a very unique industry with challenging services that need to be managed effectively to ensure that the customers that have been hard won should not leave the business to go elsewhere. Customer retention is therefore a matter of critical concern for insurance companies. The loss of key customers to an insurance company can be devastating as they can walk away with huge premiums and impact on the production of a particular period. With little differentiation between product offerings, it is extremely challenging for insurance companies to retain customers, resulting in poor loyalty levels and increased costs. In the face of fierce competition for market

share, insurance companies are struggling to maintain their share. Customer retention in the insurance industry is a real challenge (Oketch, 2014).
Thus, insurance companies should give due attention to customer retention and the factors affecting it in order to survive and succeed in this competitive insurance market.

In Ethiopia, the first domestic insurance company, namely, Imperial Insurance Company started issuing policies in fire, life, and general accident since 1951. It also underscored a turning point in the history of insurance business that ended in the issuance of the Commercial Code of Ethiopia in 1960 (Hailu, 2007). The insurance sector during the command economic system was characterized by monopoly of the sector by the government and reliance on a couple of classes of insurance business (motor and marine) for much of gross premium income. The nationalization of private insurance companies and the restrictions imposed on private business ventures had significant adverse impact on the development and growth of Ethiopian insurance industry. Later, Proclamation No. 86/1994 ushered a new era in the history of insurance business in which Ethiopian insurance market has become an arena where the public and private insurance companies contest to grab a large chunk of the market'. In addition to the 1994 proclamation, a new insurance business proclamation (Proclamation No 746/2012) enacted in the year 2012 to further support the development of the sector. The provisions in the legislation and the bold actions taken subsequently have certainly transformed the industry.

Ethiopia's insurance industry has grown rapidly over the past few years. According to the report of National Bank of Ethiopia (2014), there are 17 insurance companies with 312 branches.

However, as researches indicated, the insurance sector in Ethiopia is less known at early stages of development with limited skills, capacity, and incentive to push market extension (Smith and Chamberlain 2009). This can be further explained by low level of insurance per capital and penetration. As of June 30 2014 insurance branches to population ratio (No of branches/Total population) was 1: 264,000, insurance density (premium/population) was Br. 57 per person. The Insurance penetration (Premium/GDP) registered less than 1 percent. The measures categorically show that significant portion of the total population has limited access to insurance services (Smith & Chamberlain, 2009).

On the other hand, customers' defection in the insurance sector of Ethiopia is high. As an indication of customer loss rate, 15 % of Nile insurance company's policy holders (customers) did not renew their policies in the year 2010/11 and 25.6% of Ethiopian

Insurance Corporation's policy holders (customers) did not renew their policies in the year 2011(adopted from Kassegne 2013). This has significant effect on the growth of insurance sector in Ethiopia and has to be investigated.

Therefore, this thesis focused on studying customer retention and the factors affecting customer retention in Ethiopian insurance industry having its focus on non life insurance sector customers of Addis Ababa, Ethiopia.

1.2. Statement of the Problem

Customer retention is a common concern and crucial issue to many industries for sustainability or bottom-lines in today's compressed market place as it increases sales and profitability (Wei and Chiu, 2002). Since customer retention has been proven to strongly affect profitability, it has become a top priority in service industries (Verhoef, 2003). Studies have shown that it is more expensive to attract new customers than to retain existing ones. Fornell and Wernerfelt (1987) for example, emphasized that marketing resources may be better spent on keeping existing customers than acquiring new ones.

Many researchers and academicians have highlighted the importance of customer retention. Colgate and Kinsella (1996), Woodruff (1997), and Jones, Mothers Baugh, and Beatty (2000) investigated that most valuable asset for the companies is their existing customer. Other researchers such as Reichheld and Sasser (1990), and Fornell (1992) exposed that longer customer associations are pleasing for the reason that they are very lucrative or profitable for organizations.

There is high possibility for customers to switch to other service providers in the competitive environment. During their lifetime, customers have many opportunities to switch service providers (such as competitor offers, better service, sales promotions, etc.), and many other events if the established relationship are likely to cause service relationship deterioration and dissolution (Gustafsson, Johnson &Roos, 2005). Customers' lose rate of Nile insurance and Ethiopian Insurance Corporation indicates the existing of customers' defection in the insurance sector of Ethiopia.

The existing marketing literatures have not focused much on insurance related issues, possibly because of the nature of the product. Insurance contracts are intangible goods and the buyers/sellers are linked by a contract that stipulates the terms and conditions for risk coverage and economic compensation over a certain period of time. This necessitates investigating whether the factors that determine customer retention in other services areas hold for the non life insurance sector of Addis Ababa Ethiopia.

1.3. Research Questions

In view of the aforesaid problem, this study attempts to provide answers to the following research questions:

1) Is there a relationship between customer satisfaction and customer retention?
2) Is there a relationship between trust and customer retention?
3) Is there a relationship between price and customer retention?
4) Is there a relationship between switching barriers (switching costs and interpersonal relationship) and customer retention?
5) Which factors are the most important to encourage customers retention?
6) How do gender, age, marital status, educational level, duration of stay, and occupation of customers determine their retention with insurance company?

1.4 Objectives of the Study

1.4.1 Main Objective of the Study

The main objective of the study is to identify factors that influence customer retention.

1.4.2 Specific Objectives of the Study

1) To assess the relationship between customer satisfaction and customer retention.
2) To examine the relationship between trust and customer retention.
3) To ascertain the association between price and customer retention.
4) To examine the relationship between switching barriers (switching costs and interpersonal relationship) and customer retention.
5) To assess the most important factors that encourages customers to retain with their insurance company.
6) To examine the role of gender, age, marital status, educational level, duration of stay, and occupation of customers in determining customer retention.

1.5 Operational Definitions

a) Trust: The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party (Mayer et al. 1995, p.722).

b) Price: The monetary amount to be paid to acquire a product or service (Kotler and Armstrong, 2010, p. 234).

c) Customer Retention: The future propensity of a customer to stay with the service provider (Ranaweera and Prabhu, 2003, p. 384).

d) Switching Barriers: It is any factor that makes it difficult or costly for customers to change providers (Jones et al 2002, p. 445).

e) Customer satisfaction: An overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers expect and what they receive, regarding the fulfilment of some need, goal or desire" (Hansemark and Albinsson 2004, p.49).

1.6 Scope and Limitation of the study

1.6.1 Scope of the study

Conceptually the study is delimited to assessing factors that have contribution on customer retention in the non life insurance sector. Geographically it is delimited to the town of Addis Ababa and thus the findings of the study could not be generalized to the non life insurance sector of Ethiopia.

1.6.2 Limitation of the study

Conceptually only four factors (customer satisfaction, trust, price, and switching barriers) were captured for this research purpose. Methodologically out of the total of 17 insurance companies operating in the Ethiopian insurance industry, only three insurance companies were selected for this research purpose. This research focused only on the perceptions of customers and did not measure the perception from personnel of the insurance companies. The data collection tool was self administered questionnaire to measure the relationships between the variables of this study.

1.7 Significance of the Study

To solve the operational problem of insurance companies in the issue of customer retention. Once insurance companies understand the factors affecting customer retention in the non life insurance sector, they can design their marketing strategies to cope up with the challenges of retaining existing customers so as to enjoy the advantages of costs savings, maintenance of market share and increased profitability. Management can identify and improve upon factors that can limit customer defection or increase customer retention rate.

Another importance of the study is to contribute empirical evidence to the existing marketing literatures in the understanding of the impact of customer satisfaction, trust, price, and switching barriers on customer retention in the context of non life insurance sector in Addis Ababa, Ethiopia.

1.8 Organization of the study

Chapter 1: Introduction

This chapter consists background of the study, statement of the problem, objectives of the study, operational definitions, scope of the study, limitation of the study, significance of the study, and organization of the study.

Chapter 2: Literature review

This chapter is developed with the sections namely theoretical review, empirical review, conceptual framework and hypothesis.

Chapter 3: Research methodology

This chapter presents the research methodology which contains the research approach, research method, research design, population and sampling, data collection instrument, validity and reliability, data analysis techniques and ethical considerations.

Chapter 4: Analysis & Interpretation

This chapter contains data presentation, analysis and interpretation.

Chapter 5: Summary, Conclusion & Recommendation

This chapter includes summary of findings, conclusion based on the findings, recommendations and future research directions.

CHAPTER TWO

2. LITERATURE REVIEW

This chapter presents existing researches related with the thesis's topic. All theories associated with the study are found under theoretical review followed by empirical review so as to identify research gaps. Afterwards, a conceptual framework showing the hypothesized relationship between independent variables and customer retention.

2.1 Theoretical Review

2.1.1 The Concept of Customer Retention

Customer retention is defined as the future propensity of a customer to stay with the service provider (Ranaweera & Prabhu, 2003). Some scholars have used the term future behavioural intentions to describe the concept of customer retention (Zeithaml, Berry, & Parasuraman, 1996). Customer retention might be thought of as customers' continuous engagement with their service supplier, forsaking all others (Ranaweera & Prabha, 2003); with repeated purchases being one of the continuous engagement behaviours performed by customers. Customer retention is concerned with repeated patronage, which is closely related to repeat-purchasing behaviour and brand loyalty (Buttle, 2004).

Customer retention is a process which makes customers loyal towards specific company and repurchase product from this company (Cannie, 1994). Mostly companies gain benefits from retention in the form of profit, lower cost and long lasting benefits. Retention is only one element that increases profit from 5% to 85% (Zeithmal, 1996).

Customer retention has financial impact on company which is based on the assumption that obtaining new customers are costly than retaining existing customer because for new customer different expenses are incurred like advertising, operating expense and promotion (Anderson & Sullivan, 1990; Reichheld & Sasser, 1990). Retention and acquiring new customers is used for revenue and enhance market share of company (Rust, Zohorik & Keiningham 1995). Retention not only enhances market share growth but also reduce the cost (Fornell & Wernerfelt, 1987).

Customer retention has been conceptualised as a dimension of a customer loyalty construct (Zeithaml, Berry & Parasuraman, 1996). The terms customer retention and customer loyalty are often used interchangeably in literature. However, customer retention and loyalty are not surrogates of each other because the two terms can refer to different things. Hennig-Thurau and Klee (1997) also suggested that the conceptualisation of customer retention needs further clarification. Zineldin (2000) views retention as a commitment to continue to do business or exchange with a particular company on an ongoing basis. A more comprehensive definition of retention is the customer's liking, identification, commitment, trust, willingness to recommend and repurchase intentions, with the first four being emotional-cognitive retention constructs and the last two being behavioural intentions (Strauss & Friege, 1999).

According to Aspinall, Nancarrow, and Stone, 2001, even though the meaning and measurement of customer retention varies across industries, there seem to be a general consensus that a firm which focuses on customer retention by using the appropriate strategies can enjoy some economic benefits (Buttle, 2004).

The benefits of retaining customers to the organisation are higher margins and faster growth, derived from the notion that the longer a customer stays with an organisation, generally the higher the profit (Reichheld & Kenny, 1990).

Tangible benefits of retaining customers

A number of researches have suggested that increasing retention is more effective than acquiring new customers – in terms of cost-benefits (Gupta, Lrhmann & Stuart, 2004; McCarthy, 1997). New customers take time and effort for firms to develop and they may not purchase in volume at the first few purchases. We know that keeping at least five per cent customers over their purchasing lifetime can sharply increase profitability (Reichheld, 2011) compared to those companies that continually have to win customers. This phenomenon is related to customer lifetime value – in other words, the value a firm can gain from a customer over their entire lifetime. It means that the longer the customer remains with a firm, the higher the profits a firm can make from them. One interesting piece of research (Gupta, Lrhmann & Stuart, 2004) investigated companies' annual reports and statements to show the relationship between retention and company financial value. That research concluded that customer lifetime value improves five per cent when retention rate increases by one per cent. If a customer defects, the potential of making better profits will be lost. Other research shows that loyal customers are not so price sensitive and are willing to accommodate occasional poor service quality in preference to switching if they believe they have a good relationship with the company (Gupta, Lrhmann, & Stuart, 2004; Reichheld & Sasser, 1990; Reichheld, 2011; Zeithaml, Berry, & Parasuraman, 1996).

Frequent flyers of domestic Qantas Airline are willing to pay more for the same journey over that of other budget airlines. Why? Survey results show that rather than taking time and the risk to try services from cheaper service providers, customers prefer to stay with the supplier that they know and more often provides a satisfactory service (Ranaweera & Prabha, 2003). A lower operational cost resulting from a stable customer base is another tangible advantage of having loyal customers. Attracting new customers involves high start-up costs; and turning them into profitable customers takes an extensive period of time (Zeithaml, Berry & Parasuraman, 1996). Start-up costs involve promotion costs and time costs for relationship development. The profit generated from new customers invariably does not cover the high start-up costs. Only by developing long-term relationships with customers can optimum profits be made.

It costs between four and ten times more to acquire a new customer than it does to keep an existing one. Some sources say cost of acquiring a new customer is over 30 times that of keeping an existing one. A key element in the cost is probably the industry or market sector your customers are in (The Chartered Institute of Marketing 2010)

Intangible benefits of retaining customers

Apart from the tangible benefits of customer retention, customer loyalty brings numerous additional advantages to the company. Customer loyalty is evidence of a continued relationship (Reichheld & Sasser, 1990), and it is developed through regular interaction and customer satisfaction (Brown, Cowles & Tuten, 1996). Positive referrals given by customers to their friends are considered evidence of loyal behaviour. So, word of mouth from loyal customers is powerful free advertising.

Furthermore, customer retention also has a positive influence on employee retention (Heskett, Jones, Loveman, Sasser & Schlesinger, 2011). Regular customers are consistent with their requirements and they have a more realistic expectation of the service delivery than new customers; so they are easier to be serviced. Moreover, employees get greater work satisfaction by serving loyal customers than serving dissatisfied and complaining customers (Reichheld & Sasser, 1990).

2.1.2 Factors Influencing Customer Retention

The importance of customer retention for organizations along with the factors affecting it has been underlined by different scholars. This section discusses the factors of customer retention.

2.1.2.1 Customer Satisfaction

The factors affecting customer retention are diverse. Of the numerous factors, customer satisfaction has been empirically validated to have relationship with customer retention in the service sector

(Anderson and Sullivan, 1993; Rucci, Kim & Quinn, 1998; Bansal and Taylor, 1999; Cronin, Brady & Hult, 2000; Ranaweera and Prabhu, 2003a). The importance of satisfaction on customer retention is so well recognised that some major economies measure satisfaction at the industry level to predict customer retention and future financial performance (Fornell, Ittner & Larcker, 1995).

Satisfaction is defined as the degree of overall pleasure or contentment felt by the customer, resulting from the ability of the service to fulfil the customer's desires, expectations, and needs (Hellier, Geursen, Carr, and Rickard, 2003). Customer satisfaction can be demarcated with two basic concepts such as cumulative satisfaction and transaction specific (Herrmann & Gustafson, 2002). Oliver (1999) defines satisfaction as it is the consumption of the customer in pleasurable mood.

Customer retention is one of the most important indicators of customer satisfaction. From the literature review, it is discovered that customer satisfaction has traditionally been regarded as a fundamental determinant of long-term customer behaviour (Oliver, 1980; Yi, 1990). The more satisfied customers are, the greater is their customer retention (Anderson and Sullivam, 1993; Fornell, 1992; Lee and Feick, 2001; Ranaweera and Prabhu, 2003). Cronin and Taylor (1992) and Patterson, Johnson, & Spreng (1997) found that customer satisfaction has a significant positive effect on repurchase intention in a range of services. Day, Denton, & Hickner, (1988) stated that customer satisfaction is unquestionably the key determinant in retaining current clients in professional services. Kotler (1994) stated that the key to customer retention is customer satisfaction. High customer satisfaction increases customer retention and repurchase intentions (Anderson, 1998). Customer satisfaction has a greater influence to build up customer repurchase behaviour (Taylor & Baker, 1994). Satisfied customers are also informed his positive experience with friends and relatives which develop company feat and profit (Richens, 1983; File & Prince, 1992). Customer satisfaction boosts the customer retention by improving product and service performance (Witting & Bayer 1994). Anderson and Sullivan (1993) investigated that the greater the satisfaction of the customer, the greater is the probability of customer retention. Gerpott, Rams, & Schindler, (2001) investigated that customer satisfaction is a direct influential factor for retaining the customers in the mobile telecommunication industry. Schiffman and Kanuk (2004) argued that organizations need to focus on getting highly satisfied customers and that is necessary in order to get higher retention.

However, customer satisfaction is not the only required factor to retain customer with the firms and cannot insure customer support for long time (Jones and Sasser, 1995). Reichheld (1996) investigated that even the unsatisfied consumers do not switch the existing service providers because they are not sure to receive better service from the competitors of the existing service providers.

A review of the marketing literature suggests that some controversies surrounding the relationship between customers' overall satisfaction and their repurchase intentions (Mitall, Rose & Baldasare, 1998). Whereas some agree that there is no direct relationship between the two variables, others are of a contrary view. For example, Kotler, Armstrong, & Cunningham (2002) posit that there is a linear and symmetrical relationship between customer satisfaction and repurchase intentions. Therefore, this research would like to evaluate the relationship between customer satisfaction and customer retention.

2.1.2.2 Trust

Mayer, Davis, & Schoorman (1995) define trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party. Service providers, in some cases, may not be able to retain their satisfied customers (Heskett, Jones, Loveman, Sasser, & Schlesinger 1994; Schneider and Bowen, 1999) because the customer satisfaction itself alone cannot ensure long term commitment of the customer to any service provider. Instead, the service providers should think to the other factors beyond customer satisfaction, such as customer trust, to retain their customers (Hart and Johnson, 1999). This argument is supported by Morgan and Hunt (1994) who assert that the target of the firms is to develop customer trust beyond customer satisfaction to retain their customers in a long term period. In service firms, the psychological benefit of trust is more important than social benefits or special treatment in consumer relationships (Gwinner, Gremler & Bitner, 1998). In a setting of low-customer contact and mass service, trust is an important driver of customer retention (Ranaweera and Prabhu, 2003a). Garbarino and Johnson (1999) said trust has a significant positive effect on customer retention. Gounaris (2005) explored that trust is a significant factor in any kind of association between the customers and existing service providers. The more the consumer trusts a service provider, the greater the chances that the customer remains in the relationship. Customer trust significantly contributes to sales growth through customer acquisition and retention (Intermarket Group, 2004). Mcknight, Cummings, & Chervany (1998), Gounaris (2003) investigated that customer trust is a vital factor for retaining the existing customers.

In the financial services market, according to Bayne (1999), trust, together with honesty, fairness or excellence, has been taken as one of the basic consumer needs.

Why trust matters for insurance companies?

Insurance is a promise to perform in future in return for a present monetary consideration. Such a promise is made in an environment when the customer is absolutely not sure whether the promise will be fulfilled if and when the need arises. Insurance is an intangible product and uniquely depends on trust. Trust is more important for insurance company than any other type of business because insurance company is selling a promise. Insurance companies collect the premiums of the customer, manage the premiums, and disperse the risk to ensure they can pay off any losses. The signing of the insurance contract is based on trust, which means the customer is required to inform the actual condition to the insurance company for risk assessment and calculate the premiums, while the customer must clearly acknowledge the contents of the contract to make sure all benefits are acquired (Kassegne and Pagidimarri 2013).Therefore, this research would like to evaluate the relationship between trust and customer retention.

2.1.2.3 Price

In the narrowest sense, price is the amount of money charged for a product or service. More broadly, price is the sum of all the values that customers exchange for the benefits of having or using the product or service. Historically, price has been the major factor affecting buyer choice. In recent decades, non-price factors have gained increasing importance. However, price still remains one of the most important elements determining a firm's profitability (Kotler, Wong, Saunders, and Armstrong 2005). Price is the only element in the market mix that produces revenue; all other elements represent costs. Price is also one of the most flexible marketing mix elements (price can be changed quickly). At the same time, pricing is the number one problem facing many marketing executives, and many companies do not handle pricing well. One of the common mistakes include pricing that is too cost oriented rather than customer-value oriented, and pricing that does not take the rest of the marketing mix into account (Kotler & Armstrong, 2008).

There are two tendencies with respect to customers' perception of the price of the product. The first maintains that customers regard high prices as a signal of high quality and vice versa (Teas & Agarwal, 2000); while the second, in contrast, suggests that low prices can also function as a signal of good value for money (Kirmani & Rao, 2000). In either case, whether a low price is perceived as low quality or a high price is perceived as abusive, when customers are dissatisfied with the value for money or perceive the price to be unfair, their intentions will be to switch suppliers

(Homburg, Hoyer & Koschate, 2005). Keaveney (1995) suggests that customers voluntarily switch suppliers because of their personal dissatisfaction with the price paid. This dissatisfaction arises when the customers perceive the price to be unfair or excessively higher than alternative options. Bansal, Taylor, & James (2005) also show that among the reasons customers switch suppliers, price-related issues are important. Buyers will be conscious of the savings opportunities that other options provide, and the chance to make savings can become a substantial concern, and the motive for an immediate switch (Wathne, Biong & Heide, 2001).

Abrat and Russell (1999) found that customers' perception about the price of the company's products or services is important requirement for the customers to keep on with the existing service providers. According to Martin-Consuegra (2007) those customers who are price conscious are usually not ready to pay the price for service or product if they perceive it as not reasonable. Peng and Wang (2006) explored that customers often switch their service providers mainly due to some pricing issues. Abrat & Russell (1999), Schriver (1997), Martin (2007), Mouri (2005), Kollmann (2000) found that price is the most significant factor for retaining the existing customers. Perceptions of price have significant and positive effect on the level of repurchase intentions (Ranaweera *and* Neely, 2003).

Given the uncertainty in the nature of business run by the insurance companies, customers choose the companies mostly based on price (Oketch, 2014). Therefore, this research would like to evaluate the relationship between price and customer retention.

2.1.2.4 Switching Barriers

Perceived switching barriers is defined as the consumer's assessment of the resources and opportunities needed to perform the switching act, or alternatively, the constraints that prevent the switching act (Bansal and Taylor, 1999; Ranaweera and Prabhu, 2003). According to Keaveney (1995), service switching may be due to critical incidents, such as attraction by competitors, inappropriate employee responses to service failures, pricing problems, core service failures, service encounter failures, lack of convenience, ethical problems or changes in the consumer's or service provider's situation (involuntary switching). Researches also show that switching barriers may have both main and interaction effects on customer retention (Gremler and Brown, 1996; Bansal and Taylor, 1999; Lee and Feick 2001). Jones, Mothers Baugh, & Beauty (2000) explained that switching barriers are the factors that force the customers to stay with existing service providers. They investigated that switching barriers such as switching cost and interpersonal relationship made the switching costly for the customers.

Researcher suggests that an ideal way for firms to prevent customer resentment is to create switching barriers that also add value to the service (Ranaweera, and Prabhu, 2003). Therefore, this research would like to evaluate the relationship between switching barriers and customer retention.

(a) Switching Cost

Switching cost is formally defined as the cost of changing services in terms of time, monetary value, and psychological factor (Dick and Basu, 1994). In the insurance market, switching costs may be incurred due to switching from current to another insurer (Williamson, 1979). Such costs may include search costs (the costs of time spent for searching information about claims settlement service, investment behaviour, and financial stability of insurance companies, etc.) and transaction costs (the costs of time and effort needed for bargaining price and administrative activities) (Eckardt, 2008; Posey and Yavas, 1995; Posey and Tennyson, 1998; Schlesinger and Schulenburg, 1991; and Williamson, 1979). These costs enable the insurer to exert a certain degree of monopolistic power over its current customers (Williamson, 1979). Thus, once an insurance company is chosen, there exists a switching cost for changing insurers, thus reducing the intention of customers to switch (Dahlby and West, 1986; and Schlesinger and Schulenburg, 1993). Switching costs make changing service providers more expensive and create customer dependency on the service provider (Morgan and Hunt, 1994). As perceived switching costs increase, customers are less likely to change service providers (Ping, 1993; Bansal and Taylor, 1999; Jones, Mothers Baugh, & Beauty 2000; Lee and Feick 2000; and Ranaweera and Prabhu, 2003). Thus, the larger are the switching costs, the higher is the customer retention of the same service provider.

Jones, Mothers Baugh, & Beauty (2000), Morgan & Hunt (1994) explored that switching cost is a key dimension that has a direct effect on the retention of existing customers. Burnham, Frels & Mahajan (2003) explored that switching cost is identified as a main cause of customer retention. Ping (1993) found that when customers perceive the switching costs to be high, they tend to be loyal. Jones and Sasser (1995) mentioned switching costs as one factor that determines the competitiveness of market environment, since high switching costs discourage consumers to switch to alternate providers. Lee and Feick (2001) and Ranaweera and Prabhu (2003) have tested and confirmed the positive effect of switching costs on customer retention in continued purchasing settings of mobile phone services in France and the fixed line telephone market in the UK respectively. As the switching cost increases, risk and burden is increased on the customer side and dependency on the service provider gets increased as a result (Jones, Mothers Baugh, & Beauty 2000; Morgan & Hunt, 1994). In other words, the more consumers recognize the switching cost, the higher retention rate even though customers have dissatisfaction on the service. Scholars contend that the costs of switching providers may be more critical to services than goods (Zeithaml 1981) and in relational exchanges (Guiltinan 1989).

(b) Interpersonal relationship

The long term interpersonal relationship between the company and customers offers a lot of benefits to the customers: social benefits such as fellowship and personal recognition, psychological benefits such as reducing anxiety and credit, economic benefits such as discount and time-saving, and finally customization benefits such as customer management and etc (Berry, 1995; Peterson 1995). Therefore the interpersonal relationship between the company and the customers can be an important factor as a switching barrier. The continuous interpersonal relationship becomes a relationship-specific asset which makes a customer to pay cost to be out of the relationship and therefore protects customer from being apart from the relationship with the company. Jones, Taylor, Becherer & Halstead (2003) investigated that powerful interpersonal relationship has an optimistic impact on the repurchase intent of the current consumers. The relationship marketing literature implies that interpersonal relationships are particularly important in the development of loyalty to services (e.g., Berry 1983; Crosby, Lawrence, Kenneth and Deborah 1990; Czepiel 1990). That is, with services an additional important component of the product offering can be the interpersonal interaction between employees and customers (Surprenant and Solomon 1987). The three characteristics of services; intangibility, heterogeneity, and interaction intensity provide opportunities for person-to-person interactions (Czepiel and Gilmore 1987). Unlike goods, many services are almost exclusively based upon person-to-person interactions (e.g., beauticians, interior decorators, gynecologists).

2.2 Empirical Review

In the course of exploring the existing literatures on customer retention, the researcher brought out empirical works that relate the independent variables listed under theoretical review with customer retention.

2.2.1 Customer Satisfaction and Customer Retention

Empirical findings of preceding researchers on the relationship between customer satisfaction and customer retention/loyalty in a number of industries.

A positive relationship exists between customer satisfaction and retention in auto liability insurance service in Taiwan (Lai, Liu and Lin, 2011).

The effect of satisfaction and switching cost on customer loyalty is positive and significant in the Banking sector of Pakistan. However, the effect of satisfaction on customer loyalty is quite low and switching cost has more influence on loyalty (Bilal).

Customer satisfaction well supported customer retention whereas customer commitment and trust both have negative influences on customer retention in the context of Internet banking in Hong Kong among professionals and business practitioners (Eppie , 2007).

Customer satisfaction, customer relationship, product image and trustworthiness of organization play very important role in strengthening customer loyalty in Pakistan (Akhter,Abbasi, Ali, and Afzal, 2011).

In the Telecom sector of Pakistan, satisfaction has a positive relationship with customer retention because only those satisfied customers are using the services. Customer retention is not possible without satisfaction. Trust is also playing an important role to achieve retention level. Switching cost has less importance in telecom because when a customer is not satisfied by the current service provider, he/she can easily shift to another service provider without considering the cost of switching (Danish, Ahmad, Ateeq, Ali, Humayon 2015).

2.2.2 Trust and Customer Retention

Empirical findings of preceding researchers on the relationship between trust and customer retention/loyalty in a number of industries.

Customer trust is an important antecedent of customer loyalty. Customer trust on employees and customer trust on insurance company play a vital role in influencing customers towards loyalty in insurance sector of Ethiopia. The correlation between customer trust on company employees and customer loyalty is stronger than that of customer trust on insurance company and customer loyalty (Kassegne and Pagidimarri, 2013).

Customer satisfaction has the largest impact on retention; however, trust also has a major impact on retention. Trust and personal relationships are important in retaining customers in markets where individual action can impact the outcome of a purchase (Wilson, Soni and O’Keeffe, 1995).

2.2.3 Price and Customer Retention

Empirical findings of preceding researchers on the relationship between price and customer retention/loyalty in a number of industries.

Fair price has a significant effect on customer switching intentions, which means that unfair price motivates customer intentions to switch the bank in the case of Bank of Palestine and Cairo Amman Bank in Gaza Strip (Murad, 2011).

Empirical support for the price perceptions – customer retention link in the service sector is scant. Indeed, one of the few exceptions is the recent study by Varki and Colgate (2001). Their review illustrated that given the importance of price perceptions, surprisingly little work has been done on the impact of price in the service sector and they argued the need for future research to focus more on this link. Based on a survey of the banking sector, they found evidence to support a direct positive association between price perceptions and customer behavioural intentions. Indeed, if such a hypothesis holds true in a service shop environment such as banking, it is expected that the same association would be similar, if not stronger, in a mass service such as the fixed line telephone sector, where the importance of price has been argued to be even more.

2.2.4 Switching Barriers and Customer Retention

Empirical findings of preceding researchers on the relationship between switching barriers and customer retention/loyalty in a number of industries.

Customer satisfaction, customer trust and switching barriers are positively related to the overall customer retention in the Malaysia retail market. In addition, the research finding also concludes that customer satisfaction has a positive effect on customer trust (Danesh, Nasab and Ling, 2012).

There exists positive and statistically significant relationship among customer satisfaction, relationship quality, switching costs and customer retention in the case of Lithuanian mobile operators. Switching costs have the greatest impact on the customer retention. The impact of relationship quality is also very significant. Due to the fact that relationship quality is very significant for switching costs as bettering relationship increases emotional loss or improving relations increases the emotional damages, so the customers are reluctant to change the mobile operator (Tamuliene, Gabryte 2014).

Switching costs (setup costs, search costs, learning costs, contractual costs, and continuity costs) can play a significant role in the development of customer loyalty to service organizations (Gremler and Brown, 1996).

Both switching barrier and customer commitment had strong and positive significant relationship with customer retention. Customer satisfaction had weak positive relationship with customer retention in the context of customers of Ghana Commercial Bank within Agona Swedru Municipality (Boohene, Agyapong and Gonu, 2013).

The five specific relationship dimensions of interpersonal bonds (familiarity, care, friendship, rapport, and trust) were found to have significant influence on service loyalty (Gremler and Brown, 1996).

The factors switching barriers (Interpersonal relationship & Switching cost), Trust, Brand Image, Price perception and customer satisfaction have the effect on customer retention towards the Cellular industry in Pakistan However, customer satisfaction has little to do to increase the customer retention (Qadri and Khan 2014).

As it can be seen from the above empirical findings different researchers addressed the issue of retention in different industries found under the umbrella of service sector. This research is intended to validate the relationship of independent variables (Customer satisfaction, Trust, Price and Switching Barriers) with the dependent variable of customer retention and to test how true the findings are in the context of non life insurance sector in Addis Ababa, Ethiopia.

2.3 Conceptual Framework and Hypothesis of the study

2.3.1 Conceptual Framework of the study

Conceptual frame work is the foundation that the entire research is based on and a good model should help in identifying and labelling the underlying variables in the circumstances that are related to the research problem (Sekaran, 2005). It is the demonstration of relations between variables. The conceptual frame work for this research is based on the variables/constructs captured during the course of thorough literature review concerning the topic of customer retention in the context of service organizations.

The researcher combined these four variables in to a single model to analyze whether these variables really determine customer retention in the non life insurance sector in Addis Ababa, Ethiopia.

Dependent and independent variables: A concept which can take on different quantitative values is called a variable. If one variable depends upon or is a consequence of the other variable, it is termed as a dependent variable, and the variable that is antecedent to the dependent variable is termed as an independent variable (Kothari, 2004).

The following conceptual model shows that the dependent variable is Customer Retention, which is the variable of primary interest, in which the variance is attempted to be explained by the four independent variables of Customer satisfaction, Price, Trust and Switching barriers. The proposed model and the related hypotheses are tested in the context of the non life insurance sector in Addis Ababa, Ethiopia.

Conceptual Framework/ Model

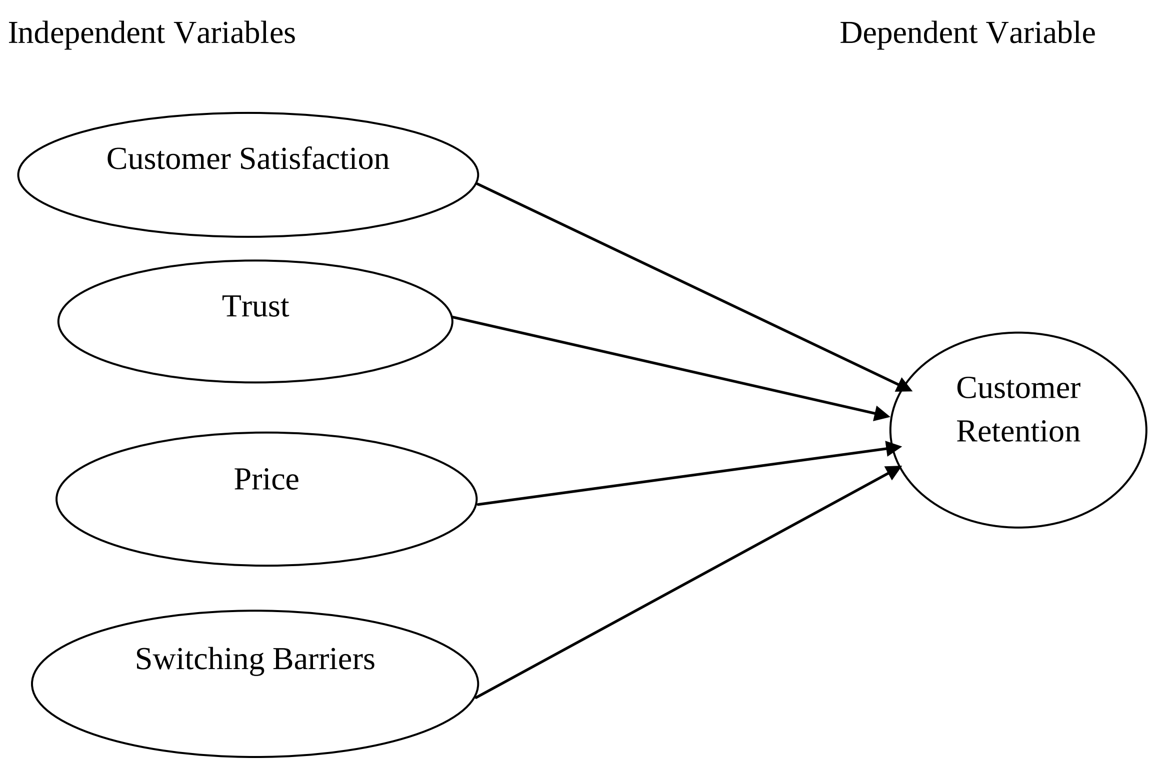

Fig 1: Conceptual Model (adopted from Usman and Mahmood 2014)

2.3.2 Hypothesis of the study

For this study, the following hypotheses are developed and tested using the data gathered from sample respondents.

Ha_{1} There is a positive relationship between customer satisfaction and customer retention.
H_{01} There is no positive relationship between customer satisfaction and customer retention.
Ha_{2} There is a positive relationship between trust and customer retention.
H_{02} There is no positive relationship between trust and customer retention.
Ha_{3} There is a positive relationship between price and customer retention.
H_{03} There is no positive relationship between price and customer retention.
Ha_{4} There is a positive relationship between switching barriers (switching costs and interpersonal relationship) and customer retention.
H_{04} There is no positive relationship between switching barriers (switching costs and interpersonal relationship) and customer retention.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter describes the research methodology employed for the study. It contains the research approach, method, design, population and sampling, data collection instrument and data analysis techniques. On top of that, validity, reliability and ethical consideration of the study are also embodied in this chapter.

3.1 Research Approach

Research approach can be divided into two groups: deductive and inductive. Deductive approach tests the validity of assumptions (or theories / hypothesis) in hand, whereas inductive approach contributes to the emergence of new theories and generalizations. The main distinction between the two approaches relates to the existence and placement of hypotheses and theories. If the researcher adopts a range of hypotheses, then the research will be deductive. On the other hand, if hypotheses are absent at the start of the research, and then it will be the case of inductive research (Singh and Bajpai, 2008).

Since the researcher formulated a set of hypotheses that need to be confirmed or rejected during the research process, deductive research approach will be adopted.

Deductive Approach path (deductive process)

Theory → Hypotheses→ Observation/Test → Confirmation/Rejection (ibid)

3.2 Research Method

Research methods may be understood as all those methods/techniques that are used for conduction of research. Thus, Research methods or techniques refer to the methods the researchers use in performing research operations. In other words, all those methods which are used by the researcher during the course of studying his research problem are termed as research methods (Kothari, 2004, p.7-8).

Broadly speaking research methods are typically classified as quantitative and qualitative. Quantitative research use numbers to answer questions. They include quantitative measures as counts, means, correlations and other statistical techniques in order to determine relationships between variables. Qualitative research, in contrast, focuses on understanding social phenomena from the perspective of the human participants in the study (Hitchcock & Hughes, 1995). The purposes of quantitative research are to test theory and hypotheses, and to study relationships (causes and effect) between variables Bogdan & Bicklen (1992) and Ary, Jacobs and Razavich (2002).

Since the researcher plans to gather data in quantitative means towards answering the research questions formulated in hypothetical forms, quantitative research method is selected to conduct this research.

3.3 Research Design

The two broad types of research design are correlational and experimental. Both allow you to identify relationships among variables, but they differ in the degree of control exerted over variables and in the ability to identify causal relationships. In correlational research, the main interest is to determine whether two (or more) variables co-vary and, if so, to establish the directions, magnitudes, and forms of the observed relationships. It belongs to a broader category called non-experimental research. It involves observing the values of two or more variables and determining what relationships exist between them. In correlational research, no attempt is made to manipulate variables but observe them (Bordens and Abbott, 2011)

Since this research has been conducted to assess the relationships between independent variables (satisfaction, trust, price and switching barriers) and dependent variable (customer retention) and to test empirically the hypotheses formulated in chapter two of this research paper, correlational research design has been selected as suitable design towards answering the research questions. It is an explanatory research by which the researcher explained the relationship between variables and it is also a cross sectional survey as data was collected at a point in time.

3.4 Population and Sampling

Population is any group of individuals that have one or more characteristics in common that are of interest to the researcher (Kahn, 1999).The population that the researcher would ideally like to generalize is referred to as the target population. The population that the researcher can realistically select from is referred to as the accessible or available population. From the accessible population, the sample would be drawn (Airasian and Gay, 2000).

Since researchers cannot take an entire population, they select a sample from that population. It is very important to select a sample that will provide results similar to those that would have been obtained if the entire population had been surveyed (Ary, Jacobs, and Razavich 2002).

In order to select a sample from a given population it is necessary to have a complete, accurate and up to date list of all the units in the population. Such listing of all units of a given population is known as sampling frame (Koul, 1996).

Preparation of sampling frame before the samples can be drawn needs obtaining the required information. In this study the researcher could only obtain the total number of existing customers of three selected insurance companies.

Sample size can be determined using certain formula in the case of quantitative study, whereas, in qualitative study, determining sample size is entirely a matter of judgement, there are no set rules (Cohen, Manion, and Morrison 2000). Using sample size determination formula with 5 percent error margin, a sample size of 384 is determined.

$n = z^2 * pq / e^2$

Where n: sample size

z: z score at specified confidence interval

p: estimated proportion of an attribute present in the population

If p is unknown in advance, the convention is to assume $p = 0.5$

$q = 1 - p$

e: desired level of precision

$n = (1.96)2 * 0.5 (1-0.5) / (0.05)2$

$n = 384$

In this research study, the target population comprised the existing customers of non life insurance sector of all insurance companies residing in Addis Ababa, Ethiopia. Such customers could be individual or corporate (institution) customers. Members of the population have no specific characteristic more than being customers of insurance.

In Ethiopia there are seventeen insurance companies, of which sixteen are privately owned insurance companies. There are 312 branch outlets throughout the country. The number of branches possessed by the private insurance companies is 81.3 percent (NBE Annual Report 2013/14).

The total number of target population is unavailable in the public domain. In this study, the researcher uses mixed sampling techniques at different stages in identifying the sample from the population. Because of time and cost constraints, the researcher selected three insurance companies namely United, Nile and Nice using lottery method to take their customers as the accessible population. By same reason of time and cost constraints, six Addis Ababa branches (two from each company) are selected through lottery method.

A sample size of 423 allocated proportionally for each of the six selected branches based on their respective number of customers. Ten percent of 384 additional samples are considered as an allowance for potential non response and incomplete responses.

Respondents are sampled using non-probability convenience sampling method based on the accessibility and willingness to participate (i.e. as they arrive to the service delivery counter). The researcher employed convenience sampling method mainly due to the reason that insurance companies are not willing to disclose a complete list of their customers both to respect the privacy of their customers and to minimize possible snatching of their customers by competitors. Since there is no sampling frame for application of random selection, the researcher decided to approach every third customer visiting the office just for some sort of randomization.

S.N	Name of insurance company	Total number of non-life insurance existing customers	No of Branches in Addis Ababa	Selected Addis Ababa Branches
1	United	29,500	17	Piasa & Main
2	Nile	28,150	17	Gerji & Megenanga
3	Nice	26,350	15	Taitu & Bole
Total accessible population		84,000		

Proportional distribution (allocation) of the sample size among insurance companies

S.N	Selected insurance companies	Allocation of sample among insurance companies	Name of selected branches	No of customers of each branch	Allocation of sample among branches
1	United	149	Piasa	2,000	54
			Main	3,500	95
2	Nile	142	Gerji	1,500	53
			Megenagna	2,500	89
3	Nice	132	Taitu	1,800	59
			Bole	2,200	73
Total Sample		423			423

3.5 Data Collection Instrument

There are several ways of collecting the appropriate data which differ considerably in the context of money cost, time cost and other resources at the disposal of the researcher.

Primary data can be collected either through experiment or through survey. In the case of a survey, data can be collected by any one or more of the following ways: (i) Observation (ii) Interview (iii) Field Notes (iv) Focus Group Discussion and (v) Questionnaire (Kothari, 2004).

A questionnaire is a popular means of collecting all kinds of data in research. It is widely used in social science research to obtain information about certain conditions and practices, and to inquire into opinions and attitudes of an individual or a group (Hatt and Goode, 1986).

The data collection tool is self administered written questionnaire to measure the relationships between the variables of this study and to collect general information about the respondents. The questionnaires are delivered to the respondents through the hands of the researcher. The questionnaire contains a preamble to provide brief description about the confidentiality of the respondents' identity as well as the purpose of the study. The instrument for assessment of customer retention is designed on the basis of previously identified factors. It consisted of twenty four measurement items related to the constructs of customer satisfaction, price, switching barriers, and trust and customer retention. Six items related to the measurement of customer satisfaction adopted from Hellier, Geursen, Carr, Rickard (2003) and (Xuanzhang and Feng, 2009, cited in Qadri and Khan, 2014). Three items related to the measurement of trust and three items related to the measurement of price adopted from (Xuanzhang and Feng ,2009, cited in Qadri and Khan, 2014). Four items related to the measurement of switching costs adopted from Jones Mothers Baugh and Beatty (2000). Four items related to the measurement of interpersonal relationship adopted from (Kaveh Peighambari ,2007, cited in Qadri and Khan , 2014). Similarly, four items related to the measurement of customer retention adopted from Morgan and Hunt (1994) and (Kaveh Peighambari ,2007, cited in Qadri and Khan , 2014).

A five - point Likert scale, ranging from "1 =strongly disagree" to "5 = strongly agree" is used to examine how strongly respondents agree or disagree with statements to measure variables in the hypotheses of this research. With regard to data collection procedure, questionnaires distributed to sample respondents on daily basis and collected on the spot so as to appreciate the positive response rate. Before filling the questionnaires, respondents briefed about how to fill the questionnaire by the researcher so as to avoid confusion.

3.6 Validity and Reliability

3.6.1 Validity

The validity of a measure is the extent to which it measures what it intends to measure. There are several forms of validity that differ in their method of assessment: content validity, criterion-related validity, construct validity, and face validity. As with other measures, a questionnaire must have validity if it is to be useful; that is, it must measure what it is intended to measure. Of these forms of validity, content validity, construct validity, and criterion-related validity apply to a questionnaire (Rogers, 1995).

In a questionnaire, content validity assesses whether the questions cover the range of behaviours normally considered to be part of the dimension that the researcher is assessing. The construct validity of a questionnaire can be established by showing that the questionnaire's results agree with predictions based on theory. Establishing the criterion-related validity of a questionnaire involves correlating the questionnaire's results with those from another, established measure (Bordens and Abbott, 2011).

In order to maintain construct validity of the research instrument, the researcher adopted all items from previously tested measures applied in other countries. For the sake of content validity, the researcher conducted a pilot test of the questionnaire to gather feedback from branch managers of the selected branches of the three sampled insurance companies and from twenty existing customers. Based on a pilot test, the researcher could manage to check whether the items in the questionnaire properly address the research questions or not. The test also helped to check whether the statements of questionnaire are understandable or not by respondents. The final English version of the questionnaire has been translated to Amharic by professional translator.

3.6.2 Reliability

The reliability of a measure concerns its ability to produce similar results when repeated measurements are made under identical conditions. If there is more variability, the less reliable is the measure (Bordens and Abbott, 2011, p.130). If, on testing and retesting, the questionnaire produces highly similar results, it is a reliable instrument. In contrast, if the responses vary widely, the instrument is not reliable (Rogers, 1995).

The most common technique used in the literature to assess reliability is to use cronbach's alpha. Kline (1999) as cited by Field (2005) notes that although the generally accepted value of .8 is appropriate for cognitive tests such as intelligence tests, for ability tests a cut-off point of .7 is more suitable. He goes on to say that when dealing with psychological constructs; values below even .7 can realistically be expected because of the diversity of the constructs being measured. Accordingly the results showed that customer satisfaction, trust, price, switching barriers and customer retention scales are all reliable (see table 1).

Table 1: Reliability Statistics of the variables

Variables	Cronbach's alpha	Number of items
Satisfaction	0.716	6
Trust	0.818	3
Price	0.702	3
Switching Barriers	0.698	8
Customer Retention	0.731	4
Over all items	0.783	24

(Source: own survey 2016)

3.7 Data Analysis Techniques

This section deals with the statistical methods that are useful to organize, interpret and summarize the research data meaningfully.

Both descriptive and inferential statistical methods have been used. Descriptive statistics has been used to describe a set of observations and inferential statistics has been used to draw inferences about the target population. Correlation is the statistical tool with the help of which the relationships between two or more than two variables is studied (Gupta, 2001, p.230). The researcher carried out correlation analysis to check whether there is a relationship between each of the independent variables and a dependent variable. Regression is the statistical tool with the help of which we can estimate (or predict) the unknown values of one variable from known values of another variable. With the help of regression analysis, we are in a position to find out the average probable change in one variable given a certain amount of change in another. The cause and effect relation is clearly indicated through regression analysis than by correlation (Gupta, 2001, p.273). Multiple linear regression analysis has been conducted to assess the strength of relationship between each of a set of explanatory (independent) variables and a dependent variable. The researcher also carried out independent samples T-test and one way ANOVA analysis to examine the role of personal profile in determining customer retention. To carry out all these statistical analysis, statistical package for social science (SPSS) software version 20 was used.

3.8 Ethical Considerations

When conducting research, a researcher has an obligation both to the subjects of the study and the profession. How informed consent of the subjects, confidentiality of their response and other ethical issues are treated should be clearly stated Gall and Borg (1996) and Ary, Jacobs and Razavich (2002).

When using human subjects in research, their rights, dignity, privacy and sensitiveness must be respected. American Educational Research Association (cited in Gall and Borg 1996 and Ary, Jacobs and Razavich 2002)

In order to respect the ethical issues concerning the subjects, the subjects are informed in respect of the following points:

- their right to withdraw from the study at any time
- the purpose of research in clear, straight forward and appropriate language
- the confidentiality of their identity and data

Besides to be in line with the professional ethics, appropriate statistical analysis has been selected to derive conclusions and the findings are reported honestly.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter reveals analysis of the data gathered, presentation and interpretation of the findings. Under this chapter, demographic profile of respondents, descriptive statistics for mean and standard deviation, correlation analysis, and regression analysis were deployed. Furthermore, independent samples T-test and one way ANOVA also used to examine the role of personal profile in determining customer retention.

4.1 Response rate

Data collection process was carried out for four weeks. A total of 423 questionnaires were distributed among six branches of the three selected insurance companies and 396 questionnaires were returned, out of which 26 questionnaires were found to be unusable for analysis as a result of error in filling and incomplete response. Overall, 370 correctly filled questionnaires were returned making the response rate of 87.47 percent. According to (Saunders, 2002), a response rate of 70 percent and above for questionnaire survey is sufficient to carry out the analysis.

4.2 Demographic profile of respondents

The respondents' personal details are included to describe about the characteristics of the sample.

Table 1: Gender of respondents

	Frequency	Percentage
Male	230	62.2
Female	140	37.8
Total	370	100

(Source: own survey 2016)

Gender

With regards to gender, as one can see from the above table, the highest proportion of customers is male 230 (62.2 percent) and the rest of customers who filled up the questionnaire are female 140 (37.8 percent). This shows that the majority of users of non life insurance service are male.

Table 2: Age of respondents

	Frequency	Percentage
< 30	65	17.6
30 – 44	203	54.9
45 – 59	75	20.3
> = 60	27	7.3
Total	370	100

(Source: own survey 2016)

Age

In respect of age, the highest age group is between 30 and 44 which scores 203 (54.9 percent).The second largest group is respondents with age group of between 45 and 59 which is 75 (20.3 percent) of the total sample. The lowest score is the age group of greater than or equal to 60 representing 27 (7.3 percent) of the respondents. This tells that the majority of non life insurance customers are found between the age of 30 and 44.

Table 3: Martial Status of respondents

	Frequency	Percentage
Single	118	31.9
Married	190	51.4
Divorced	48	13
Widowed	14	3.8
Total	370	100

(Source: own survey 2016)

Marital Status

With regards to marital status, as it can be seen from the above table, the highest proportion of marital status is married 190 (51.4 percent) and the lowest score is a marital status of widowed representing 14 (3.8 percent) of the respondents. This shows that the majority of users of non life insurance service are married.

Table 4: Education Level of respondents

	Frequency	Percentage
High school	63	17
Diploma	93	25.1
University Degree	190	51.4
Post graduate degree	24	6.5
Total	370	100

(Source: own survey 2016)

Educational Level

In terms of education, most of the respondents 190 (51.4 percent) are university degree holders followed by diploma holders 93 (25.1 percent). The lowest score is post graduate degree representing only 24 (6.5 percent). It indicates that the majority of respondents are first degree holders.

Table 5: Respondents' duration of stay with the insurance company

	Frequency	Percentage
Between 1&5 years	172	46.5
Between 6&10 years	169	45.7
Between 11&15 years	27	7.3
Between 16 & 20 years	2	.5
Total	370	100

(Source: own survey 2016)

Duration of stay with the insurance company

Regarding duration of stay with the insurance company, 172 (46.5 percent) of the respondents have between 1 and 5 years of stay with their respective insurance companies. 169 (45.7 percent) of the respondents have between 6 and 10 years duration. And 27 (7.3 percent) of the respondents have stay of between 11 and 15 years. This result reveals that majority of customers have up to 5 years of stay with their insurers.

Table 6: Occupation of Respondents

	Frequency	Percentage
Employed	125	33.8
Running own business	223	60.3
Retired	22	5.9
Total	370	100

(Source: own survey 2016)

Occupation

Considering occupation of customers, 223 (60.3 percent) of the respondents are running their own business, 125 (33.8 percent) of the respondents are employed. And 22 (5.9 percent) of the respondents are retired. This result reveals that majority of non life insurance customers is running their own business.

4.3 Normality Testing

One of the most important assumptions for parametric tests is that the data are from normally distributed populations. The researcher checked normality of the data using an objective test of skewness and kurtosis statistics. For an ideal normality, the values of skewness and kurtosis should be zero. Positive values of skewness indicate a pile-up of scores on the left of the distribution, whereas negative values of skewness indicate a pile-up of scores on the right of the distribution. Positive values of kurtosis indicate a pointy distribution whereas negative values of kurtosis indicate a flat distribution (Field, 2005).

According to Mardia (1970) for testing of normality skewness statistics value less than 2 and kurtosis statistics value less than 6 is acceptable. Refer to the skewness and kurtosis statistics values shown below, all values fall below 2 and 6 ceiling. Thus the data is taken as a normally distributed one.

Table 1: Skewness and Kurtosis statistics of all variables

Variables	Skewness	Kurtosis
Satisfaction	-.025	-.322
Trust	-1.077	2.304
Price	-.969	.551
Switching Barriers	.212	1.508
Customer Retention	-.757	-.212

Dependent Variable: Customer Retention

(Source: own survey 2016)

4.4 Descriptive Analysis

All items of the variables are scaled using a likert scale with value ranging from 1 to 5. The interpretation was made based on the following measurement scale intervals or range. Mean scores 4.51-5.00 excellent or very good, 3.51- 4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor (poonlar Btawee,1987) as cited by Hailu Demissie (2013).

Table 1: Descriptive statistics of Satisfaction

Items	Mean	Standard deviation
I am pleased that I purchased insurance from the company.	4.46	.510
My decision to purchase insurance from the company was a wise one.	4.08	.800
I feel good about my decision to purchase the company's insurance.	4.34	.490
I am satisfied with the overall service quality offered by the company.	4.21	.626
I am satisfied with the professional competence of the company's employees.	4.32	.558
I am satisfied on my relationship with frontline employees of the company.	4.39	.556

(Source: own survey 2016)

All mean values of the six measurement items lies in the range of 3.51 to 4.5 which indicates that respondents have good perception for all items. The standard deviations of each variable are relatively low which is below one. Low standard deviation means that the data are narrow spread, which tells that customers gave close opinion on each item.

Table 2: Descriptive statistics of Trust

Items	Mean	Standard deviation
The company is reliable because it is mainly concerned with the customers' interests.	3.98	.631
The claim handling procedures of the company is transparent to its customers.	3.97	.801
Reputation of the company on claims settlement is trustworthy.	4.00	.669

(Source: own survey 2016)

All mean values of the three measurement items lies in the range of 3.51 to 4.5 which indicates that respondents have good perception for all items. The standard deviations of each variable are relatively low which is below one. Low standard deviation means that the data are narrow spread, which tells that customers gave close opinion on each item.

Table 3: Descriptive statistics of Price

Items	Mean	Standard deviation
The premium rate offered by the company is reasonable.	4.45	.720
The company is offering discount at the time of renewing my insurance policies.	4.52	.571
I will continue to stay with the company unless the premium is significantly higher than that of other insurance companies.	4.51	.715

(Source: own survey 2016)

All mean values of the three measurement items are around 4.5 which indicate that respondents have very good perception for all items. The standard deviations of each variable are relatively low which is below one. Low standard deviation means that the data are narrow spread, which tells that customers gave close opinion on each item.

Table 4: Descriptive statistics of Switching Barriers

Items	Mean	Standard deviation
It would cost me a lot of money to switch from my current insurance company to another insurance company.	1.79	.854
It would cost me a lot of time to switch from my current insurance company to another insurance company.	1.75	.753
It would cost me a lot of effort to switch from my current insurance company to another insurance company.	1.75	.753
In general switching to a new insurance company would be a hassle.	3.57	1.199
I feel there is an interpersonal bond with the people working for the company.	1.68	.793
I have developed a friendly relationship with the people working for the company.	4.08	.522
I am more comfortable interacting with the people working for the company.	4.03	.803
I will lose a friendly and comfortable relationship if I shift to another insurance company.	4.18	.603

(Source: own survey 2016)

All mean values of four measurement items lie in the range of 3.51 – 4.5 which indicate that respondents have good perception for these items. The remaining four items lie between 1.51 and 2.5 which indicate that respondents have fair perception for these items. The seven items with standard deviations below one have low variability as compared to the remaining one items with standard deviation of more than one.

Table 5: Descriptive statistics of Customer Retention

Items	Mean	Standard deviation
I intend to remain with my current insurance company when my contract expires.	4.54	.658
If I had needed insurance coverage, the company would be my first choice.	4.46	.525
I plan to continue my relationship with the company in the future.	4.60	.537
I would recommend the company to friends and relatives as the best insurance company.	4.52	.571

(Source: own survey 2016)

All mean values of the four measurement items are around 4.5 which indicate that respondents have very good perception for all items. The standard deviations of each variable are relatively low which is below one. Low standard deviation means that the data are narrow spread, which tells that customers gave close opinion on each item.

Table 6: Descriptive statistics of all variables

Variables	Mean	Standard deviation
Satisfaction	4.2995	.37357
Trust	3.9829	.60262
Price	4.4937	.52242
Switching Barriers	2.8551	.40968
Customer Retention	4.5304	.42800

Dependent Variable: Customer Retention

(Source: own survey 2016)

The table shows that customer retention has the highest mean value of 4.5304. Price is second with a mean value of 4.4937. Satisfaction stands third with a mean value of 4.2995. Trust is on the fourth stand with a mean value of 3.9829. Switching barriers is the least with mean value of 2.8551.

Except switching barriers all variables' means are above 3.5 which indicate respondents have more than average perception on satisfaction, trust, price and customer retention. The standard deviations of each variable are relatively low. Low standard deviation means that the data are narrow spread, which tells that customers gave close opinion on each variable.

4.5 Correlation analysis

Correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 (Field, 2005). A correlation analysis with Pearson's correlation coefficient was conducted on all the independent and dependant variables in this study to explore the relationship between variables. According to guidelines suggested by Field (2005) to interpret the strength of relationship between variables, the correlation coefficient(r) is as follows: if the correlation coefficient falls between .01 to .29, it is weak; .3 to .49 is moderate; and > .5 is strong relationship between variables. In this study, bivariate Pearson correlation was used to examine the relationship between each of the independent variables and the dependant variable using a two tailed test of statistical significance.

Table1. Pearson Correlation Coefficient

		Satisfaction	Trust	Price	Switching Barriers
Customer Retention	Pearson Correlation	.375**	.453**	.570**	.144**
	Sig. (2-tailed)	.000	.000	.000	.006
	N	370	370	370	370

** *Correlation is significant at the .01 level (2-tailed).*

* Correlation is significant at the 0.05 level (2-tailed)

Dependent Variable: Customer Retention

(Source own survey 2016)

Price and customer retention has strong positive correlation with correlation coefficient of .570** and sig value of .000. Trust and satisfaction have moderate positive correlation with customer retention having correlation coefficient of .453** and .375** respectively both have sig value of

.000.There is weak positive correlation between switching barriers and customer retention with correlation coefficient of .144** and sig value of .006. Since all sig values are less than .01, the correlation between all the independent variables (satisfaction, trust, price and switching barriers) and dependant variable (customer retention) is proved to be statistically significant.

4.6 Multiple Regression Analysis

Correlations are very useful research tools but they tell us nothing about the predictive power of variables (Field, 2005). To support the correlation tools, a regression analysis was implemented. A regression analysis was used to further investigate the relative importance of the independent variables in predicting the dependant variable. In other words, it answers the second research question of the research. Table 2 shows the result of regression analysis. Regression analysis is a statistical method which is used to explain and predict dependant variable from independent variables. In regression analysis the predictive model is used to predict the values of dependant variable from independent variables.

Before the regression analysis, multicolinearity of variables was tested. The commonly used cut-off points as Pallant (2005) mentioned for determining the existence of multicollinearity among independent variables are Tolerance value and Variance inflation factor (VIF) value. Tolerance value should be greater than 0.2 and the VIF should be less than 10. Multicollinearity occurs when there are high intercorrelations among some set of the predictor variables. In other words, multicollinearity happens when two or more predictors contain much of the same information. The presence of multicollinearity poses threat to the validity of multiple regression analysis by affecting the statistical significance of beta coefficients. VIF values are all well below 10 and the tolerance statistics all well above .2; therefore, we can safely conclude that there is no collinearity with in the data.

Table 1: Multicoliniarity Statistics

Variables	Tolerance	VIF
Satisfaction	.811	1.233
Trust	.702	1.424
Price	.738	1.355
Switching Barriers	.984	1.016

(Source: own survey 2016)

Table2: Regression Result of Independent and Dependant Variables

Model	Standardized Coefficients Beta	t	Sig.
(constant)	1.430	5.893	.000
Satisfaction	.149	3.289	.001
Trust	.176	3.611	.000
Price	.430	9.077	.000
Switching Barriers	.096	2.339	.020

Dependent Variable: Customer Retention Significant at .05 level

(Source: own survey 2016)

Regression Equation

$CR = 1.430 + .149(S) + .176(T) + .430(P) + .096(SB)$

Where:

CR = customer retention

S = satisfaction

T = trust

P = price

SB = switching barriers

1.430= constant (y-intercept)

Based on the result in table 2, customer retention is predicted (explained) by satisfaction, trust, and price and switching barriers with beta coefficient of .149, .176, .430, and .096 respectively with all have sig value of less than .05.

The p value for F statistic in the ANOVA table is .000 which is < .05 indicates that at least one of the independent variable is a significant predictor of the dependent variable (customer retention).

Table3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.628[a]	.394	.388	.33487	.955

a. Predictors: (Constant), average switching barriers, average price, average satisfaction, average trust

b. Dependent Variable: average customer retention

Adjusted R square is the amount of variation in the outcome variable that is accounted for by the model and it gives us some idea of how well our model generalizes (Field, 2005).The value of adjusted R square of .388 indicates that 38.8 percent of the variance in customer retention can be predicted by the independent variables. In other words, 61.2 percent of the variation in customer retention is caused by other factors that are not considered by this study.

Table4. Hypotheses Testing

Hypothesis	Coefficients	Sig	Result	Alternative Hypothesis
H01 There is no positive relationship between customer satisfaction and customer retention.	.149	.001	Rejected	Accepted
H02 There is no positive relationship between trust and customer retention.	.176	.000	Rejected	Accepted
H03 There is no positive relationship between price and customer retention.	.430	.000	Rejected	Accepted
H04 There is no positive relationship between switching barriers and customer retention.	.096	.020	Rejected	Accepted

Regression coefficients give the estimated change in the response (dependent) variable associated with a unit change in the corresponding explanatory (independent) variable.

Accordingly when there is a unit change in satisfaction, trust, price and switching barriers there will be an estimated change of .149, .176, .430 and .096 on customer retention.

4.7 Relationship between Personal Profile and Customer Retention

Since only 38.8percent of the variance in customer retention is explained by the independent variables considered by conceptual model, the researcher tried to check whether there is a relationship between personal profile of respondents and customer retention or not.

4.7.1 Gender and Customer Retention

Table1.Independent samples T-Test between Gender and Customer Retention

		t-test for Equality of means		
		df	Sig. (2-tailed)	Mean Difference
Customer Retention	Equal variances assumed	368	.382	-.04014
	Equal variances not assumed	257.338	.401	-.04014

The sig value of t-test is well above .05, thus gender is found to be insignificant in determining retention of the customers.

4.7.2 Age and Customer Retention

Table1. One way ANOVA between Age and Customer Retention

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.539	3	.513	2.842	.038
Within Groups	66.056	366	.180		
Total	67.595	369			

The sig value of .038 is < .05 which indicates that age of respondents determines their retention.

4.7.3 Martial Status and Customer Retention

Table1. One way ANOVA between Martial Status and Customer Retention

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.184	3	.395	2.175	.091
Within Groups	66.411	366	.181		
Total	67.595	369			

Sig value of .091 which is > .05 indicates that marital status of respondents is found to be insignificant in determining retention of the customers.

4.7.4 Educational Level and Customer Retention

Table1. One way ANOVA between Educational Level and Customer retention

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.005	3	.668	3.730	.012
Within Groups	65.590	366	.179		
Total	67.595	369			

The sig value of .012 is < .05 which indicates that educational level of respondents determines their retention.

4.7.5 Service Duration and Customer Retention

Table1. One way ANOVA between Service Duration and Customer retention

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.340	3	.447	2.468	.062
Within Groups	66.255	366	.181		
Total	67.595	369			

Sig value of .062 which is > .05 indicates that service duration of respondents is found to be insignificant in determining retention of the customers.

4.7.6 Occupation and Customer Retention

Table1. One way ANOVA between Occupation and Customer retention

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.224	2	.112	.609	.544
Within Groups	67.372	367	.184		
Total	67.595	369			

Sig value of .544 which is well above .05 indicates that occupation of respondents is found to be insignificant in determining retention of the customers.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter provides summary of findings, conclusions, recommendations and future research directions.

5.1 Summary

The general objective of the study is to identify factors that influence customer retention in the non life insurance sector in Addis Ababa, Ethiopia. So the study focuses on insurance customers' perception and attitude survey to examine the relationship between satisfaction, trust, price, switching barriers and customer retention. Based on the sample data, the study generalized the findings to the population. The researcher carried out the study using a questionnaire. The respondents indicated their extent of agreement and disagreement by circling one of the five points on a Likert scaled items. The direction and degree of association between the independent variables and customer retention had been measured by
Pearson correlation coefficient. The relative importance of the independent variables in predicting customer retention had been investigated by multiple regression analysis. Besides the role of personal profile in determining customer retention had been examined using independent samples T-test for gender and one way ANOVA for the remaining five personal profiles.

In respect of demographic profile of respondents, there is a male dominance. Besides, majority of respondents participated in the survey are found in the age group of between 30 and 45. More than half of the respondents are married. Regarding educational level, majority have university degree. With regard to duration of stay and occupation majority of the respondents have 1 up to 5 years stay and the lion share of respondents are engaged on running their own business.

The descriptive statistics shows that mean score values of the variables ranges from 2.8551 to 4.5304. According to (poonlar Btawee; 1987) as cited by Hailu Demissie(2013) each of the variables under consideration were perceived more than average by the sample respondents.

The Pearson correlation coefficient reveals that satisfaction (r=.375**); trust (r=.453**); price (r=.570**) and switching barriers (r=.144**) all the independent variables have statistically significant positive correlation with customer retention supporting all the four alternative hypotheses of the research. The strength of correlation is highest for price followed by trust, satisfaction and switching barriers. The correlation is also significant at .01 level (2-tailed).

From the multiple regression result, estimate of regression weight shows that all the independent variables satisfaction (β=.149), trust (β=.176), price (β=.430) and switching barriers (β=.096) predict customer retention. Price is the most dominant factor to influence customer retention in the non life insurance sector in Addis Ababa, Ethiopia in general and in the three sampled private insurance companies in particular. The adjusted R square value of .388 indicates that 38.8 percent variability in customer retention is accounted for by the explanatory variables integrated in the conceptual model.

Finally the independent samples T-test and one way ANOVA results indicate that age and educational level of the respondents determine customer retention.

5.2 Conclusions

The problem of high customer loss rate, intense competition to retain customers and as area being under researched, this study was designed to identify factors affecting customer retention in the non life insurance sector in Addis Ababa Ethiopia. The findings of the study show that satisfaction, trust, price and switching barriers play a vital role in affecting customer retention. Price and customer retention are strongly and positively correlated (r=.570). Trust and satisfaction have a moderate positive correlation with customer retention (r=.453) and (r=.375) respectively. Furthermore switching barriers is also positively correlated with customer retention (r=.144) but the strength of correlation is weak. The effect of influencing variables on customer retention is also significant at .01 level two tailed. Personal profile of customers was also considered for analysis to know whether there is a relationship between their profile and customer retention. As per the result of one way ANOVA, the F value of customer retention by educational level 3.730 suggests that the relationship between educational level and customer retention is significant and the p value is found to be less than .05 which indicates educational level of customers determine customer retention. The F value of customer retention by age 2.842 suggests that the relationship between age and customer retention is significant and the p value is found to be less than.05 which indicates age of customers determine customer retention.

Estimate of regression weights show that when satisfaction, trust, price and switching barriers goes up by 1, customer retention goes up by .149, .176, .430, and .096 respectively. This shows that a change in any of these independent variables leads to a change in customer retention.

The positive correlation between price and customer retention confirmed the findings of earlier researchers (Murad, 2011; Varki and Colgate 2001). This implies that as customers perceive price of insurance policy is reasonable, they stay with their respective insurance companies. Thus, charging economical price brings about improved customer retention.

The positive correlation between trust and customer retention supported the findings of previous researchers (Kassegne and Pagidimarri, 2013; Wilson, Soni and O'Keeffe, 1995).The implication is that as customers trust their insurance companies, customers stay with their respective insurance companies. Thus, increasing trust of customers has a positive contribution towards retention.

The positive correlation between satisfaction and customer retention evidenced by previous researchers (Lai, Liu and Lin, 2011; Wilson, Soni and O'Keeffe, 1995). This implies that when customers are satisfied by the service of an insurance company, they intend to remain with their current insurance company. Thus, increased satisfaction results in increased customer retention.

The positive correlation between switching barriers and customer retention evidenced by previous researchers (Danesh, Nasab and Ling, 2012). This implies that as switching barriers increase, customers remain with their insurance companies.

In a nutshell, as the result shows price is the most important antecedent of customer retention followed by trust, satisfaction and switching barriers. Thus insurance companies need to focus on satisfaction, trust, price and switching barriers especially on price, trust and satisfaction.

The better the perception of customers towards these factors, the higher will be their intention to stay with their current insurance company. Besides educational level and age should also be considered towards improving customer retention.

5.3 Recommendations

Depending on the findings of the research, the researcher suggests the following points.

- The regression coefficient of .149 gives the estimated change in customer retention associated with a unit change in satisfaction. Thus, insurance companies should exert maximum effort so as to enhance customer satisfaction by exceeding customers' expectation on both underwriting and claims service.

- The regression coefficient of .176 gives the estimated change in customer retention associated with a unit change in trust. In respect of trust the management of insurance company should design a strategy to increase their company's trustworthiness. Thus, insurance companies should be

    - Reliable by showing its concern for customers claims service expectation.
    - Transparent by disclosing their claim handling procedure to their customers.
    - Reputable by building their name on prompt claim settlement.

- The regression coefficient of .430 gives the estimated change in customer retention associated with a unit change in price. Thus, insurance companies should charge reasonable price and grant discount to existing customers at time of renewal. In order to eliminate or minimize the impact of price reduction on profitability, an insurance company should be a cost leader by avoiding claims leakage by means of efficient claims management.

- The regression coefficient of .096 gives the estimated change in customer retention associated with a unit change in switching barriers. Therefore, insurance companies should strengthen interpersonal bond by developing friendly and comfortable relationship so as to raise customer retention.

5.4 Future Research Directions

- This study was limited to only four independent factors that contribute to the formation of customer retention in the non life insurance sector in Addis Ababa, Ethiopia. Based on this study result only 38.8% of the variance in customer retention is predicted by these factors. Future studies should consider other additional factors to have a better understanding about customer retention in the non life insurance sector.

- The place in which this research has been conducted was Addis Ababa. Future researches should attempt to include customers located outside Addis Ababa to have a complete picture about the subject matter in Ethiopian context.

- This research focused only on the perceptions of customers and did not measure the perception from personnel of the insurance companies. Future researches should consider both ways and identify differences among perception of customers and personnel of insurance companies.

- Future researchers should consider qualitative research using in-depth interviews in order to search for the real reasons or factors that do not emerge from using structured questionnaires

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Customer Retention Survey

Dear Respondents:

I am a student of Addis Ababa University School of commerce. This questionnaire is prepared to collect data on the factors affecting customer retention in the non life insurance sector in Addis Ababa, Ethiopia. Any information provided in this survey will be handled with confidentiality and used for research purpose only, and will not be passed on to any third party. If you feel any threat during the survey, feel free to withdraw any time. It will take about 10 minutes to complete this questionnaire. Thank you very much for taking your precious time to fill the questionnaire.

Part I. General Information

Direction: Please answer the following questions by circling the letter.

1	Gender	a) Male	b) Female		
2	Age	a) below 30	b) between 30 & 45	c) between 45 & 60	d) above 60
3	Marital Status	a) Single	b) Married	c) Divorced	d) Widowed
4	Educational Level	a)High school	b) Diploma	c) University degree	d) Post-graduate degree
5	Duration of stay with the insurance company	a) between 1 & 5 years	b) between 5 & 10 years	c) between 10 & 15 years	d) between 15 & 20 years
6	Occupation	a) Employed	b)Running own business	c) Retired	

Part II: Factors Affecting Customer Retention

Direction: Please answer each statement below by putting a circle around the number that best reflects your degree of agreement or disagreement with that statement.

1 = SD - Strongly Disagree, 2 = D - Disagree, 3 = N - Neutral, 4 = A - Agree, 5 = SA - Strongly Agree

S.N	Items	SD	D	N	A	SA
I. Satisfaction						
1	I am pleased that I purchased insurance from the company.	1	2	3	4	5
2	My decision to purchase insurance from the company was a wise one.	1	2	3	4	5
3	I feel good about my decision to purchase the company's insurance.	1	2	3	4	5

4	I am satisfied with the overall service quality offered by the company.	1	2	3	4	5
5	I am satisfied with the professional competence of the company’s employees.	1	2	3	4	5
6	I am satisfied on my relationship with frontline employees of the company.	1	2	3	4	5
II. Trust						
7	The company is reliable because it is mainly concerned with the customers’ interests.	1	2	3	4	5
8	The claim handling procedures of the company is transparent to its customers.	1	2	3	4	5
9	Reputation of the company on claims settlement is trustworthy.	1	2	3	4	5
III. Price						
10	The premium rate offered by the company is reasonable.	1	2	3	4	5
11	The company is offering discount at the time of renewing my insurance policies.	1	2	3	4	5
12	I will continue to stay with the company unless the premium is significantly higher than that of other insurance companies.	1	2	3	4	5
Switching Barriers						
IV. Switching Costs						
13	It would cost me a lot of money to switch from my current insurance company to another insurance company.	1	2	3	4	5
14	It would cost me a lot of time to switch from my current insurance company to another insurance company.	1	2	3	4	5
15	It would cost me a lot of effort to switch from my current insurance company to another insurance company.	1	2	3	4	5
16	In general switching to a new insurance company would be a hassle.	1	2	3	4	5
V. Interpersonal Relationship						
17	I feel there is an interpersonal bond with the people working for the company.	1	2	3	4	5
18	I have developed a friendly relationship with the people working for the company.	1	2	3	4	5
19	I am more comfortable interacting with the people working for the	1	2	3	4	5

	company.					
20	I will lose a friendly and comfortable relationship if I shift to another insurance company.	1	2	3	4	5
VI. Customer Retention						
21	I intend to remain with my current insurance company when my contract expires.	1	2	3	4	5
22	If I had needed insurance coverage, the company would be my first choice.	1	2	3	4	5
23	I plan to continue my relationship with the company in the future.	1	2	3	4	5
24	I would recommend the company to friends and relatives as the best insurance company.	1	2	3	4	5

Thanks for your willingness!!!