The Effect of Customer Relationship Marketing on Customer Retention: case of Nyala Insurance S.C.

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Addis Ababa University School of Commerce
Marketing Management Post Graduate Program

June 2018
Addis Ababa, Ethiopia

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A Thesis Submitted to Department of Marketing Management in Partial Fulfillment for the Award of Master of Arts Degree in Marketing Management

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Declaration

Letter of Declaration

I, the undersigned, declared that this thesis, "***The Effect of Customer Relationship Marketing on Customer Retention: case of Nyala Insurance S.C.***" is my own original research and it has not been submitted to university, college or institution if any. Secondary source of data, concept, and idea of others used in any part of this research have been properly quoted.

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Acknowledgement

God is good …. All the time! Finally, it has come to end; then who were all behind this success story. First my wife, ***Rahel Maasho***, with all your support, unconditional love and care I have come closer to the beginning of the next chapter. You paid due attention and checked grammatical errors, spellings, and contents of the study. ***Dr. Getie Andualem***, without your guide and supervision this would not happen today; starting from the first contact with you and onward I was able to manage and have a great view in the research arena. Thank you, ***Dr. Getie***, for your directions.

Dr. Temesgen Belayneh, you owe me an appreciation; your concrete critics during the proposal defense triggered my mind to invest more on research. Truly, you gave me a firm spring board which accelerate me up above research. Thank you, ***Dr. Temesgen***, once again.

Finally, I would like to pay tribute to the management of Nyala Insurance S.C., especially ***Ato Yared Molla***, Chief Executive Officer; and ***Ato Tegegne Masresha***, Marketing and Products Development department Executive Officer, who bestowed ***TRUST*** on me, and grant complete access to all company resources. I am very glad that you both were on board even from the very beginning of the voyage. ***Cheers!***

Acronym and Abbreviation

AMA	American Marketing Association
CIM	Chartered Institute of Marketing
CRM	Customer Relationship Marketing
EIC	Ethiopian Insurance Company
NBE	National Bank of Ethiopia
NISCO	Nyala Insurance S.C.
UNCTAD	United Nations Conference on Trade and Development

Abstract

In today's highly competitive market structure, winning customers' mind demand to think beyond the current sales volume horizon, and companies deliver superior value to their target customers and provide more satisfaction than its competitors. Otherwise, these customers switch to competitors who can satisfy them more. Reducing customer defections enables to increase future profits. Long-term relationship with customers reduces transaction costs. Thus, lifetime value of a customer is given immense attention. Hence the main purpose of this study is to examine the effect of customer relationship marketing on customer retention in case of Nyala Insurance S.C.. Customer relationship marketing can be measured using the following variables: Trust, Commitment, Satisfaction, Communication and Relationship Benefit. The research is explanatory by nature and it follows a quantitative approach, thus a deductive research approach was used. Data were collected through a five points Likert type summated rating scales of questionnaire. Relatively a large sample of three hundred fifteen was surveyed. Correlational and regression analysis has been deployed to determine the strength of association between the dependent and independent variables. Once the use of these regression and correlation analysis is warranted; that is, after the analysis test is qualified then the coefficient of regression analysis is used to substantiate or disprove the formulated hypothesis.

Keywords: Relationship Marketing, Customer Relationship Marketing, Customer Relationship Management, Customer Retention, Trust, Commitment, Satisfaction, Communication, Relationship Benefit, Insurance, Lifetime Value, Long-term Relationship, Relationship, CRM, CR, RM

Chapter One

Introduction

In this chapter core elements: objectives, significance, scope and organizations of the study are presented in detail. Both background of the study, and the industry are also discussed. Statement of the problem, and the research questions are also included in this particular chapter of the study.

1.1 Background of the Study

The evolution of marketing ideas according to Kotler and Keller (2012) was divided in to five distinct concepts. These marketing concepts; the production, the product, the selling, the marketing, and the holistic concepts have their own marketing form and nature.

The product concept was the oldest concept of all and it emphasis on the idea that consumers prefer products that are widely available and inexpensive; the next oldest concept of marketing, the product concept, proposes that consumers favor products offering the most quality, performance, or innovative features. These two concepts focus on capacity of production and product qualities, and customer relationship was not an issue.

Buyers may not buy enough of available products unless the company promote its products or services in the case of unsought goods. The marketing concept is the third marketing idea and consumers and businesses, if left alone, won't buy enough of the organization's products unless aggressive selling techniques are applied. The marketing concept is used mainly in the Insurance industry, and still today this concept is highly practiced. The selling concept also practiced in situations when firms with overcapacity aim to sell what they make, rather than make what the market wants. This concepts focus on single sale (transaction), and does not give value to customer retention. Hence, in this competitive world, were customers preference changed over time, focusing on a single sale is not strategically advantageous.

The marketing concept, as a fourth marketing concept, emerged in the mid-1950s as a customer-centered, sense-and-respond philosophy. Marketers find not the right customers for the company's products, but the right products for the customers. While the selling concept focuses on the needs of the seller, the marketing concept focuses on the needs of the buyer. Selling concept is preoccupied with the seller's need to convert product or services into cash; marketing concept with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it. Again long-term relationship and customer retention were not issue for this marketing concepts.

The holistic marketing concept, in which the pillar element of this study: customer relationship marketing is encapsulated, constitutes the newly emerging marketing philosophy. Holistic marketing is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing acknowledges that everything matters in marketing—and that a broad, integrated perspective is often necessary. Thus, the holistic marketing concept recognizes and reconciles the scope and complexities of marketing activities. Holistic marketing concept is further characterized by four broad components. These components include relationship marketing, integrated marketing, internal marketing, and performance marketing.

Figure 1.1 Conceptual Model of Holistic Marketing Dimensions

Source: Kotler (2012)

Relationship marketing focused simply on the development and cultivation of longer-term profitable and mutually beneficial relationships between an organizations and a defined customer group (Payne et al., 1999). However, the concept of customer relationship marketing sometimes coined with customer relationship management. For instance both Nevin (1995) and Vovra (1992) viewed customer relationship marketing as similar as customer relationship marketing. Similarly VanMeter and Weiser (2014) view the transition away from transaction-based marketing to one that emphasizes long term relationships. But the focus is on customer retention rather than customer acquisition; and they referred it as relationship marketing or customer relationship management.

Ennew and Waite (2007) states that the generic term 'relationship marketing', customer retention or customer base marketing are used to mean customer relationship marketing (or management). In contrast, Das (2009) pointed out differences between customer relationship marketing and customer relationship management. According to him, customer relationship marketing is relatively more strategic in nature while customer relationship management is more tactical. Implementing customer relationship marketing using information technology is a part of the customer relationship management (Ryals and Payne, 2001). Customer relationship marketing concentrates more on the emotional and behavioral aspect of the customers. On the other hand, customer relationship management focuses more on managerial concepts such as how management can maintain and enhance customer relationships (Sin, 2005).

According to Kotler (2003) customer relationship marketing, in practice, involves the purchase of hardware and software that will enable a company to capture detailed information about individual customers that can be used for better target marketing. By examining a customer's past purchases, demographics, and psychographics, the company will know more about what the customer might be interested in. The company will send specific offers only to those with the highest possible interest and readiness to buy, and will save all the mailing or contact costs usually lost in mass marketing. Using the information carefully, the company can improve customer acquisition, cross-selling, and up-selling.

Buttle (2009) indicate that a consensus still has not yet reached about what counts as CRM, and he stated that even the meaning of the three-letter acronym CRM is contested. Hence, the complete similarities or absolute differences between customer relationship marketing and customer relationship management are not identified yet; and this issue is beyond the scope of this research.

The driving forces to move toward relationship marketing according to Belch and Belch (2003) is deemed to be first companies recognize that customers have become more demanding; and these demanding customers desire superior customer value, quality products and services that are competitively priced, convenient to purchase, delivered on time, and supported by excellent customer service. The other major force why marketers are emphasizing on relationships is that it is often more cost-effective to retain existing customers than to acquire new ones.

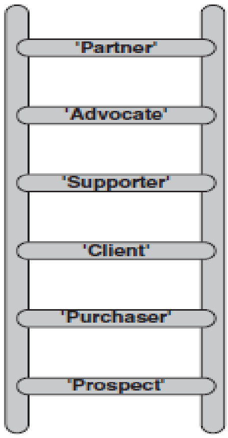
As customer relationship marketing is a key constituent of the holistic marketing, this study will study the effect of customer relationship marketing on customer retention in the case of Nyala Insurance S.C. (NISCO).

Marketers are giving more attention to the lifetime value of a customer because studies have shown that reducing customer defections by just 5 percent can increase future profit by as much as 30 to 90 percent. Retaining customers is given due attention by many scholars; Kotler and Keller (2012) indicates that attracting a new customer may cost five times as much as retaining an existing one. According to Mishkin and Serletis (2011) long-term customer relationships reduce the costs of information collection and make it easier to process customer data. Thus, costs of monitoring long-term customers can then be reduced.

According to Grönroos (1994) through long-term relationships both parties over time learn how to best interact with each other, this in turn leads to decreasing relationship costs for the customer as well as for the supplier or service provider. Thus, a mutually satisfactory relationship makes it possible for customers to avoid significant transaction costs involved in shifting supplier or service provider and for suppliers to avoid suffering unnecessary quality costs (Grönroos, 1994).

According to Ennew and Waite (2007) the notion of lifetime customer value is central to the concept of retaining and developing customer relationships. Nevertheless, companies do not have to develop relationship with all customers, Kotler et al. (1999) suggested that companies must judge which segments and with which specific customers to build relationship so as both parties, the company and the customer, enjoy the lifetime value. While it is important to serve all customers well, this does not mean that they must all be served equally well, according to Kotler (2003) “all customers are important, but some are more important than others”.

Payne et al. (1999) stated that companies should not and cannot engaging in relationship with every customer. Organizations that have invested too heavily in ***unselective customer acquisition*** and have then found that they have attracted a customer base which may be unprofitable and is inappropriate for further development. According to him relationship marketing acknowledges that different marketing strategies are needed for customer acquisition and retention. The relationship marketing ladder identifies the different stages of relationship development.



'Partner': someone who has the relationship of a partner with the company

'Advocate': someone who actively recommends the company to others, who does your marketing for this company

'Supporter': someone who likes the organization, but only supports the company passively

'Client': someone who has done business with the company on a repeat basis but may be negative, or at best neutral, towards the organization

'Purchaser': someone who has done business just once with the organization

'Prospect': someone whom the organization believe may be persuaded to do business with this company

Figure 1.1.1 The Relationship Ladder of Loyalty

Source: Payne et al. (1999)

As a consequence of rapid advances in both manufacturing and information technology, the mass consumer markets suited to the four Ps approach have become fragmented and call for flexible and adaptable marketing approaches. In the 1980s relationship marketing emerged in response to this need. Grönroos (1990) defines relationship marketing as a marketing to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. Basically, marketing thinking is shifting from trying to maximize the company's profit from each transaction to maximizing the profit from each relationship according to Kotler (2003).

Customer relationship marketing is one of the contemporary marketing strategic issue which help to develop mutual benefits. Maintaining this relationship will help both parties. However, there is no relationship that will last forever in this business world. In other words, relationship may be terminated at any particular time. According to Ennew and Waite (2007) the main reasons why customers cease their relationships with product providers are of four basic types, namely:

- ***Customer self-induced*** – the original need no long exists
- ***Customer environment-induced*** – a customer has become unemployed and is unable to maintain the premium/contribution, interest payments
- ***Provider self-induced*** – poor service (service failure)
- ***Provider environment-induced*** –an appealing competitor offer.

According to Jobber and Lancaster (2009) as with tangible products, a service must satisfy needs of buyers. However, the benefits are less tangible than with physical products in that they cannot be stored or displayed and satisfaction is achieved through activities. Insurance services are typical forms of intangible product. To mitigate risk of loss many type of insurance products are offered to the market. These Insurance companies sale only promises to indemnify Insured/Assured for accidental loss or damage due to insured perils.

Insurance services are considered as risk management mechanism. Scholars in the area of risk management and insurance argue that there is no universal definition for risk however there are some common elements in all the definitions; indeterminacy and loss. Uncertainty about the outcome and the possibility exists that the outcome will be unfavorable; lack of knowledge about the future and the possibility of some adverse consequence are common in most definitions. Hence, the most accepted defined of risk state that risk is a condition in which there is a possibility of an adverse deviation from a desired outcome that is expected or hoped for (Vaughan and Vaughan, 2008). From this definition one can clearly understand that the situation is undesirable and no one for sure knows the event before the occurrence of the loss, but there is a probability that the undesired situation may occur at any particular time in the future.

Thus risk must be managed, and risk management is a scientific approach to dealing with risks by anticipating possible losses and designing and implementing procedures that minimize the occurrence of loss or the financial impact of the losses that do occur.

According to Vaughan and Vaughan (2008) Insurance is one of the risk management mechanisms and it can be defined either from the social point of view or from the viewpoint of individuals. The definition form the social point of view states that insurance is an economic device for reducing and eliminating risk through the process of combining a sufficient number of homogeneous exposures into a group to make the losses predictable for the group as a whole. This definition emphasizes the role of insurance in reducing risk in the aggregate, which it does by pooling. The definition of insurance from the viewpoint of individual emphasis on transfer of risk and consider insurance as a device through which the individual substitutes a small certain cost for a large uncertain loss.

Relationship marketing is a strategy that focuses on keeping and improving relationships with existing customers. Various researches have been conducted to study the role of relationship marketing on customer loyalty, customer satisfaction, and profitability. However, there is a gap for the application of customer relationship marketing on retention specifically for the insurance industry in Ethiopia. During preliminary interview made with marketing management team members of the company, the researcher noted that the company is applying the selling concept and all marketing emphasis is given to increase their market share. To be accessible, the company is aiming to open additional branch in the strategic period, and to increase the number of sales agent. Almost all of their marketing efforts targeted on customer acquisition. The insurance industry is also characterized by rate cuts. Once a lowered premium is charged there is no reason to worry about the long-term relationship. Thus, only reminding customers to renew their policy before the expiry date is enough. Reduced premium charges, which still focus on price, through discounts such as no claim discount in the case of motor insurance is enough to maintain the business relationship. However, these are against the concept of customer relationship marketing. According to Kotler et al. (2005) to succeed or simply to survive, companies need a new philosophy, companies must be customer-centered – they must deliver superior value to their target customers, they must become adept in building customer relationships, not just building products, and they must be skilful in market engineering, not just product engineering. Hence this research will study the effect of relationship marketing on customer retention for the insurance sector in the case of Nyala Insurance S.C.

1.2 Background of the Industry

According to Ennew and Waite (2007) the financial services industry across the globe has a pivotal role to play in facilitating economic development, eradicating the joint scourges of poverty and exploitation, and safeguarding the well-being of all of human kind. Ennew and Waite also indicated important characteristics of financial services:

- further the cause of economic development through the provision of risk management, and
- the majority of financial services are (or have the potential to be) long term, either because they entail a continuing relationship with a customer or because there is a time lag before the benefits are realized; insurance service is the best example, service will be realized only when loss is materialized. Hence, the "moments of truth" will be in effect and both parties will experience those binding promises.

The private financial services are very young business sector in Ethiopia; particularly the private insurance service is a recent business phenomenon. In 1994 the first three private owned insurance companies joined the insurance industry. After two decades of operation in year 2017, the number of insurance companies has increased to seventeen including the only state owned insurance company according to the National Bank of Ethiopia annual report 2016/17. The report also state that the total capital of these insurance companies to Birr 3.9 billion, of which private insurance companies accounted for 75 percent. No liquidated Insurance company has been reported so far. There is a new Insurance Company under formation, Zemen Insurance an affiliated company to Zemen Bank, which may join the industry very soon. And raise the number of companies in the industry by one.

However, According to United Nations Conference on Trade and Development (UNCTAD) (2007) the Ethiopian insurance industry is among the lowest in the world and African countries in terms of the three measures: Insurance market share, market penetration rate and insurance density. The marketing activities of the insurance industry are very challenging. The industry is disrupted with rate cuts; and charges premium which will not commensurate the associated risk. Most insurers compete in terms of price (premium) rather than other factors of service mixes even. According to Shimelis (2012) there is market power in Ethiopian insurance market and hence the market is highly concentrated, according to him, one or a few insurers dominate the market and hence charge price above its marginal cost.

Among the private Insurers, Nyala Insurance S.C. (NISCO) was established in 1995, with a paid-up capital of Birr five million for non-life and Birr two million for life insurance products. But in 2017 the total paid-up capital drastically raised to Birr 258.4 Million which is thirty seven times the 2005 paid-up capital. The 2016/17 annual report of the company indicates that NISCO's branch and contact offices all together count to forty five nationwide. This report indicates that the total covered risk value of the company is Birr 317 billion for non-life insurance; similarly the life insurance fund covered risk is Birr 128 Million, with a 6% market share. The annual report also indicates that the net profit of the company after tax is Birr 122.2 Million for the year 2016/17 fiscal year. During this period 141 Million Birr was recorded as total claims incurred.

NISCO revised its five years strategic plan in 2014 and have introduced several strategic changes. Recently, as per the information obtained from the company's higher officials, NISCO is targeting to extend its service beyond the national boarder and aims to operate in foreign markets.

1.3 Statement of the Problem

According to Grönroos (1994) there is a paradigm shift in marketing concept from transactional to relationship marketing in services marketing, especially in Europe and Australia but to some extent also in North America, and in industrial marketing, especially in Europe, this paradigm shift has already taken place. The focus is shifting from the activity of attracting customers to activities which concern having customers and taking care of them. The core of relationship marketing is relations, maintenance of relations between the company and the actors in its micro-environment, i.e. suppliers, market intermediaries, the public and customers.

Relationship marketing has acted as a catalyst to understand the value of customer retention, a small improvement in retention rates could make a dramatic impact on profitability. Such a dramatic effect on profitability was due to a number of factors, including: retained business sales, marketing and set-up costs are amortized over a longer customer lifetime; increased expenditure by the customer over time; repeat customers often cost less to service as there is a mutual familiarity with systems and processes; satisfied customers can be an important source of referrals and satisfied customers tend to be less price sensitive and may be willing to pay a price premium (Payne et al., 1999).

Maintaining relationship between customers is important for financial institutions. In the history of the private insurance company, over the last two decades, sixteen new insurance companies were established. All of these companies typically offer the same type of products with similar scope of covers. They also target to share the same pocket. This gives customers a low switching cost advantage. According to Kotler (2003) company needs to deliver more satisfaction than its competitors, otherwise these customers switch to competitors who can satisfy them more.

Relationship marketing aim at retention and wallet share, according to Strauss and Frost (2014) relationship marketing focuses on wallet share more than market share. Wallet share is the amount of sales a firm can generate from one customer over time and, thus, reflects a focus on retention and growth rather than an acquisition focus (market share).

Most empirical studies revealed the need and influence of customer relationship marketing in different business sectors. Thus, the major emphasis of this particular research is to investigate the application of customer relationship marketing, and determine its effects on customer retention in Ethiopian context, and specifically help decision makers in the area of insurance marketing.

However, regardless all these studies and findings the insurance industry experience is against the concept of customer relationship marketing. During an interview made with the marketing management team and referring to printed materials such as annual reports, I have identified that customer relationship marketing is given little or no attention in two major reasons. First, from the 2016/17 NISCO annual report the industry is characterized by unfair competition and focus exclusively on rate cuts. This means that lowering premium charges become a means both to retain existing customers and to attract new customers. That is, premium charge is considered as a means to attract new and retain existing customers. Hence, there is no need to think about the long term relationship as far as a lowered premium is charged.

Second, they believed that once customers buy the company's services, due to the nature of the business interaction, there is a need for renewal, and this customers in most cases renew their policy and maintain the "long-term relationship". This is also reflected across the insurance industry. Hence, these companies primarily target on how to increase their overall market share. Almost all their marketing budget is allocated for the acquisitions of new customers, and little attention is given for existing clients. Thus, due to these major reasons, they believe that there is no justification to invest on existing customers, and that is why most insurers even do not have customer relationship setup in their organizational chart.

Hence, there is a need to study the effect of customer relationship marketing's concept on customer retention in the insurance sector.

1.4 Research Question

1.4.1 Main Research Question

The main research questions of this study is:

- What is the effect of customer relationship marketing on customer retention at NISCO?

1.4.2 Sub Research Question

This study focused on the major factors of customer retention due to customer relationship marketing:

- What is the effect of trust on customer retention in the insurance service?

- What is the effect of commitment on customer retention in the insurance service?
- What is the effect of satisfaction on customer retention in the insurance service?
- What is the effect of communication on customer retention in the insurance service?
- What is the effect of relationship benefits on customer retention in the insurance service?
- Which of these factors have significant effect on customer retention in the insurance industry?

1.5 Objectives of the Study

1.5.1 General Objectives of the Study

The general objectives of the research is to determine the effects of customer relationship marketing on customer retention; and also to identify the direction and strength of association that exist between customer relationship marketing elements and customer retention. Hence, the following points represent the general objectives of this particular study:

- To study the effect of customer relationship marketing on customer retention at NISCO.

1.5.2 Specific Objectives of the Study

The specific objectives of this research are:

- To explore customer relationship marketing elements employed by NISCO.
- To study the effect of trust on customer retention.
- To study the effect of commitment on customer retention.
- To study the effect of satisfaction on customer retention.
- To study the effect of communication on customer retention.
- To study the effect of relationship benefit on customer retention.
- To study which factors have significant effect on customer retention in the Insurance industry.
- To assess the effect of mediating variables (age, educational level, sex, year of relationship with the insurer….) on customer relationship marketing

1.6 Definitions of Key Terms

1.6.1 Conceptual Definition

Relationship Marketing: The process of identifying and establishing, maintaining, enhancing and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfilment of promises (Grönroos, 1997).

Trust: The confidence in the exchange partner's reliability and integrity Morgan and Hunt (1994).

Commitment: An exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely Morgan and Hunt (1994).

Customer satisfaction: The extent to which a product's perceived performance matches a buyer's expectations (Kotler and Armstrong, 2012).

Communication: The formal as well as informal sharing of meaningful and timely information between firms Morgan and Hunt (1994).

Relationship benefit: The benefits received, including time saving, convenience, companionship, and improved decision making from a customer–seller relationship (Palmatier, 2008).

Customer retention: The ability of a company to keep its existing customers (Leverin and Liljander, 2006).

1.7 Significance of the Study

This study gives all marketing professionals, specifically those who operate in the insurance sector, a clearly understand of the application of customer relationship marketing in terms of customer retention in the insurance industry. Hence decision makers can objectively shape their marketing strategy toward customer retention through customer relationship marketing. And it shows the big picture of customer relationship marketing on customer retention. This research also gives all practitioners an insight on the gaps for further study.

1.8 Delimitation / Scope of the Study

Theoretically, this research is limited to examine the effect of customer relationship marketing elements only on customer retention. Geographically, the research is bounded to study within the geographic territory of Ethiopia. Methodologically, a more representative relatively large sample size is determined and the effect of customer relationship marketing on customer retention is analyzed using statistics.

1.9 Organization of the Study

The study is organized under five major sections. Chapter one presents background of the study, background of the industry, statement of the problem, research questions, objectives of the study, research hypothesis, definitions of terms, significance of the study, delimitation / scope of the study in brief are explained in brief.

The whole section of chapter two deals with literature review. In this chapter major related literatures such as articles and books have been thoroughly reviewed, and the conceptual framework were developed.

Chapter three is used to discuss the selected research method tools for this particular study and present concrete justifies for the selected research design and methodology.

Chapter four is used for data presentation, analysis and interpretation. Descriptive analysis, correlation analysis, regression analysis are carried out and the result of the research finding were interpreted in this section of the research.

The last chapter of the study, chapter five, is used to summarize all the research findings; conclusions and recommendations based on the research findings is developed. This last chapter is also used to indicate areas for further research study.

Chapter Two

Review of Related Literature

2.1 Introduction

Customer Relationship Marketing in Business-to-Business Business Model

Relationships rarely develop overnight. Relationships evolve, sometimes over a great amount of time. During this period customers may be seen to move through stages of development. Dwyer et al. (1987) identified five general phases through which relationships evolve with each phase representing a major transition in how parties regard one another. This model may apply to both business-to-consumer and business-to-business relationships and there is likely to be considerable variation in the length of each stage dependent on the type and purpose of the relationship. The phases are:

- ***Awareness***: Awareness refers to one party's recognition that the other party is 'a feasible exchange party'. Interaction has yet to take place but there may be considerable 'positioning' and 'posturing' to enhance each other's attractiveness.
- ***Exploration***: This refers to the 'search and trial period' in the relational exchange. It is in this phase that potential relational partners consider the 'obligations, benefits and burdens' of the relationship. Trial purchases may be made but 'the exploratory relationship is very fragile in the sense that minimal investment and interdependence make for simple termination' (Dwyer et al., 1987, p. 16). The exploration phase is conceptualized in five self-explanatory sub-processes:
    - ***attraction*** (why is this likely to be a worthwhile relationship?)
    - ***communication and bargaining***
    - ***development and exercise of power***
    - ***norm development*** (i.e. normalization of the relationship)
    - ***expectation development*** (i.e. what do we want from the relationship?)
- ***Expansion***: This refers to the continual increase in benefits obtained by the exchange partners and their increasing interdependence. The critical distinction between this and the previous phase is that 'the rudiments of trust and joint satisfaction established in the exploration stage now lead to increased risk-taking'

- ***Commitment***: Commitment refers to the implicit or explicit pledge, made by the partners, to continue the relationship. At this stage the benefits include the 'certainty' developed from mutually anticipated roles and goals, the 'efficiency' established as a result of bargaining and the 'effectiveness' that comes from trust.
- ***Dissolution***: The possibility of withdrawal or disengagement, while not being relationship development as such, is integral to the model. Dissolution is always an option and will, ultimately, always take place. Reinventing relationships that have passed their sell-by date may prevent dissolution.

Relationship marketing (Gordon, 1998) is not a wholly independent philosophy but draws on traditional marketing principles. This view suggests that the basic focus upon customer needs still applies but that it is the way marketing is practiced that requires changing fundamentally (Christopher, 1996). This description of traditional marketing and others of a similar nature emphasize, above all, the functional and process nature of traditional marketing and make no explicit recognition of the long-term value of the customer (Buttle, 1996).

It is acknowledged by most scholars that the definition of relationship marketing was first introduced by Berry (Hunt, 2015). Berry (1983) referred relationship marketing as "attracting, maintaining, and - in multi-service organizations - enhancing customer relationships".

Berry defines relationship marketing in terms of a means–end equation: "in effect, companies must establish relationships with non-customer groups (the means) in order to establish relationships with customers (the end)". This definition effectively re-focuses marketing in terms of end-customer relationships. This position is consistent with other definitions that assume that the aim of marketing is the development of customer relationships (Ford, 1980; Berry, 1983; Jackson, 1985).

Since then, numerous other definitions have been offered. Though there is no formal definition so far, Grönroos's definition gets more acceptances (Harker, 1998)

> "[Relationship Marketing is] the process of identifying and establishing, maintaining, enhancing and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfilment of promises."
>
> (Grönroos, 1997, p. 407)

Harker (1998) identified the following most common issues of relationship marketing:

- Relationship marketing refers to commercial relationships between economic partners, service providers and customers at various levels of the marketing channel and the broader business environment.
- The creation, maintenance and termination of commercial relationships in order that parties to the relationship achieve their objectives (mutual benefit).
- Profit remains an underlying business concern and relational objectives are achieved through the fulfilment of promises.
- Trust is essential to this process of relationship development and centers upon the keeping of promises.

The relational paradigm drives an organization to focus on relationships (Gummesson, 1987; Håkansson, 1982). Strategically this involves identifying which relationships are to be pursued and how they are to be managed (Morgan and Hunt, 1994; Gummesson, 1994).

While recognizing that customer acquisition was, and would remain, part of a marketer's responsibilities, relationship marketing emphasized that a 'relationship view of marketing' implied that retention and development were of equal (or perhaps even greater) importance to the company in the longer term than customer acquisition. It further implied, by differentiating between customer types, that not all customers or potential customers should be treated in the same way. The focus of traditional or mass marketing implied that whatever the status of the customer (non-customers, current customers and past customers) they were all treated in the same way and were of comparable worth and status to the organization. Relationship marketing, in contrast, saw the need to communicate in different (perhaps even contradictory) ways dependent on that customer's relationship with the organization.

The marketing mix verses the relationship marketing

The 'marketing mix', called the 4Ps model of marketing (price, product, promotion and placement) was introduced by McCarthy (1960) after reconstructing Borden's original 12 variables (Product, Planning, Personal Selling, Display, Pricing, Advertising, Servicing, Branding, Promotions, Physical Handling, Channels of Distribution, Packaging, and Fact Finding and Analysis). However, the 4Ps model of marketing was evidently too restrictive for business-to-business and services marketing. Gummesson (1987) went so far as to suggest that application of the marketing mix to areas other than consumer goods could be destructive as it failed to recognize the unique features of these areas.

According to Grönroos (1994) the four Ps of the marketing mix have become the universal marketing model or even theory and an almost totally dominating paradigm for most academics, and they have had a tremendous impact on the practice of marketing as well. The first attempts to extend beyond the restrictive nature of marketing were, however, through the adaptation of the marketing mix model (Grönroos, 1996) the marketing mix could still be useful but other elements, not normally regarded as part of the marketing function, needed to be added (e.g. delivering, installing, repairing, servicing and maintenance, billing, complaints, customer education). Gummesson (1994), too, believed that the marketing mix would always be needed, but that it had become peripheral in comparison to relationships. Other authors tried to retain the 'mix' as an easy-to-remember framework that incorporated the new marketing ideas coming through.

The marketing mix management paradigm includes Price, Promotion, Place and Product. Payne et al. (1999) called these 4Ps "***teacher-friendly***" framework. And the 4Ps were developed from US studies of the indigenous market for consumer goods during the post-war boom of the 1950s and 1960s, an environment where rising consumer demand gave companies little reason or incentive to consider customer relationships as anything other than brief single transactions (Payne et al., 1999).

According to Grönroos (1994) new items to the 4Ps list almost exclusively have been added in the form of Ps. He also referred the 4Ps as easier to comprehend and teach likewise Payne et al. (1999). According to Kotler (2003) as services grew service marketers suggested adding three Ps to the original 4Ps, namely personnel, procedures, and physical evidence. However, due to the birth of relationship marketing the Ps' world become to its end. According to Grönroos (1994) the marketing mix management with its four Ps is reaching the end of the road as a universal marketing approach. At the same time that the four Ps was becoming the established 'theory' or normative approach to marketing in the USA, and many other countries, new theories and models were emerging in Europe – specifically, the interaction network approach to industrial marketing and the marketing of services (1960s), and, more recently, the concept of relationship marketing (Baker & Saren, 2010).

The mix management paradigm had very little to offer in situations other than mass consumer product markets, and therefore new approaches sensitive to specific contexts and cultures needed to be developed (Grönroos, 1994; Shostack, 1977; Håkansson, 1982; Gummesson, 1987). This resulted in a new and popular approach to marketing, based on the creation and maintenance of relationships.

Further Ps were added such as People, Physical evidence. Christopher et al. (1991) suggested to fill the credibility gap by incorporating the notion of 'customer service' in the early models of relationship marketing.

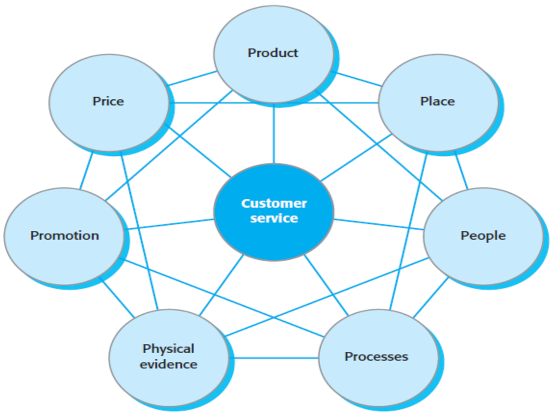


Figure 2.1.1 Customer service and the marketing mix

Source: Christopher et al. (1991)

Kotler et al. (1999) took a marginally different approach. They suggested that the marketing mix represented the seller's view of marketing and proposed that marketers should view the 4Ps from a customer-orientated perspective. Thus the 4Ps became 4Cs where companies met customer needs economically, conveniently and with effective communication. Thus price became the cost to the customer, place was substituted with convenience, products and services became customer needs and wants and promotion were transformed into communication.

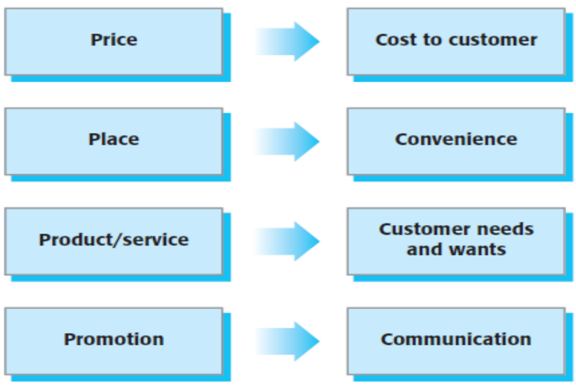


Figure 2.1.2 From 4Ps to 4Cs

Source: Kotler et al. (1999)

Valuable as these contributions were for some marketers, they were not radical enough for others. This latter group saw the attempts to update the marketing mix as failing to see the underlying problems in marketing. They suggested that the ‘toolbox’ approach to education had, for too long, restricted discussion of the meaning and consequences of the marketing concept. In catering for the real needs and desires of the consumers, marketing had become, in effect, the sterile management of this toolbox (Grönroos, 1994b).

The recognition of the problems associated with the transaction marketing model suggested a functional and theoretical ‘mid-life crisis’ in marketing which demanded attention. Under siege from all sides, not only were specific components of marketing being challenged but so also was the validity of the whole. It was openly debated that a ‘paradigm shift’ was needed if marketing was going to survive as a discipline (Grönroos, 1994b). The apparent success of a relational approach in the service and business-to-business sectors (which were themselves beginning to receive proper recognition) began to attract the attention of other marketers, who hypothesized the emergence of a new generic marketing paradigm to possibly replace, but certainly augment, the transactional model.

This traditional marketing framework was quickly adopted, by students, teachers and practitioners alike, as a straightforward, easy to remember and intuitively rational marketing model. In this era of high consumer trust, effective mass advertising, growing prosperity, homogeneous demand, poorly developed distribution channels and, above all, dominant manufacturing power (O’Driscoll and Murray, 1998), the ‘brand management model’ and the ‘toolbox’ approach (Grönroos, 1994b) of the marketing mix appeared to be working very effectively indeed. ‘Given the breadth, complexity, and richness of marketing, however—as exemplified by holistic marketing—clearly the four Ps are not the whole story anymore. If we update them to reflect the holistic marketing concept, we arrive at a more representative set that encompasses modern marketing realities: people, processes, programs, and performance’ (Kotler 2012, pp. 25).

The principles of personal selling and negotiation are largely transaction-oriented because their purpose is to close a specific sale. But in many cases the company seeks not an immediate sale but rather a long-term supplier–customer relationship. Today’s customers prefer suppliers who can sell and deliver a coordinated set of products and services to many locations, who can quickly solve problems in different locations, and who can work closely with customer teams to improve products and processes (Kotler 2012). Marketing in business relationships is linked to a long-term perspective in which single transactions should always be seen as a means of generating new transactions with the same customer. The investing perspective is thus a key feature in differentiating transaction marketing from relationship marketing (Kleinaltenkamp et al., 2015). In the marketing mix the actual needs, wants and expectations of the customer were not perceived in reality as of paramount importance (Buttle, 1996).

In transaction focus marketing the approach is impersonal, rule oriented and directed to short-term customer satisfaction, but in relationship marketing the emphasis is long-term relationship building (Payne et al. 1999). They also present the differences between transaction focus and relationship focus as shown in the table below.

Characteristics	Transactions focus	Relationships focus
Focus	Obtaining new customers	Customer retention
Orientation	Service features	Customer value
Timescale	Short	Long
Customer service	Little emphasis	High emphasis
Customer commitment	Limited	High
Customer contact	Limited	High
Quality	An operations concern	The concern of all

Table 2.1.1 Characteristics of Transaction and Relationship Focus

Source: Payne et al. (1999)

The traditional focus of marketing has been on winning customers, with an emphasis on the value of an individual sale. This transactional approach has increasingly been replaced by a relationship marketing approach, emphasizing the value of long-term relationships and repeat purchases. Despite an increasing managerial awareness of the benefits of relationship marketing and retention, few companies claim to have achieved the appropriate balance between acquiring and retaining customers. There is a real danger in placing too much focus on marketing activities directed at new customers. Too much by way of financial resources may be used in acquisition; whilst these valuable customers are lost because too little subsequent effort is given to retaining them (Payne et al. 1999)

The marketing mix management paradigm has dominated marketing thought, research and practice. But, this paradigm is beginning to lose its position. The globalization of business and the evolving recognition of the importance of customer retention and market economies and of customer relationship economics, among other trends, reinforce the change in mainstream marketing (Grönroos, 1994).

According to Ferrell and Hartline (2011) markers shift away from transactional marketing and embrace a relationship marketing approach. The goal of transactional marketing is to complete a large number of discrete exchanges with individual customers. The focus is on acquiring customers and making the sale, not necessarily on attending to customers' needs and wants. According to him in relationship marketing, the goal is to develop and maintain long-term, mutually satisfying arrangements where both buyer and seller focus on the value obtained from the relationship.

Development of Relationship Marketing

The 1950s were the age of consumer marketing when corporate manufacturers and brand marketing concepts dominated the marketing agenda. In the 1960s marketing was characterized by industrial marketing research. The 1970s non-profit sector is given attention, and the 1980s was the period when the service sector came to prominence for the first time. Each of these research concentrations led to new ideas being developed and a general expansion of marketing's influence in the commercial world (Christopher et al., 1991).

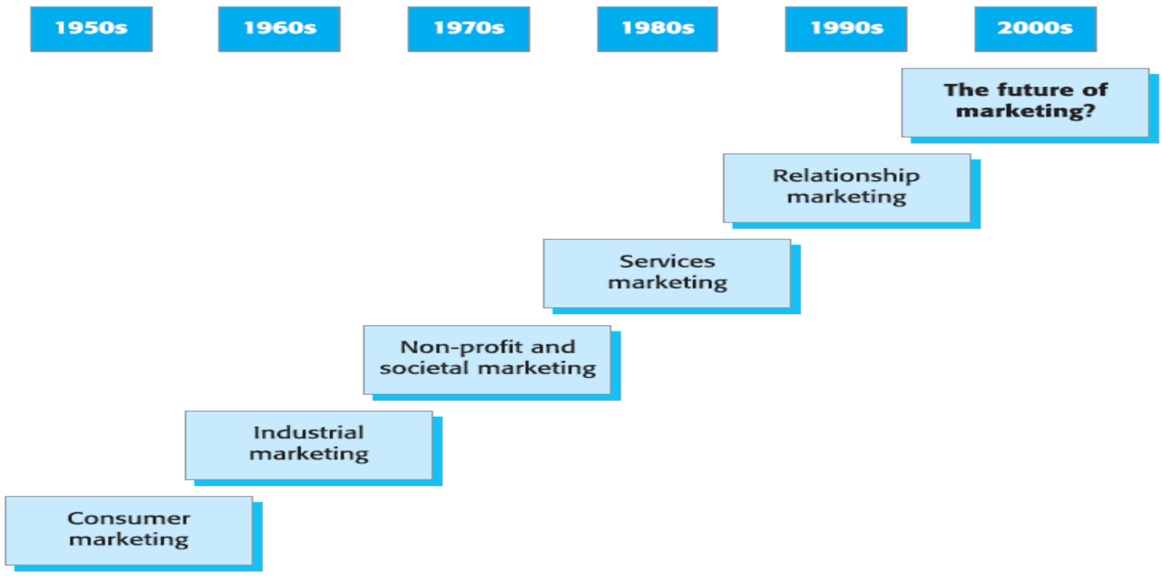


Figure 2.1.3 Development in marketing

Source: Christopher et al. (1991)

The standard method of 'overcoming' deficiencies in the 4P 'tablet of faith' was to expand on the same approach – abstracting the market relationship into a list of decision-making variables, and from the late 1970s, this pedantry became more extreme: 'after the four Ps were definitely canonized new items to the list almost exclusively put in the form of Ps' (Grönroos, 1994).

The "toolbox" approach (Grönroos, 1994b) of science orientated marketing was criticized as a 'neglect of process in favor of structure', leading to a consequent "lack of study into other key variables" (Christopher et al., 1991, pp. 8) not suggested by the marketing mix concept. Marketers were suffering from difficulties of their own creation by applying, unmodified, the principles they had learned in past decades (Gordon, 1998) despite the fact that the commercial world was changing all around them. Whereas the marketing mix paradigm had served a function at one time in the development of marketing theory, once it had established itself as the 'universal truth' in marketing it began to cause more harm than good (Grönroos, 1994c).

According to Gordon (1998), marketers were so busy attending to the practice of marketing they may not have noticed that it was, for all practical purposes, dead. If not dead, it certainly was in crisis. The relationship issues surfacing in industrial and service marketing exposed the problems of the traditional marketing model in a more explicit way than with consumer goods (Christopher et al., 1991).

Customer relationship marketing is one of the contemporary marketing strategic issue which help to develop mutual benefits. In customer point of view, trust and commitment are very essential factors to satisfy their needs and wants (Ennew and Nigel, 2007). The major goals of customer relationship marketing can be expressed as understanding and treating customers better for increased loyalty and profit (Velnampy & Sivesan, 2012). Grönroos (1996) believed that relationship marketing represented the biggest change, in effect taking marketing back to its roots. Relationship marketing was being suggested new marketing paradigm (Grönroos, 1994; Gummesson, 1999) or that a paradigm shift (Morgan and Hunt, 1994) was taking place in marketing practice and thought.

Gummesson (1997) suggested that the relationship marketing approach resulted in both parties deriving value from the transaction in effect 'relational marketers' were seeking strategies that produced 'win–win' situations, with both parties gaining value from the buyer–seller partnership. The result was to be achieved through mutual exchange and fulfilment of promises (Grönroos, 1994b) by both parties in a series of interactions over the lifetime of their relationship. This view of marketing also implied that suppliers were not alone in creating or benefiting from the value created by the company. Rather relationship marketing was seen as an ongoing process of identifying and creating new value with individual customers and then sharing the value benefits with them over the lifetime of the association (Gordon, 1998).

2.2 Theoretical Review

Soon after the re-emergence of relationship marketing, the antecedents driving it received prominence in academic and trade journals. Despite empirical support for many of the dimensions of relationship marketing, (Liang et al., 2009; Dwyer et al., 1987) refer to the ongoing debate regarding the specific dimensions of the customer relationship construct. Furthermore, uncertainty still appears to exist in respect of a generic set of dimensions to be used to represent relationship marketing in a variety of industries. Despite the uncertainty in respect of a complete set of dimensions to represent relationship marketing, overwhelming support of the importance of four dimensions in particular – trust, commitment, satisfaction, communication, and relationship benefits– are evident in the literature.

Trust

Companies began to realize that in order to be competitive in the market one has to be a trusted co-operator (Morgan and Hunt 1994). Overwhelming support was found in the marketing literature for the inclusion of trust as an important dimension of a marketing relationship, with several authors regarding it as a central construct to the development of successful service relationships (Morgan and Hunt, 1994; Liang et al. 2009). Morgan and Hunt (1994) conceptualize trust as "willingness to rely on an exchange partner in whom one has confidence", and they identified that trust is a key construct to relationship marketing. The requirement for trust and commitment appears to be an important indicator of when relationship marketing strategies may be potentially valuable. Equally, the existence of trust and commitment among parties is seen by some to be central to the success of relationship marketing strategies (Morgan and Hunt, 1994).

Trust is defined in various ways in the marketing literature, Morgan and Hunt (1994) define trust as confidence in the exchange partner's reliability and integrity. This does not, however, mention the insecurity that trust is seen to overcome. Trust is also a psychological state comprising an intention to accept or leave, based upon the positive expectations of the intentions or behavior of others (Rousseau et al., 1998). Trust is not itself a behavior (unlike for example cooperation) nor a choice (as in taking a risk) but an underlying condition that can result from such activities (Rousseau et al., 1998).

As well as generating cooperative behavior, trust may (Rousseau et al., 1998):

- reduce harmful conflict;
- decrease transactional costs (e.g. negating the need for constant checks);
- promote adaptive organizational forms (e.g. network relationships);
- facilitate the rapid formation of ad hoc work groups;
- promote effective response to a crisis

In service marketing, Berry and Parasuraman (1991) find that customer-company relationships require trust. Similar to commitment, trust is considered as central to all relationship exchanges (Morgan and Hunt, 1994).

Commitment

While Dwyer et al. (1987, 19) defined commitment as ‘an implicit or explicit pledge of relational continuity between exchange partners’, Morgan and Hunt (1994) defined commitment to relationship as ‘an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it’; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely. Relationship commitment exists only when the relationship is considered important, and a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it.

Commitment appears to be one of the most important variables for understanding the strength of a relationship marketing, and it is a useful construct for measuring the likelihood of customer loyalty as well as for predicting future purchase frequency i.e. customer retention (Dwyer et al., 1987; Morgan and Hunt, 1994).

In the service relationship marketing area, Berry and Parasuraman (1991) maintain that relationships are built on the foundation of mutual commitment. A common theme emerges from the various literatures on relationships, parties identify commitment amount exchange partners as key to achieving valuable outcomes from themselves, and they endeavor to develop and maintain this precious attribute in their relationships.

Besides trust, researchers recognize commitment as a central ingredient of establishing and maintaining long-term relationships (Dwyer et al. 1987; Morgan and Hunt, 1994).

Satisfaction

Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations (Kotler and Armstrong, 2012). Relationship marketing theory suggests that profitability is enhanced when customer retention is high. Retention in competitive markets is generally believed to be a product of customer satisfaction (Buttle, 1997).

Satisfaction does not always result in retention and it is equally apparent that dissatisfaction does not necessarily result in defection (Buttle, 1997). Customer satisfaction is one of the key building blocks for developing and managing customer relationships, and satisfied customers are more likely to be loyal customers and give the company a larger share of their business. (Kotler and Armstrong; 2012). They also identified that customer satisfaction depends on the product's perceived performance relative to a buyer's expectations, and customer satisfaction is a key to building profitable relationships with consumers—to keeping and growing consumers and reaping their customer lifetime value.

Building profitable customer relationships and gaining competitive advantage requires delivering more value and satisfaction to target customers than competitors do (Kotler and Armstrong; 2012).

Communication

As a result of technology advancement a two-way customer relationships have profoundly changed the ways in which people relate to one another. Kotler and Armstrong (2012) pointed out that new tools for relating include everything from e-mail, web sites, blogs, cell phones, and video sharing to online communities and social networks, such as Facebook, YouTube, and Twitter.

According to Morgan and Hunt (1994) communication can be defined broadly as the formal as well as informal sharing of meaningful and timely information between firms. A partner's perception that past communications from another party have been frequently and of high quality – i.e., relevant, timely, and reliable - will result in greater trust. Thus, communication is part of the key construct of relationship marketing according to them. Similarly Liang and

Wang (2006) confirmed the important role of commitment in a relationship, and found that, as commitment becomes more remarkable, the relationships on both sides become more stable.

Today, marketers are moving toward viewing communications as managing the customer relationship over time (Kotler and Armstrong, 2012).

Relationship Benefits

Relationship benefit is defined as benefits received, including time saving, convenience, companionship, and improved decision making from a customer–seller relationship (Palmatier, 2008). The impetus for the development of RM has been a growing awareness of the long-term financial benefits it can convey, according to Buttle (1996) relationship marketing is not philanthropic rather it is a means to an end, and this is based on two economic arguments:

- it is more expensive to win a new customer than it is to retain an existing customer
- the longer the association between company and customer the more profitable the relationship for the firm

Thus, relationship building would be seen as offering significant benefits when transaction costs are high. Where a customer switches suppliers frequently, transaction costs may be significantly higher in the long term. Relationship marketing therefore does offer customers an important benefit - the control, reduction and potential elimination of transaction costs.

Competition - particularly in the global marketplace - requires that firms continually seek out products, processes, and technologies that add value to their own offerings. According to Morgan and Hunt (1994) relationship marketing theory suggests that partner selection may be a critical element in competitive strategy. Thus, firms that receive superior benefits from their partnership - relative to other options - on such dimensions as product profitability, customer satisfaction, and product performance, will be committed to the relationship.

Customer Retention

Customer retention is defined as the ability of a company to keep its existing customers. It is the measure of a company’s ability to provide enough value with its products or services for customers to keep them coming back (Leverin and Liljander, 2006). According to Grönroos (1994) the globalization of business and the evolving recognition of the importance of customer retention and customer relationship economics reinforce the change in mainstream marketing. Considering customers from a relationship marketing viewpoint implies that companies no longer focus on the costs of a single transaction; rather, they see each customer as a stream of potential income over time (Buttle, 1996).

According to Dwyer and Tanner (2002) customer retention and relationship building are important elements of success in today's business marketing environment. However, for relationships to be strong, the entire organization must be dedicated to solving the needs and satisfying the wants of each business partner. Hence, careful internal integration and coordination are needed in relationship-building strategies. Similarly, Gummesson (1987) argues that, because of their importance, relationships must become central to strategic planning both at corporate and marketing levels. This suggests that there are relationships that are of concern to corporate planners and relationships that are the sole concern of marketing.

According to Kotler (2003) companies must view the customer as a financial asset that needs to be managed and maximized like any other asset. Kotler also quoted Tom Peter's term customers are "***appreciating asset***." They are the company's most important asset, and yet their value is not even found in the company's books. Thus, recognizing the value of this asset will hopefully lead companies to redesign their total marketing system toward capturing customer share and customer lifetime value through their products/services portfolio strategies. According to him products come and go, thus the company's challenge should be to hold on to its customers longer than it holds on to its products. Hence, the company needs to watch the market life cycle and the customer life cycle more than the product life cycle.

Payne et al. (1999) suggest that new and existing customers require different strategies and should be allocated differing portions of the marketing budget. The appropriate allocation of funds between the two activities will depend on a number of industry and company specific factors. A company in a start-up situation, in a growing market or in a fledgling industry will need to spend considerable resources in developing new customers, whilst a well-established company in a mature market will primarily need to focus on retaining existing customers and intermediaries. Relationship marketing acknowledges that different marketing strategies are needed for customer acquisition and retention.

Owing to the economics of new customer acquisition it is becoming increasingly important for companies to market themselves on the basis that there will be an ongoing customer relationship in which a number of products will be bought by the customer over a prolonged timescale. Ennew and Waite (2007), identified a range of environmental factors that contributed to the growing concern about customer retention and development of customer-base (or relationship) marketing in financial service. These environmental factors include:

- ***Rising costs of customer acquisition***: As the penetration rate of the marketplace or market segment rises (i.e. the proportion of the total market that is already purchasing a product or service), the marginal costs of acquiring the custom increases. This is referred as the economics of marginal customer acquisition.
- ***Increasing focus upon customer value***: Both measures of value, customer profitability and product profitability, have a role to play in determining commercial performance.
- ***Competition***: The continual development of the competitive environment in market sectors that are already highly penetrated means that one company's newly acquired customer is increasingly likely to be the lapsed customer of a rival organization. Under such circumstances, the retention of existing valuable customers becomes even more important.
- ***Consumerist pressures***: Organizations representing the consumer interest influence and interfere with business practices.
- ***Regulation and legislation***: The costs of new customer acquisition have been impacted upon by the costs associated with sales adviser training, competence and supervision, along with an enormous array of other provisions included in the rule books of regulators around the world. Pricing policies are subject to government and regulatory scrutiny.
- ***Technological innovation***: It is fair to say that technological innovation has been a major facilitator of customer base marketing.
- ***Development of relationship marketing in other sectors***: Arguably, the business-to-business sector pioneered the concept and practice of relationship marketing because of the importance of forging genuine buyer–seller partnerships.

Christopher et al. (1991) explained that transactional marketing is focused on a single sale in the short term. Transaction marketing is said to be oriented towards product features with low emphasis in service, and involves moderate customer contact and limited customer commitment, when compared with relationship marketing which emphasizes product benefits with high service, customer contact, and customer commitment. Relationship marketing is always concerned about the interactive marketing activities and managing these dimensions with the aim of establishing, developing and maintaining co-operative customer relationships for mutual benefit (Grönroos, 1997).

2.3 Empirical Review

The development of long-term relationships with selected customer acquisition requires knowledge of the dimensions contributing to the establishment and maintenance of such relationships. Although numerous empirical studies have been conducted, most focused on specific sections of the marketing relationship, such as the influence of satisfaction on trust, trust on commitment; and commitment on an exchange partner’s intention to stay in a relationship. In this study very important empirical research findings with direct relation to the research topic have been reviewed. Empirical researches related to financial and other business sectors such as hotel and manufacturing industries were covered in these research studies.

A shift toward relationship marketing becomes a major issue in the contemporary marketing and attract the attention of marketing academics and practitioners. For instance, Abaynesh (2014) studied the effects of relationship marketing on customer loyalty on manufacturing industry, and her study findings indicate that relationship marketing dimensions can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty of Hibret Manufacturing and Machine Building Industry. Yonnas (2014) also studied the impact of relationship marketing and service quality on customer loyalty and trust in the Airline industry, and he empirically supported his research finding.

Meskerem (2015) studied the impact of relationship marketing on customer loyalty in Commercial Bank of Ethiopia, and her research result indicated that relationship marketing is positively related to customer loyalty in Commercial Bank of Ethiopia. All these studies use different kind of conceptual frameworks, however they all reach same conclusion.

Betty (2014) studied the impact of relationship marketing practices on customer retention in the insurance industry in Kenya; Abizer (2015) also investigated the influence of customer relationship marketing strategies on performance of synthetic hair manufacturers in Kenya; both studies suggested the need for customer relationship marketing.

Similarly, Saravanakumar and Senthil (2013) studied the impact of customer relationship marketing strategy and customer loyalty – a study of banking sector in South India, and their study brings another breath to the customer relationship marketing. Thus, in this research the effect of customer relationship marketing on retention for a different but important and mostly unnoticed business sector, the Insurance industry, will be studied.

2.4 Proposed Conceptual Framework

In relationship marketing customer retention has been given more prominence than mere customer acquisition in perspective of company's benefit and reputation (Gummesson, 1999). More companies accept the theory of customer retention generally because of the following reasons according to Reichheld (1996):

- Existing customers are comparatively easier and less expensive to retain than to create new stream of clients
- It takes much less levels of marketing effort and financial input to satisfy old customers, and
- Consumers' loyalty serves as secure and superior profitability over time for the company

The continuum/drivers hypothesis may relate to other developing relationship marketing concepts. The notion of the three forces of marketing equilibrium (elaborated by Gummesson, 1996) suggests that, even if relationship marketing puts emphasis on collaboration, it is the combination of competition, collaboration and regulatory institutions in each specific situation that creates the balance or marketing equilibrium (Gummesson, 1997). With competition (transactional marketing) and collaboration (relationship marketing) represented on the continuum and the regulatory mechanisms as a variable influence on the relevant drivers, the continuum hypothesis would seem in accord with this concept.

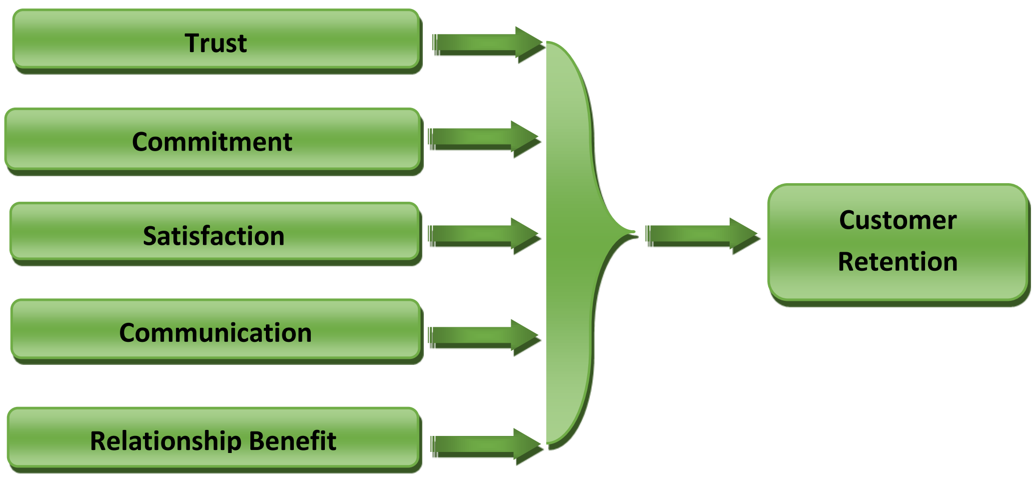


Figure 2.4.1 Proposed Customer Relationship Marketing Conceptual Framework

Source: Morgan and Hunt (1994) with modification based on reviewed literatures

Along with these independent variables in this research mediating variables such as age, educational level, gender, year of service, purchased policy, and organizational category types are used.

Customer Retention

Although relationship marketing has a dual focus on both acquisition and retention strategies, it is the latter that is often given more prominence. Indeed, it has become one of the underpinning convictions of relationship marketing that it encourages retention marketing first and acquisition marketing second (Gummesson, 1999). This bias exists because customer retention is perceived as offering significant advantages, particularly in saturated markets (Dawes and Swailes, 1999). This is generally supported by academics, many of whom further promote the concept by suggesting that customer acquisition is between five and ten times more expensive than customer retention (e.g. Gummesson, 1999). It has, therefore, become widely accepted by more and more companies that it makes a great deal of sense to try to keep existing customers happy rather than devote high levels of marketing effort to new customer acquisition (Barnes, 1994). The dual benefits of customer retention can be summarized, therefore, as:

- existing customers are less expensive to retain than to recruit
- securing a customer’s loyalty over time produces superior profits

These, it is proposed, are the two economic arguments that underpin relationship marketing (Buttle, 1996). Although this is an oversimplification, there is little doubt that a major impetus for the development of relationship marketing has been a growing awareness of these potential long-term benefits. It is widely suggested that an important component in calculating the benefits of customer retention is that the front-end costs of customer acquisition exceed the cost of retention. New customer acquisition costs five to ten times as much as it costs to keep an existing customer (Christopher et al., 1991; Gummesson, 1999).

The concept of a ‘ladder of loyalty’ was adapted by Payne et al. (1995) to create a ‘relationship ladder’. The metaphor of the ‘ladder’ and ‘climbing up’ to higher levels of relationship is easy to visualize. This concept promote the idea of customers moving upward from one stage to another, it also illustrate the perception that, whereas traditional marketing’s interest ends with the sale, relationship marketing’s interest extends beyond this to the development and enhancement of the customer relationship.

The lifetime value of a customer is an impetus to implement retention policies. Decisions concerning investment in relational strategies (to promote retention) may be made on the basis of the customer's notional lifetime value, albeit based on historical data. These investments may include those designed to enhance product or service quality in order to maintain or increase competitive advantage, or alternatively to discourage defection to the competition. The downside of the lifetime value concept is that there is no guarantee that the customer will continue to patronize a supplier at the same level as previously or indeed that he or she will even stay with the company. This is particularly true in businesses with low exit barriers (e.g. retailing) and in rapidly changing, competitive markets.

It is difficult to discuss retention strategies without referring to the subject of switching costs. Switching costs are effectively barriers to exit from the relationship from the perspective of the consumer. Perceived wisdom is that relationship marketing strategies work best not only for long time horizons but also high switching costs (Kinard and Capella 2006). These are costs (monetary and non-monetary) that buyers encounter when switching from one supplier to another. While largely self-evident in complex, business-to-business (B2B) marketing relationships (sunken costs, search costs, etc.), they can equally be relevant to consumers (Bhattacharya and Bolton, 2000). It is important to recognize that the 'real' costs may be greater or less than that customer's perception of them (Stewart, 1998).

It has been suggested that, when used with skill, customer retention leads to enhanced revenue, reduced costs and improved financial performance. Reichheld (1996) echoes this claim by proposing a list of accumulating benefits that contribute to an entire 'life cycle of profits' from the customer. Reichheld model presented profit grow over time as a result spending grow over time; cost saving over time; referral income; and price premium.

2.5 Hypothesis Development

Base on the proposed conceptual framework of the research the below hypothesis are developed:

H_1- Trust positively and significantly affects customer retention.

H_2- Commitment positively and significantly affects customer retention.

H_3- Satisfaction positively and significantly affect customer retention.

H_4- Communication positively and significantly affect customer retention.

H_5- Relationship benefit positively and significantly affects customer retention.

Chapter Three

Research Design and Method

3.1 Introduction

According to Kumar (2011) based on the objectives of the study a research study can be classified under any of these four type: descriptive, correlational, explanatory or exploratory. The main emphasis in a correlational study is to discover or establish the existence of a relationship/association/interdependence between two or more aspects of a situation. 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).

In this chapter of the study the selected research design and applicable methodologies based on the nature of the problems at hand are explained in detail. Appropriate research design is used to collect the most accurate data and information possible. Data accuracy depends heavily on the validity of the constructs and the reliability of the measurements applied to those constructs. Constructs can be assessed for content, convergent, discriminant, and validity (Hair et al., 2003).

3.2 Research Approach

This study takes a quantitative approach. In this research study a structured research approach was applied. That is, everything that forms this particular research such as the research objectives, the research design, sample, and the questionnaire used are predetermined. A research approach can be either deductive or inductive. Deductive approach tests the validity of assumptions while inductive approach contributes to the emergence of new theories and generalizations. Thus in this particular study a deductive research approach was followed.

3.3 Research Design

According to Burns and Bush (2014) selecting the appropriate research design depends, to a large extent, on the research objectives and existing information about the problem. Accordingly based on the objectives of this study, which aims to study the effect of customer relationship marketing on customer retention, an explanatory research design is used. The hypotheses formulated were evaluated using correlations and regressions.

3.4 Sample Design

To study the effect of customer relationship marketing on customer retention a survey is conducted. The context of this study is limited to a business-to-business model, because relationship marketing is widely applied in the financial services industry (Adamson et al. 2003). Hence, a sample from business customers of Nyala Insurance S.C. is selected.

3.4.1 Target Population

Population of the study describes the total quantity of things (or cases). Thus, all customers who purchased any kind of insurance services will constitute the total population of this particular study. From these population the target population includes all business customers who have purchased at least one insurance cover and this policy is yet to expire.

3.4.2 Sampling Frame

To link the objectives of the research with its findings, the focus of the sample frame will be those clients in the form of business organizations which contribute premium greater than or equal to 50,000 Birr per annum. The minimum premium contribution is set to exclude those business customers with insignificant premium contributions toward the premium pool. All re-insurance businesses (be it facultative or any kind insurances businesses) are similarly excluded from being considered in the business-to-business model as facultative insurance business requires several negotiation and terms between two or more insurers. Such business is purely concluded between or among insurance companies (professionals). Individual customers are deliberately excluded from the sample because relationship marketing is majorly practiced in business-to-business configuration (Adamson et al. 2003). According to Payne et al. (1999) in a business-to-business context relationship ultimately develop into a ‘partner’, where they are closely linked in a trusting and mutually sharing relationship with their supplier.

3.4.3 Sampling Technique

Since the sampling frame include all business customers of NISCO from every part of the nation who contribute over 50,000 birr to the premium pool, and exclude facultative insurances, probability sampling method is used. Hence to avoid bias in the selection of a sample and to represents the study population a simple random sampling technique is adopted in the sample selection process. Each business customer from the sampling frame has an equal and independent chance of selection in the sample.

3.4.4 Sample Size

Considerable importance is placed on sample size in quantitative research, depending upon the type of the study and the possible use of the research findings. Hence to make the research finding of this study more reliable, relatively a large sample size is considered.

Table 3.4.4.1 Number of customers List from Automated Insurance Management System (AIMS)

Data Retrieved from Automated Insurance Management System (AIMS): Generated to include only active policies excluding all reinsurance businesses				
No.	**Branch Name**	**Total Number of Customers**	**Business customers**	**Target Group**
Addis Ababa General Insurance				
1	Arada	1568	891	15
2	Beklobet	2928	1280	36
3	Bole	3812	2116	54
4	Eastern	2194	1778	28
5	Gola Sefer	1958	917	21
6	Kera	3785	2002	48
7	Kality	1765	782	19
8	Legehar	1232	348	13
9	Merkato	1449	836	18
10	Corporate - West	172	123	106
11	Corporate - East	214	142	103
12	Kazanchis	1211	456	13
13	Megenagna	1492	873	17
14	Lafto	1186	366	12
15	Wuha Limat	866	595	367
16	Lideta	984	254	9
17	Furi	244	25	3
Addis Ababa General Insurance		**27,060**	**13,784**	**882**
Regional General Business				
1	Hawassa	1873	527	31
2	Bahir Dar	1649	611	20
3	Dire Dawa	1933	815	35
4	Dessie	1229	688	27
5	Gondar	1518	554	22
6	Jimma	1927	833	25
7	Mekele	1516	945	48
8	Nazareth	1843	892	39
9	Wolayta Sodo	1285	346	28
10	Jigjiga	658	212	7
11	Shashemene	429	118	12
12	Shire	125	32	5
13	Assosa	182	46	6
14	Axum	165	38	2
15	Debre Berhan	489	127	0

16	Debre Markos	218	83	7
17	Dila	328	149	2
18	Logia	145	44	5
19	Gambella	136	25	4
20	Nekemt	268	47	1
21	Woldiya	861	331	9
22	Bale Robie	122	78	1
23	Arbaminch	183	22	0
24	Hossaena	143	24	0
25	Asebe Teferi	217	41	1
26	Mizan Teferi	115	83	1
Regional General Insurance		**19,557**	**7,711**	**338**
General Insurance Total		**46,617**	**21,495**	**1,220**
Life and Health (Addis Ababa)				
12	Life & Health	212	141	141
Micro Insurance (Addis Ababa)				
19	Micro Insurance Service	154	129	114
Company Total		**46,983**	**21,765**	**1,475**

In the table above **Target Group** refers to those business customers whose premium contribution is over 50,000 to the pool, and excluding all facultative insurance arrangements.

At the time when this research is conducted there were 46,933 total number of insured (customers), of which 46% i.e. 21,765 are business customers. And there are 1475 business customers each contribute premium to the pool greater than birr 50,000 per annum, excluding any reinsurance (facultative arrangement) businesses.

According to Weiers (2008), the sample size for this study can be computed using the following formula:

$$n = \frac{z^2 p(1-p)}{e^2}$$

Where **n**: sample size

z: z value for which ±z corresponds to the desired level of confidence (e.g. value of z at 95 per cent confidence level is 1.96)

p: estimated proportion of an attribute present in the population, if p is unknown in advance, then take p = 0.5

q = 1 - p

e: desired level of precision, i.e. maximum likely error that is acceptable (e.g. within an accuracy of 0.5); tolerate an error of half on either side of the true average age

Hence,

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

n=314.667 round to the next higher number results in 315 customers

Accordingly, at 95% confidence level, i.e. the probability that the sample's result can be inferred on the survey's population which resulted for z value as z=1.96; within an accuracy of (or margin of error) 5% that is the plus/minus range that can be placed on the sample's results would fall, the sample size for this particular study is computed 315 out of 1475 business customers who meet the set parameters such as premium contribution and non-facultative business relations.

3.4.5 Sampling Procedure

According to Burns and Bush (2014) with simple random sampling, the probability of being selected into the sample is equal and independent for all members of the population, and to generated numbers a random number a computer program can be used.

Hence, to use select the samples for this particular study a simple random sampling method is used. First a list of business customers from the sample frame which were generated from Automated Insurance Management System was compiled and alphabetically sorted, then unique number is assigned to each insured (from 1 to 1,475). Second, a random numbers is generated using Microsoft Excel random number function in the range of 1 to 1,475. Third, the formula was copied until the sample size become 315. Fourth, to make sure that no customer is repeated, the generated random numbers are sorted. Double figure have been removed and an iterative random numbers are generated until all samples become a list of customers who appear on the list only once. Finally, a representative of the sample with unique data have been developed, and questionnaire were forwarded to these insured through their corresponding branch.

The table shown below indicated total number of customers selected from each branch along with the successful questionnaires returned.

Branch	Number of Randomly Selected Business Customers	Returned	Neither returned Nor Properly Responded
Arada	4	4	0
Arbaminch	0	0	0
Asebe Teferi	0	0	0
Assosa	0	0	0
Axum	0	0	0
Bahir Dar	6	0	6

Bale Robie	0	0	0
Beklobet	6	6	0
Bole	9	9	0
Corporate - East	31	31	0
Corporate - West	24	24	0
Debre Berhan	0	0	0
Debre Markos	0	0	0
Dessie	4	4	0
Dila	0	0	0
Dire Dawa	5	5	0
Eastern	6	6	0
Furi	0	0	0
Gambella	0	0	0
Gola Sefer	6	6	0
Gondar	7	1	6
Hawassa	8	5	3
Hossaena	0	0	0
Jigjiga	1	0	1
Jimma	7	7	0
Kality	2	2	0
Kazanchis	2	2	0
Kera	13	13	0
Lafto	6	3	3
Legehar	4	1	3
Lideta	1	1	0
Life & Health	29	22	7
Logia	1	0	1
Megenagna	5	5	0
Mekele	8	8	0
Merkato	4	4	0
Micro Insurance	33	17	16
Mizan Teferi	0	0	0
Nazareth	7	7	0
Nekemt	0	0	0
Shashemene	3	3	0
Shire	1	0	1
Wolayta Sodo	4	4	0
Woldiya	2	2	0
Wuha Limat	66	66	0
Total	**315**	**268**	**47**

Table 3.4.5.1 Number of Business Customers Selected in the Sample and the Total Successful Response

3.5 Source of Data

Data come into two main forms, depending on its closeness to the event recorded. The two major sources, primary source and secondary source, of data will be used in this research as applicable.

3.5.1 Primary Source

Primary data, refers to all data which are primarily collected for this particular study using questioner. Primary data will be collected from customers using a structured questionnaire with a five point Likert Scale.

3.5.2 Secondary Source

Any form of data which are gathered by others for other purpose and research objectives are referred as secondary data sources. As applicable this secondary data may also be used to make the research output more useful for decision making. Hence, this secondary data will be collected from annual reports and other printed resources such as proposals and other research papers from the company will be used. And other source of data such as books, articles and journals which have direct relation with this study.

3.6 Data Collection Methodology

The inputs of this study is collected using asking question (survey) and interview methods; hence both quantitative and qualitative data were assessed. Thus respondents was given questionnaires to provide their agreement or disagreement level on the specified statements.

3.7 Data Collection Instrument

To organize the questions and receive replies without actually having to talk to every respondent questionnaire is used as data collection instrument. Questionnaire is a very flexible tool that has the advantages of having a structured format (Burns and Bush, 2014). At the same time questionnaire is easy and convenient for respondents; and also it is cheap and quick to administer to a large number of cases covering large geographical areas. Hence statements are included under each construct in the questioner and respondents are requested to indicate their level of agreement or disagreement based on a five point Likert Scale.

The questionnaire are structured in to three parts: the first part consist of demographic information of each respondents; the second part consists of statements that are used to measure customer relationship management; and the last section of the questionnaire consists of statements to measure customer retention. The second and third sections of the questionnaire are presented in the form of a five point Likert scale (5 to mean strongly agree, …, and 1 to refer strongly disagree).

3.8 Data Analysis Methods

For all sorts of data analysis the latest version of IBM© SPSS© (IBM Statistical Package for the Social Sciences); Version 25 application software is used. After valid cases were keyed directly into the application software, and various statistics have been produced. While the descriptive statistics such as measure of central tendency (mean, median and mode) and measure of dispersions (range, standard deviation) are used to analyze the row data (cases) to examining the different values for a given variable that is to describe how close the measure of central tendency is to the rest of the values in the distribution falls.

Inferential statistics were also used in this study to draw inferences about the target population. Sample statistics are measures which are obtained directly from the sample or calculated from the data in the sample, and the actual population parameters are unknown since the cost to perform a true census of almost any population is prohibitive (Hair et al. (2003). A population ***parameter*** is a variable or some sort of measured characteristic of the entire population. Sample ***statistics*** are useful in making inferences regarding the population's parameters.

According to Hair et al. (2003) a frequency distribution displaying the data obtained from the sample is commonly used to summarize the results of the data collection process. When a frequency distribution displays a variable in terms of percentages, then this distribution is representing proportions within a population. Thus in this research both descriptive statistics and inferential statistics were used.

Correlational analysis were also used to determine the existence of any relationship type between the independent and dependent variables, and to show the strength of the association along with the direction of the relationship between these variables. To predict (infer) the effect of the independent variables on the dependent variables where the independent variables vary to some sort of values a regression analysis were developed. Multiple linear regression analysis were used to determine whether the independent variables were highly correlated among themselves or not. To see the effect of any of the personal profile variables on the dependent variable both samples t-test and one way ANOVA analysis were used.

3.9 Validity and Reliability

3.9.1 Validity

Validity focuses on the accuracy of responses (Burns and Bush, 2014). And in order to be able to generalize the results beyond the confines of the experiment itself, the experiment should really reflect the situation in the real world, and it should possess both internal validity (the extent to which the ideas about cause and effect are supported by the study) and external validity (the extent to which findings can be generalized to populations or to other settings). Internal validity can be undermined by faulty sampling of test materials, the interference of unnoticed factors, deterioration or change in the nature of materials during or between tests and faulty instruments. Internal validity is concerned with the extent to which the change in the dependent variable was actually due to the independent variable. This is another way of asking if the proper experimental design was used and if it was implemented correctly. Experiments lacking internal validity have little value because they produce misleading results.

External validity can also be compromised by faulty sampling and unnoticed interfering factors, as well as poor description of the process which makes replicating the experiment impossible, and, when people are the subject of the experiment, changes in the way they act because of the artificiality of the experimental situation.

Validity refers to the accuracy of the measurement (Burn and Bush, 2014). It is an assessment of the exactness of the measurement relative to what actually exists. A valid measure is truthful. An experiment is valid if: (1) the observed change in the dependent variable is, in fact, due to the independent variable, and (2) the results of the experiment apply to the "real world" outside the experimental setting.

External validity refers to the extent that the relationship observed between the independent and dependent variables during the experiment is generalizable to the "real world." If an experiment is so contrived that it produces behavior that would not likely be found in the real world, then the experiment lacks external validity.

3.9.2 Reliability

Scale reliability refers to the extent to which a scale can reproduce the same measurement results in repeated trials i.e. scale reliability is the extent to which the measurements taken with a particular instrument are repeatable. According to Burn and Bush (2014) reliability is the degree to which a respondent is consistent in his or her answers.

To assess the reliability of a scale measurement to investigating multidimensional constructs, summated scale measurements tend to be the most appropriate scales (Hair et al., 2003). In this type of scale, each dimension represents some aspect of the construct. Thus, the construct is measured by the entire scale, not just one component.

The internal consistency which refers to the degree to which the various dimensions of a multidimensional construct correlate with the scale. In other words, the set of attribute items that make up the scale must be internally consistent. There are two popular techniques used to assess internal consistency: split-half tests and coefficient alpha, also referred to as Cronbach's alpha.

1. In a split-half test, the items in the scale are divided into two halves (odd versus even attributes, or randomly) and the resulting halves' summated scores are correlated against one another. High correlations between the halves indicate good (or acceptable) internal consistency.
2. A coefficient alpha takes the average of all possible split-half measures that result from different ways of splitting the scale items. The coefficient value can range from 0 to 1, and, in most cases, a value of less than 0.6 would typically indicate marginal to low (or unsatisfactory) internal consistency.

Hence, in this particular research the Cronbach's alpha is used to measure the internal consistency of the items used in the constructs, and the details are presented under data presentation, analysis and interpretation chapter's reliability section.

3.10 Research Ethics

Professional associations for the marketing research industry have all established rules, standards, or codes of ethical conduct (Burn and Bush, 2014). There are differences in the codes but there also exist some commonalities among the major associations. These are:

- Fair dealings with respondents
- Fair dealings with clients and subcontractors
- Maintaining research integrity
- Concern for society

Hence, throughout the study all code of conducts will be properly applied. Any pertinent concept in this research will be properly quoted. All research participants will be protected, there information which will be collected via any means; questionnaires or interview, will be kept in private and will be exclusively used for the intended purpose of this study. Similarly, sensitive company data such as name of Insured, address of clients and amount of premium contribution will not be disclosed. For the successful completion of this study trust among all stakes will be developed.

Chapter Four

Data Presentation, Analysis and Discussion

4.1 Introduction

4.1.1 Data Presentation

To study the effect of customer relationship marketing on customer retention, a questioner was developed with a five point Likert scale and a value was assigned to express the extent to which a respondent agree or disagree with the specific statements given in the questioner. Hence a value of 1 was assigned to state ***strong disagreement***, 2 just their ***disagreement***, 3 to be ***neutral*** about the statement, 4 to ***agree*** with the specific statement in question and the higher value 5 is denote ***strongly agreement***. Three hundred and fifteen (315) questionnaires were distributed to randomly selected customers through their corresponding branches all over the nation.

Out of the distributed questioner two hundred sixty eight (268) were found valid during coding, and each cases were directly keyed into IBM© SPSS© version 25 software. However, there were forty seven (47) cases which were not included in the analysis because these questionnaires either not returned back on time or found useless during coding; and deliberately removed so as these removed cases will not affect the research finding if they were included. All successful responses cover 85.% of the sample.

4.1.2 Data Analysis and Discussion

Data analysis have three objectives: getting a feel for the data, testing the goodness of data, and testing the hypotheses developed for the research Sekaaran (2003), hence the feel for the data will give preliminary ideas of how good the scales are, how well the coding and entering of data have been done.

To make sure that cases were properly coded and/or entered into the application software, descriptive statistics have been generated; and central tendencies and dispersions were evaluated. Accordingly, the final result of the descriptive statistics preliminary was found and any value out of the expected value were cleared and made at least free coding error (any out-of-range or missing responses, etc., are cleaned up), and the goodness of the measures is established. The table below was the last descriptive statistics which show the minimum, maximum, mean, standard deviation and variance for each item. Hence the data used for this research have been properly cleared and there is no extreme values.

Variables	N	Min	Max	Mean	Std. Dev.	Variance
Total number of year with the insurer	268	1	20	6.29	4.182	17.488
General insurance service user.	268	1	2	1.15	.353	.125
Life insurance service user.	268	1	2	1.92	.275	.076
Micro insurance service user.	268	1	2	1.94	.244	.060
Customer's business category (classification)	268	1	5	3.46	.992	.983
The reputation of my insurer is trustworthy.	268	3	5	4.44	.670	.449
My insurer words and promises are reliable.	268	3	5	4.57	.611	.373
I have a confidence on the integrity of the insurer.	268	3	5	4.48	.673	.453
The policies and practices of my insurer are trustworthy.	268	3	5	4.63	.583	.340
My insurer fulfill its obligations to me.	268	3	5	4.74	.509	.259
My insurer pays claims within a reasonable time frame.	268	3	5	4.56	.594	.353
I am certain that I will be indemnified when loss occur.	268	3	5	4.78	.480	.230
I am certain that my insurer kept all my personal records secured.	268	3	5	4.64	.566	.321
The insurer always applies the right policy and practices.	268	3	5	4.56	.642	.413
My insurer offers personalized services to meet my needs.	268	3	5	4.50	.673	.453
My insurer is flexible when its services are changed.	268	3	5	4.48	.645	.415
Other insurers approaches me with lower premium charges, but I still prefer to continue doing business with my current insurer.	268	3	5	4.60	.581	.338
My insurer is flexible in serving my needs.	268	3	5	4.59	.602	.363
The insurer always updates their service.	268	3	5	4.47	.614	.377
Overall, I am very satisfied with my insurer.	268	3	5	4.43	.696	.485
If I had to do it all over again, I would still choose to use the insurer.	268	3	5	4.36	.686	.470
I am comfortable about the relationship with this operator.	268	3	5	4.36	.718	.515
I am very pleased with what my insurer does for me.	268	3	5	4.45	.682	.466
My experiences with the insurer have always been good.	268	3	5	4.64	.624	.389
My insurer provides timely and trustworthy information.	268	3	5	4.49	.571	.326
My insurer provides information if there are new insurance services.	268	3	5	4.39	.658	.433
Information provided by my insurer is always accurate.	268	3	5	4.38	.657	.432
My insurer provides early notice whenever there is change during policy renewal (change in policy or premium payment).	268	3	5	4.54	.626	.392
The insurer promptly provides me core service benefits.	268	3	5	4.54	.569	.324
The insurer always provide supplementary service benefits.	268	3	5	4.45	.666	.443
The insurer provides me after sale service benefits whenever necessary.	268	3	5	4.40	.659	.435
To the best of my knowledge, I and my insurer have mutual benefits from our relationship.	268	3	5	4.47	.667	.445
My insurer is my first choice for any insurance service need.	268	3	5	4.82	.427	.183

My relationship with the insurer is important to me.	268	3	5	4.73	.516	.266
I would recommend my insurer to others (friend, family…).	268	3	5	4.68	.543	.295
I plan to continue my relationship with my insurer in future.	268	3	5	4.71	.525	.276
I have said positive things about my insurer to others.	268	3	5	4.80	.463	.214
Valid N (listwise)	268					

Table 4.1.2.1 Descriptive Statistics for Observed Variables

4.2 Demographic Profile of Respondents

Statistics

		Total number of year with the insurer	General insurance service user.	Life insurance service user.	Micro insurance service user.	Customer's business category (classification)
N	Valid	268	268	268	268	268
	Missing	0	0	0	0	0
Mean		6.29	1.15	1.92	1.94	3.46
Median		5.00	1.00	2.00	2.00	4.00
Mode		5	1	2	2	4
Std. Deviation		4.182	.353	.275	.244	.992
Variance		17.488	.125	.076	.060	.983
Minimum		1	1	1	1	1
Maximum		20	2	2	2	5
Percentiles	4	2.00	1.00	1.00	1.00	1.00
	25	3.00	1.00	2.00	2.00	3.00
	50	5.00	1.00	2.00	2.00	4.00
	75	8.00	1.00	2.00	2.00	4.00

Table 4.2.1 Demographic Factors Statistics

There were no missing item out of the 268 respondents. The mean, median and mode age of the respondents was 45.07, 44, and 42 respectively with a standard deviation of 6.782 with a variance of 45.995 which indicate that there was a high variation in terms of age mix of the respondent which will give the research out put that include the possible age groups in this research. The minimum age was 29 while the maximum age value was 64. Out of the 268 successful responses 75 percentile were those respondents whose age is up to 50 years old. A very high variation is seen in the age citatory as it is evidenced by the standard deviation of 6.782 and variance of 45.995. Similarly for the total number of year stay with the insurer there is a very high standard deviation and variance among respondents with a value of 4.182 and 17.488 respectively. But for the remaining of the variables the standard deviation and the variance are very minimal which are both under 0.5.

4.2.1 Age category

	Age Category	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1. Age less than or equal to 30	3	1.1	1.1	1.1
	2. Age from 31 to 40	66	24.6	24.6	25.7
	3. Age from 41 to 50	137	51.1	51.1	76.9
	4. Age from 51 to 60	57	21.3	21.3	98.1
	5. Age above 61 years of age	5	1.9	1.9	100.0
Valid	Diploma	3	1.1	1.1	1.1
	Degree	232	86.6	86.6	87.7
	Masters	33	12.3	12.3	100.0
Valid	Male	186	69.4	69.4	69.4
	Female	82	30.6	30.6	100.0
	Total	268	100.0	100.0	
Valid	General	229	85.45	85.4	85.4
	Life and Health	22	8.21	8.2	93.6
	Micro	17	6.34	6.3	100.0
Valid	Governmental Organization	25	9.3	9.3	9.3
	International NGO	22	8.2	8.2	17.5
	Local NGO	27	10.1	10.1	27.6
	Private Business	193	72.0	72.0	99.6
	Religious Organization	1	.4	.4	100.0
	Total	268	100.0	100.0	

Table 4.2.1.1 Statistics for Respondents Age, Educational Level, Gender, Insurance Type, and Business Category

As shown in the above table 4.2.1.1, 1.1% of the respondents were under the age of 30 years, and 24.6% were between the age of 31 years and 40 years. 51.1% of the respondents were between the age between 41 and 50 years. 21.3% were between the age category between 41 and 50. And 1.9% of the respondents were above the age of 61. The age category was normally distributed as shown in the chart below.

4.2.2 Respondent maximum educational level

As shown in the above table 4.2.1.1, 12.3% of the respondents have master degree, and the majority of the respondents, 86.6%, have their first degree, and the remaining 1.1% of the respondents were diploma holder.

4.2.3 Respondent Gender

As shown in the above table 4.2.1.1, 69.4% of the respondents were male. And there were 30.6% were female respondents. 4.3.4

4.2.4 Respondent Insurance service user.

85.40% of the respondents were general insurance service users, while there were 8.21% and 6.3% life & health and micro insurance product users as shown in the table 4.2.1.1.

4.2.5 Customer's Business Category (Classification)

The majority of the respondents were classified under private owned business companies which covers 72% of the whole respondents. 8.2% of the respondents were international organizations, and 9.3 were government owned institutions. 10.1% of the respondents were local NGOs, and there found only 0.4% respondents who falls under religious organizations as shown in table 4.2.1.1.

4.3 Reliability and Validity Test

4.3.1 Reliability Test

Reliability of a measure is established by testing for both consistency and stability (Sekaaran, 2003); consistency indicates how well the items measuring a concept hang together as a set. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are correlated to one another. Cronbach‘s alpha is computed in terms of the average intercorrelations among the items measuring the concept. The closer Cronbach‘s alpha is to 1, the higher the internal consistency reliability is. According to Sekaaran (2003) in almost every case, Cronbach‘s alpha is an adequate test of internal consistency reliability. Accordingly, the dataset in this research was analyzed for scale reliability for each independent and the dependent variable statement items and the following result shown in the below table was compiled for each independent and dependent variables in IBM© SPSS© version 25 software:

		Trust	Commitment	Satisfaction	Communication	Relationship Benefit
N	Valid	268	268	268	268	268
	Missing	0	0	0	0	0
Mean		4.6049	4.5323	4.4463	4.4487	4.4655
Median		4.8750	4.6667	4.6000	4.5000	4.5000
Mode		4.88	5.00	4.80	5.00	5.00

Std. Deviation		.44777	.46450	.50698	.48857	.49052
Variance		.200	.216	.257	.239	.241
Minimum		3.00	3.00	3.00	3.00	3.00
Maximum		5.00	5.00	5.00	5.00	5.00
Percentiles	20	4.2500	4.1667	4.0000	4.0000	4.0000
	40	4.6250	4.5000	4.4000	4.2500	4.5000
	60	4.8750	4.8333	4.8000	4.7500	4.7500
	80	5.0000	5.0000	4.8000	5.0000	5.0000

Table 4.3.1.1 Descriptive Statistics of Predictors

As shown in the table above there is a very small variance among each item ranging from .200 to .257. The mean median and mode for each constructs were very close, for instance the mean value for trust is 4.6049 and the median is 4.8750 and the mode is 4.88.

Variable	Cronbach's Alpha	N of Items	Remark: Based on Cronbach's Alpha Value
Trust	.801	8	Good
Commitment	.767	6	Acceptable
Satisfaction	.869	5	Good
Communication	.869	4	Good
Relationship Benefit	.888	4	Good
Customer Retention	.962	5	Good

Table 4.3.1.2 Reliability Statistics based on Cronbach's Alpha Model

The inter-item consistency reliability or the Cronbach's alpha reliability coefficients of the five independent variables and the dependent variable were obtained and indicated in the above table. The values for Cronbach's alpha for all variables were above .767. According to Sekaaran (2003) the closer the reliability coefficient gets to 1.0, the better it is, and in general, reliabilities less than .60 are considered to be poor, those in the .70 range, acceptable, and those over .80 good. Thus, the internal consistency reliability of the measures used in this study can be considered to be good.

4.3.2 Validity

To make sure that the questionnaires are valid in terms of content, a pilot test of the questionnaire were floated to employees of NISCO, and based on their constructive and valid comments questionnaires were amended to suit the desired level of validity.

4.4 Descriptive Analysis

According to Hair et al. (2003) once the data have been collected and prepared for analysis, there are some basic statistical analysis procedures to perform. The descriptive analysis help to find out what the entire set of responses are which were obtained in the form of numbers; that is, respondents provide their agreement and disagreement level in the form of numbers and these numbers are entered into the computer system to generate more meaningful statistics. Consequently, every set of data needs some summary information developed that describes the numbers it contains. Basic statistics and descriptive analysis were developed for this purpose (Hair et al, 2003).

4.4.1 Descriptive Statistics: TRUST

	N	Min	Max	Mean	Std. Deviation	Variance
The reputation of my insurer is trustworthy.	268	3	5	4.44	.670	.449
My insurer words and promises are reliable.	268	3	5	4.57	.611	.373
I have a confidence on the integrity of the insurer.	268	3	5	4.48	.673	.453
The policies and practices of my insurer are trustworthy.	268	3	5	4.63	.583	.340
My insurer fulfill its obligations to me.	268	3	5	4.74	.509	.259
My insurer pays claims within a reasonable time frame.	268	3	5	4.56	.594	.353
I am certain that I will be indemnified when loss occur.	268	3	5	4.78	.480	.230
I am certain that my insurer kept all my personal records secured.	268	3	5	4.64	.566	.321
Trust	268	3.00	5.00	4.6049	.44777	.200
Valid N (listwise)	268					

Table 4.4.1.1. Descriptive statistics for Trust

As shown in the above table, the value of individual items mean is very closer to each other, the highest mean value is 4.78 and the lower mean value of the items is 4.44, and the remaining items mean fall within this range. Similarly there is lesser variability among each items the highest variance value read as .453 from the table and the lowest variance is .230. The mean of the items for Trust is computed as 4.6049, with the standard deviation of .44777 and variance of .200 and when standard deviation is less than .5 it means deviation among data is very minimum.

4.4.2 Descriptive Statistics: COMMITMENT

	N	Min	Max	Mean	Std. Deviation	Variance
The insurer always applies the right policy and practices.	268	3	5	4.56	.642	.413
My insurer offers personalized services to meet my needs.	268	3	5	4.50	.673	.453
My insurer is flexible when its services are changed.	268	3	5	4.48	.645	.415
Other insurers approaches me with lower premium charges, but I still prefer to continue doing business with my current insurer.	268	3	5	4.60	.581	.338
My insurer is flexible in serving my needs.	268	3	5	4.59	.602	.363
The insurer always updates their service.	268	3	5	4.47	.614	.377
Commitment	268	3.00	5.00	4.5323	.46450	.216
Valid N (listwise)	268					

Table 4.4.2.1. Descriptive statistics for commitment

In the above table, the minimum, maximum, mean, standard deviation and variance is indicated for each item. The mean value for the construct Commitment is shown as 4.5323 which is very close to all inter-item means which range from 4.47 to 4.59. The standard deviation of the items range from .581 to .673 which result in a .46450 value for Commitment with a .216 variance among each item.

4.4.3 Descriptive Statistics: SATISFACTION

Variables	N	Min	Max	Mean	Std. Deviation	Variance
Overall, I am very satisfied with my insurer.	268	3	5	4.43	.696	.485
If I had to do it all over again, I would still choose to use the insurer.	268	3	5	4.36	.686	.470
I am comfortable about the relationship with this operator.	268	3	5	4.36	.718	.515
I am very pleased with what my insurer does for me.	268	3	5	4.45	.682	.466
My experiences with the insurer have always been good.	268	3	5	4.64	.624	.389
Satisfaction	268	3.00	5.00	4.4463	.50698	.257
Valid N (listwise)	268					

Table 4.4.3.1. Descriptive statistics for satisfaction

Similar to Trust and Commitment, Satisfaction have a very close mean among each item. This has resulted to have a .257 variance with a standard deviation of .50698, and mean value of 4.4463 for the Satisfaction construct.

4.4.4 Descriptive Statistics: COMMUNICATION

	N	Min	Max	Mean	Std. Deviation	Variance
My insurer provides timely and trustworthy information.	268	3	5	4.49	.571	.326
My insurer provides information if there are new insurance services.	268	3	5	4.39	.658	.433
Information provided by my insurer is always accurate.	268	3	5	4.38	.657	.432
My insurer provides early notice whenever there is change during policy renewal (change in policy or premium payment).	268	3	5	4.54	.626	.392
Communication	268	3.00	5.00	4.4487	.48857	.239
Valid N (listwise)	268					

Table 4.4.4.1. Descriptive statistics for communication

The descriptive statistics for communication is indicated in the above table. The central tendencies of the inter-item mean value is computed and read as 4.4487, similarly the minimum and maximum values were identified as 3 and 5 respectively. The central dispersion values which is the standard deviation and the variance are computed as .48857 and .239 respectively.

4.4.5 Descriptive Statistics: RELATIONSHIP BENEFIT

	N	Min	Max	Mean	Std. Deviation	Variance
The insurer promptly provides me core service benefits.	268	3	5	4.54	.569	.324
The insurer always provide supplementary service benefits.	268	3	5	4.45	.666	.443
The insurer provides me after sale service benefits whenever necessary.	268	3	5	4.40	.659	.435
To the best of my knowledge, I and my insurer have mutual benefits from our relationship.	268	3	5	4.47	.667	.445
Relationship Benefit	268	3.00	5.00	4.4655	.49052	.241
Valid N (listwise)	268					

Table 4.4.5.1. Descriptive statistics for relationship benefit

Relationship benefit as shown in the above table has the mean of 4.4655, and standard deviation of .49052. The variance for the same construct is indicated as .241 with 3 and 5 value for each minimum and maximum value respectively.

4.4.6 Descriptive Statistics: CUSTOMER RETENTION

	N	Min	Max	Mean	Std. Deviation	Variance
My insurer is my first choice for any insurance service need.	268	3	5	4.82	.427	.183
My relationship with the insurer is important to me.	268	3	5	4.73	.516	.266
I would recommend my insurer to others (friend, family…).	268	3	5	4.68	.543	.295
I plan to continue my relationship with my insurer in future.	268	3	5	4.71	.525	.276

I have said positive things about my insurer to others.	268	3	5	4.80	.463	.214
Customer Retention	268	3.00	5.00	4.7463	.39485	.156
Valid N (listwise)	268					

Table 4.4.6.1. Descriptive statistics for customer retention

The mean value of customer Retentions is computed as 4.7463, and the standard deviation and the variance read as .39485 and .156 respectively, this result indicate that there is a very less variation for each items.

4.5 Normality Tests

4.5.1. Homoscedasticity Check and Normality of Residuals

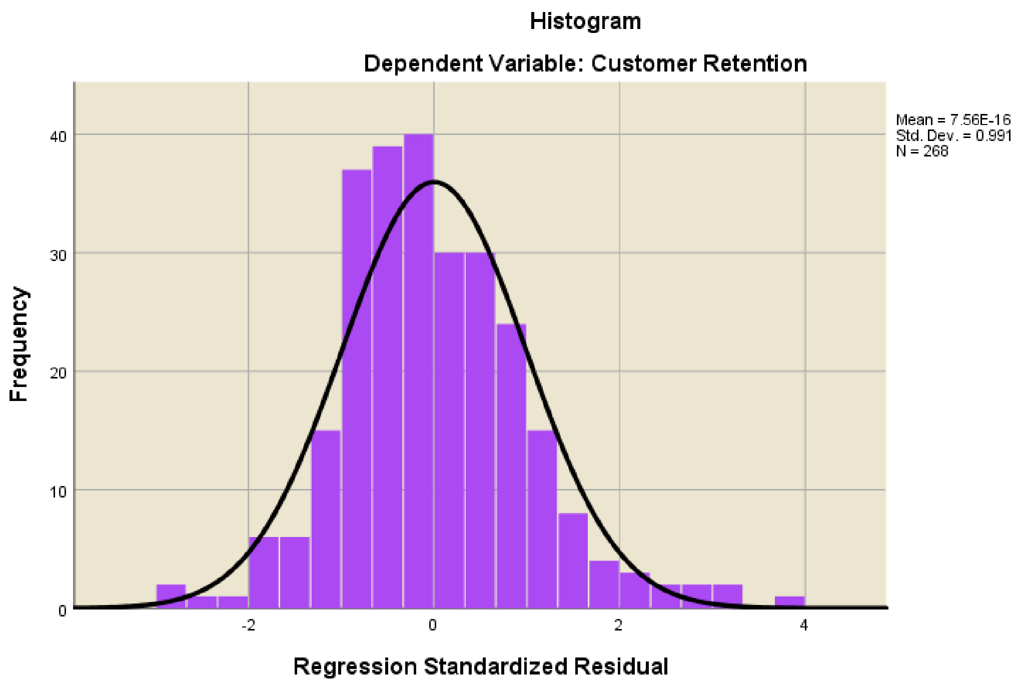


Figure 4.5.1.1 Histogram: Normality Test

With an eyeball test of the Q-Q-Plot of Z*PRED and Z*PRESID, the plot indicates that in the below multiple linear regression analysis there is no tendency in the error terms.

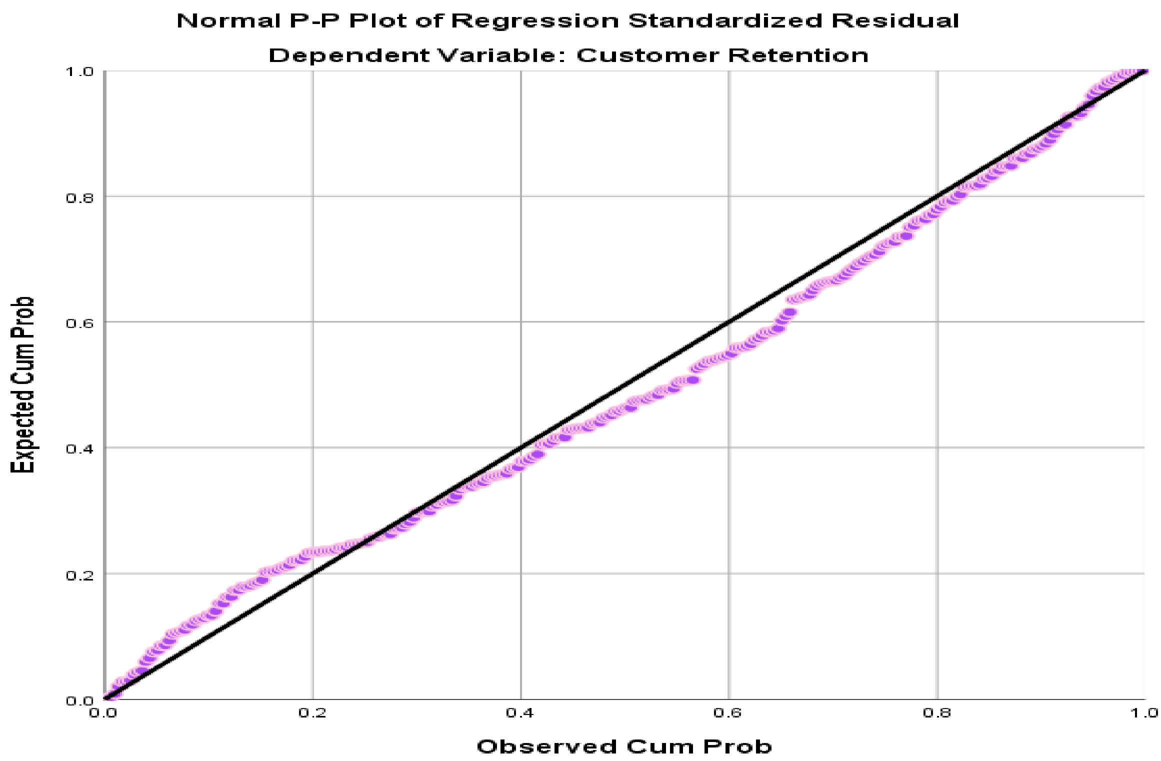


Figure 4.5.3 Normal P-P Plot of Regressions Standardized Residual

Figure 4.5.4 Scatterplot

Hence, the research finding indicate that there exist relationship between the Customer Retention and Trust. The multiple linear regression analysis found that Trust and Commitment have relevant explanatory power. Together the estimated regression model (Trust = 7.761 +

.307(T) + .249(CT)) explains 71% of the variance of Customer Retention with an adjusted R^2 of 66.6%. The regression model is highly significant with $p < 0.000$ and $F = 170.846$.

Collinearity Diagnostics[a]

				Variance Proportions					
Model	Dimension	Eigenvalue	Condition Index	(Constant)	Trust	Commitment	Satisfaction	Communication	Relationship Benefit
1	1	5.969	1.000	.00	.00	.00	.00	.00	.00
	2	.010	24.880	.00	.01	.06	.41	.02	.29
	3	.008	27.386	.00	.07	.01	.46	.46	.06
	4	.006	31.780	.16	.38	.00	.09	.52	.05
	5	.005	34.995	.73	.25	.15	.01	.00	.02
	6	.003	44.311	.10	.28	.78	.03	.00	.58

a. Dependent Variable: Customer Retention

Table 4.5.1 Regression analysis: Collinearity Diagnostics

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.3951	5.2146	4.7463	.34541	268
Residual	-.57461	.71985	.00000	.19129	268
Std. Predicted Value	-3.912	1.356	.000	1.000	268
Std. Residual	-2.976	3.728	.000	.991	268

a. Dependent Variable: Customer Retention

Table 4.5.2 Regression analysis: Residual Statistics

4.6 Correlation Analysis

At the beginning of Data Analysis and Interpretation, Section 4.1.2 the objectives of data analysis fall into three components the first two are covered in the previous sections: getting a feel for the data, and testing the goodness of data. The third objective, the hypotheses testing, will be presented in this section.

Based on the results of hypothesis tests, the association between the variables will be determined, and the hypotheses either be substantiated with the research finding or rejected. The Pearson correlation coefficient measures the degree of linear association between two variables, according to Hair et al. (2003), and its value varies between –1.00 and +1.00, with 0 representing absolutely no association between two variables, and –1.00 or +1.00 representing a perfect link between the two variables in question, and the higher the correlation coefficient, the stronger the level of association is. Sekaaran (2003) pointed out that the Pearson correlation coefficient is appropriate for interval- and ratio-scaled variables, and any bivariate correlation can be obtained.

The null hypothesis for the Pearson correlation states that there is no association between the two variables in the population and that the correlation coefficient is zero, and if the correlation coefficient is statistically significant, the null hypothesis is rejected, and you can conclude with some confidence that the two variables share some association in the population (Hair et al., 2003).

Pearson Correlation Coefficient

Pearson correlation coefficient makes several assumptions these are: two variables have been measured using interval or ratio-scaled measures; the nature of the relationship we are trying to measure is linear; and the variables to be analyze come from a bivariate normally distributed population (Hair et al., 2003).

Correlations[b]

		Trust	Commitment	Satisfaction	Communication	Relationship Benefit	Customer Retention
Trust	Pearson Correlation	1	.509**	.368**	.468**	.320**	.709**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
Commitment	Pearson Correlation	.509**	1	.407**	.435**	.666**	.712**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
Satisfaction	Pearson Correlation	.368**	.407**	1	.357**	.284**	.583**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
Communication	Pearson Correlation	.468**	.435**	.357**	1	.360**	.613**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
Relationship Benefit	Pearson Correlation	.320**	.666**	.284**	.360**	1	.530**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
Customer Retention	Pearson Correlation	.709**	.712**	.583**	.613**	.530**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

b. Listwise N=268

Table 4.6.1 Pearson Correlation for the determinants of customer retention

To properly evaluate the outcome of Pearson correlation coefficients of each constructs the rules of thumb as shown below are used in this research.

Range of Coefficient	Description of Strength
±.81 to ±1.00	Very strong
±.61 to ±.80	Strong
±.41 to ±.60	Moderate
±.21 to ±.40	Weak
±.00 to ±.20	None

Table 4.6.2 Rules of Thumb about the Strength of Correlation Coefficients

Source: Hair et al. (2003)

Thus according to the rules of thumb the Pearson correlations coefficient shown in the above table are used to test the hypothesis developed in this research as follows:

Based on the Pearson correlations coefficient result shown in the above table Trust and Customer retention are evaluated and their value, .709, is significant at the 0.01 level (2-tailed). That means these two variables are correlated at .709 which is statistically significant at the .000 level. And the two variables have strong relationship, since this coefficient value, .709, falls within the strong strength intensity level, as per the rules of thumb on the strength of the associations between the two variables. The result also indicate that since the value is positive, there is positive association between these two variables.

The Pearson correlation coefficient for Commitment and Customer Retention is determent as 0.712 which indicate that there is a positive and significant strong relationship between the two variables. This was also evidenced in other researches that Trust and Commitment both are considered to be central to relationship marketing (Morgan and Hunt 1994).

Satisfaction and Customer Retention have a value of .583 for the Person correlation coefficient, at the 0.01 level (2-tailed). In this case still there is a relationship between the two variables. These variables are correlated at .583 which is statistically significant at the .000 level. This result suggests that these two variables are moderately related to each other; and there is also a positive association between them.

The Pearson correlation coefficient table above shows that Communication and Customer Retention value is 613. As per the rules of thumb, based on the coefficient value there exist a positive and strong relationship between these two variables.

Relationship Benefit and Customer Retention have .613 as Pearson correlation coefficient at 0.01 level (2-tailed), i.e., with significant value at 0.000 lower than 0.05. This means that there is a moderate relationship exist between these two variables.

4.6.1 Multicollinearity

The characteristic of the data presents situation in which the independent variables are highly correlated among themselves is referred to as multicollinearity (Hair et al., 2003). Multiple regression is a correlational procedure that examines the relationships among several variables. Specifically, this technique enables researchers to find the best possible weighting of two or more independent variables to yield a maximum correlation with a single dependent variable (Ary et al., 2010).

Tolerance and VIF (variance inflation factor) both measures collinearity among variables. They tell us the degree to which each independent variable is explained by the other independent variables. If the tolerance value is smaller than .10 or the VIF is 10 or larger, it can be conclude that multicollinearity is a problem (Hair et al., 2003).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		β	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.337	.154		2.183	.030		
	Trust	.307	.033	.349	9.381	.000	.649	1.541
	Commitment	.249	.039	.293	6.456	.000	.435	2.299
	Satisfaction	.186	.026	.239	7.032	.000	.777	1.286
	Communication	.168	.029	.208	5.812	.000	.699	1.430
	Relationship Benefit	.065	.033	.081	1.999	.047	.548	1.825

a. Dependent Variable: Customer Retention

Table 4.6.1.1 Bivariate correlation analysis: Coefficients of the variables

As shown in the table above in the, Collinearity Statistics column, the smaller tolerance value is .435 which is beyond .10 and the maximum VIF value is 2.299 which is much smaller than maximum value that it can. Hence, we can assume that in this research there are no independent variable which are highly correlated among themselves, hence multicollinearity is not a problem and will not affect the research findings.

4.7 Regression Analysis

The correlation coefficient can be used to answer questions about the overall strength of the association and the direction of the relationship between the variables. There are instances, however, when these do not provide enough information to make decision. Hair et al. (2003) specified regression as one of the analysis method used to indicate the relationship in more detail. To make predictions about future effect, (1) extrapolation from past behavior of the variable; (2) simple guesses; or (3) use of a regression equation that compares information about related variables can be used. Extrapolation and guessing do not provide any means of explaining why.

Bivariate regression analysis is a statistical technique that uses information about the relationship between an independent or predictor variable and a dependent or criterion variable, and combines it with the algebraic formula for a straight line to make predictions. Particular values of the independent variable are selected, and the behavior of the dependent variable is observed. These data are then applied to the formula for a straight line.

The first assumptions behind regression analysis, just like correlation analysis, is that a linear relationship will provide a good description of the relationship between two variables. Second, even though the common terminology of regression analysis uses the labels ***dependent*** and ***independent*** for the variables, those names don't mean that we can say one variable causes the behavior of the other. Regression analysis uses knowledge about the level and type of association between two variables to make predictions. Statements about the ability of one variable to cause changes in another must be based on conceptual logic or information other than just statistical techniques.

Finally, the use of a simple regression model assumes (1) the variables of interest are measured on interval or ratio scales (except in the case of dummy variables); (2) these variables come from a bivariate normal population (the same assumption made by correlation analysis); and (3) the error terms associated with making predictions are normally and independently distributed. Taking these assumption into account the linear regression model is developed and discussed in the next sub section.

4.7.1 Regression analysis between the determinant factors of customer relationship

The bivariate regression analysis in the IBM© SPSS© version 25 produce five important tables. The first table is presents the descriptive statistics:

Descriptive Statistics

	Mean	Std. Deviation	N
Customer Retention	4.7463	.39485	268
Trust	4.6049	.44777	268
Commitment	4.5323	.46450	268
Satisfaction	4.4463	.50698	268
Communication	4.4487	.48857	268
Relationship Benefit	4.4655	.49052	268

Table 4.7.1.1 Regression analysis: Descriptive statistics

The Descriptive Statistics table displays the mean and standard deviation of the dependent variables (Trust, Commitment, Satisfaction, Communication and Relationship Benefit) and the same measures for the independent variable Customer Retention.

The second table shows the correlation coefficient for each independent variables and the dependent variable.

Correlations

		Customer Retention	Trust	Commitment	Satisfaction	Communication	Relationship Benefit
Pearson Correlation	Customer Retention	1.000	.709	.712	.583	.613	.530
	Trust	.709	1.000	.509	.368	.468	.320
	Commitment	.712	.509	1.000	.407	.435	.666
	Satisfaction	.583	.368	.407	1.000	.357	.284
	Communication	.613	.468	.435	.357	1.000	.360
	Relationship Benefit	.530	.320	.666	.284	.360	1.000
Sig. (1-tailed)	Customer Retention	.	.000	.000	.000	.000	.000
	Trust	.000	.	.000	.000	.000	.000
	Commitment	.000	.000	.	.000	.000	.000
	Satisfaction	.000	.000	.000	.	.000	.000
	Communication	.000	.000	.000	.000	.	.000
	Relationship Benefit	.000	.000	.000	.000	.000	.
N	Customer Retention	268	268	268	268	268	268
	Trust	268	268	268	268	268	268
	Commitment	268	268	268	268	268	268

Satisfaction	268	268	268	268	268	268
Communication	268	268	268	268	268	268
Relationship Benefit	268	268	268	268	268	268

Table 4.7.1.2 Regression analysis: Correlations

The correlations table as show above reveals that Trust, Commitment and Satisfaction are correlated at .709, .712, and .613 respectively (which are statistically significant at the .000 level). These results suggest that each of these three variables (Trust, Commitment and Satisfaction) variables are strongly related to customer retention—that is changes either in any of these variables (Trust, Commitment or in Satisfaction) is associated with changes in Customer Retention.

The third table, Model Summary, shows that the R-square for the first, second, third, fourth and fifth regression models are .502, .669, .728, .762, and .765 respectively. These R-square represent that the percentage of variation in one variable that is accounted for by another variable. Hence, Trust account for 50.2% of the total variation in Customer Retention. Similarly, Commitment, Satisfaction, Communication and Relationship Benefit each account for 66.9%, 72.8%, 76.2% and 76.6% respectively.

Model Summary[f]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.709[a]	.502	.501	.27904	.502	268.623	1	266	.000	
2	.818[b]	.669	.666	.22808	.166	133.119	1	265	.000	
3	.854[c]	.728	.725	.20691	.060	58.000	1	264	.000	
4	.873[d]	.762	.758	.19421	.033	36.674	1	263	.000	
5	.875[e]	.765	.761	.19311	.004	3.995	1	262	.047	1.583

a. Predictors: (Constant), Trust

b. Predictors: (Constant), Trust, Commitment

c. Predictors: (Constant), Trust, Commitment, Satisfaction

d. Predictors: (Constant), Trust, Commitment, Satisfaction, Communication

e. Predictors: (Constant), Trust, Commitment, Satisfaction, Communication, Relationship Benefit

f. Dependent Variable: Customer Retention

Table 4.7.1.3 Regression analysis: Model Summary

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.915	1	20.915	268.623	.000[b]
	Residual	20.711	266	.078		
	Total	41.626	267			
2	Regression	27.840	2	13.920	267.582	.000[c]
	Residual	13.786	265	.052		
	Total	41.626	267			
3	Regression	30.324	3	10.108	236.091	.000[d]
	Residual	11.303	264	.043		
	Total	41.626	267			
4	Regression	31.707	4	7.927	210.164	.000[e]
	Residual	9.919	263	.038		
	Total	41.626	267			
5	Regression	31.856	5	6.371	170.846	.000[f]
	Residual	9.770	262	.037		
	Total	41.626	267			

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Trust

c. Predictors: (Constant), Trust, Commitment

d. Predictors: (Constant), Trust, Commitment, Satisfaction

e. Predictors: (Constant), Trust, Commitment, Satisfaction, Communication

f. Predictors: (Constant), Trust, Commitment, Satisfaction, Communication, Relationship Benefit

Table 4.7.1.4 Regression analysis: ANOVA

The fourth table shown above, the ANOVA table, presents the F-ratio for each regression model that indicates the statistical significance of the overall regression model. The variance in Customer Retention that is associated with Trust is referred to as explained variance. The remainder of the total variance in Customer Retention that is not associated with Trust is referred to as unexplained variance. The F-ratio is the result of comparing the amount of explained variance to the unexplained variance. The larger the F-ratio, the more variance in the dependent variable that is associated with the independent variable. Hence, the F-ratio for first, second, third, fourth and fifth models are 268.623, 267.582, 236.091, 210.164, and 170.846 respectively which is significant at the .000 level.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	1.868	.176		10.586	.000
	Trust	.625	.038	.709	16.390	.000
2	(Constant)	1.022	.162		6.317	.000
	Trust	.412	.036	.468	11.382	.000
	Commitment	.403	.035	.474	11.538	.000
3	(Constant)	.629	.156		4.044	.000
	Trust	.360	.034	.408	10.721	.000
	Commitment	.334	.033	.393	10.140	.000
	Satisfaction	.213	.028	.273	7.616	.000
4	(Constant)	.414	.150		2.753	.006
	Trust	.303	.033	.344	9.215	.000
	Commitment	.294	.032	.346	9.286	.000
	Satisfaction	.186	.027	.239	7.003	.000
	Communication	.175	.029	.216	6.056	.000
5	(Constant)	.337	.154		2.183	.030
	Trust	.307	.033	.349	9.381	.000
	Commitment	.249	.039	.293	6.456	.000
	Satisfaction	.186	.026	.239	7.032	.000
	Communication	.168	.029	.208	5.812	.000
	Relationship Benefit	.065	.033	.081	1.999	.047

a. Dependent Variable: Customer Retention

Table 4.7.1.5 Regression analysis: Coefficients

The fifth table, the Coefficients table, shows the regression coefficient for each variables. The column labeled Unstandardized Coefficients indicates the unstandardized regression coefficient for the corresponding variable. For instance the unstandardized regression coefficient for Trust in the above table is .625. The column labeled Sig. shows the statistical significance of the regression coefficient, as measured by the t-test. The t-test examines the question of whether the regression coefficient is different enough from zero to be statistically significant. The t statistic is calculated by dividing the regression coefficient by its standard error (labeled Std. Error in the Coefficients table).

The Coefficients table also shows the result for the Constant component in the regression equation. This item is the ‘a’ term in the equation for a straight line. If the independent variable takes on a value of 0, the dependent measure would have a value of 1.868. Combining the results of the Coefficients table into a regression equation, thus the models for each construct is indicated below:

Model1:

Predicted value of CR = 1.868 + .625 (T) + .27904 (avg. error in prediction) at .000 sig

Where: CR = Customer Retention and

T = Trust Model3

In this first model the assumption is that all the independent variables are constant except Trust. According to Hair et al. (2003) the general definition of the regression coefficient that describes the relationship between one independent variable and the dependent variable of interest is that it signifies the average amount of change in the dependent variable associated with a unit change in the independent variable, assuming all other independent variables in the equation remain the same. The other models can be handles in the same fashion by considering the coefficient from the coefficients table above.

4.7.2 Multiple Linear Regression

As shown in the Scatterplot Matrix, figure 4.6.2.1 there is a linear relationship between the independent variables (Customer Retention) and the dependent variables in the multiple linear regression model.

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Relationship Benefit, Satisfaction, Trust, Communication, Commitment[b]	.	Enter

a. Dependent Variable: Customer Retention

b. All requested variables entered.

Table 4.7.2.1 Regression analysis: All required variables Entered mode

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.875[a]	.765	.761	.19311	1.583

a. Predictors: (Constant), Relationship Benefit, Satisfaction, Trust, Communication, Commitment

b. Dependent Variable: Customer Retention

Table 4.7.2.2 Linear multiple regression analysis: Model Summary

Figure 4.7.2.1 Scatterplot Matrix Customer Retention, Trust, Commitment, Satisfaction, Communication and Relationship Benefit

Table 4.6.2.1 above shows the multiple linear regression model summary and overall fit statistics. The adjusted R^2 of the model is .761 with the $R^2 = .765$. This means that the linear regression model with the independent variables explains 76.51% of the variance of the dependent variable. The Durbin-Watson d = 1.583, which is between the two critical values of 1.5 and 2.5 ($1.5 < d < 2.5$), thus it can be assumed that there is no first order linear autocorrelation in the multiple linear regression data in this research. Thus, regression model is applicable to conduct. Since all the independent variables are entered into the linear regression model the R^2 have the higher value.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.856	5	6.371	170.846	.000[b]
	Residual	9.770	262	.037		
	Total	41.626	267			

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Relationship Benefit, Satisfaction, Trust, Communication, Commitment

Table 4.7.2.3 Linear multiple regression analysis: ANOVA

The above table is the F-test, or ANOVA. The F-Test is the test of significance of the multiple linear regression. The F-test has the null hypothesis that there is no linear relationship between the variables (in other words $R^2=0$). The F-test of the Model is highly significant, thus we can assume that there is a linear relationship between the variables in this model.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for β		Collinearity Statistics	
		β	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.337	.154		2.183	.030	.033	.641		
	Trust	.307	.033	.349	9.381	.000	.243	.372	.649	1.541
	Commitment	.249	.039	.293	6.456	.000	.173	.325	.435	2.299
	Satisfaction	.186	.026	.239	7.032	.000	.134	.238	.777	1.286
	Communication	.168	.029	.208	5.812	.000	.111	.225	.699	1.430
	Relationship Benefit	.065	.033	.081	1.999	.047	.001	.129	.548	1.825

a. Dependent Variable: Customer Retention

Table 4.7.2.4 Linear multiple regression analysis: Coefficients

The Coefficients table above shows the multiple linear regression coefficient estimates including the intercept and the significance levels. Hence, the regression equation would be:

CR = .337 + .307 (T) + .249 (CT) + .186 (S) + .168(CN) + .065 (RB) + .19311 (avg. error in prediction)

Where: CR = Customer Retention
T = Trust
CT=Commitment
S = Satisfaction
CN = Communication
RB = Relationship Benefit

From the above model, for every increase in Trust, the Customer Retention will also increases by 0.307. Similarly, for every increase in any of the other variables: Commitment, Satisfaction, Communication, and Relationship Benefit; the Customer Retention will increases by .249, .186, .168, and .065 respectively.

Since all independent variables are entered in the analysis the Beta weights compare the relative importance of each independent variable in standardized terms. Thus Trust has a higher impact than the other independent variables.

4.8 Hypothesis Testing

Since all the testes with regard to the assumptions made to make use of regression and correlation analysis is warranted, that is the analysis test is qualified, that is, Significant at $P < 0.05$: Scale; Strong ($r>.5$), Moderate ($r=5$), Weak ($r < .5$). The table above shows correlation, the relationship between Customer Relationship Marketing and Customer Retention.

The coefficient of correlation table indicate the strength and dimension of association between two variables if relationship exists. To accept or reject a hypothesis the Standardized Coefficient β value shown in table 4.6.2.3 is important along with the significant value. Hence, the formulated hypothesis are either supported or not supported by taking the coefficient of correlation table, which signal strength and dimension, along with the coefficient of regression analysis β value. Thus:

- ✓ $H_{1,}$ the alternate hypothesis - Trust positively and significantly affects customer retention is supported with the research finding because $\beta=.349$; $p < .000$. Similarly, $H_{2,}$ the alternate hypothesis - Commitment positively and significantly affects customer retention is supported because $\beta = .293$ and $p < .000$.
- ✓ $H_{3,}$ the alternate hypothesis - Satisfaction positively and significantly affect Customer Retention is supported as the $\beta = .239$ and $p < .000$.
- ✓ The fourth alternative hypothesis, H_4 - Communication positively and significantly affect customer retention is also supported because the $\beta = .208$ and the $p < .000$.
- ✓ Finally, $H_{5,}$ the alternate hypothesis - Relationship benefit positively and significantly affects customer retention is supported as a result of its $\beta = .081$ and $p < .047$ values.

4.9 Discussion

Most research findings, as indicated in the review of related literature section; chapter 2; this research also confirms the association between customer relationship marketing and customer retention. Hence, research finding is consistent with those studies. Thus, the effect of the independent variables on customer retention in this research is modeled as:

$$\mathbf{CR = .337 + .307\,(T) + .249\,(CT) + .186\,(S) + .168(CN) + .065\,(RB) + .19311}$$

In this particular research customer retention has been greatly depend on Trust with the highest value of .307, followed by commitment .249. The contribution of satisfaction (.186), communication (.168) and relationship benefit (.065) though there effect on customer retention are significant but very minimal as compared to the other two independent variables.

From these it can been clearly seen that Trust is the most significant factor among the independent variables of customer retention used in this research, then commitment is the next most significant factor which is again followed by the other three variables. This research finding was consistent with the most known scholars in the area of customer relationship marketing (Morgan and Hunt, 1994; Berry and Parasuraman, 1991; While Dwyer et al., 1987). Similarly, (Buttle, 1996) indicated that commitment and trust are 'key' elements because they encourage marketers to work at preserving relationship investments by cooperating with exchange partners, resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and view potentially high risk actions as being prudent because of the belief that their partners will not act opportunistically.

Data analysis of this study shows that there is positive relationship among the independent variables: Trust, Commitment, Satisfaction, Communication, relationship benefit and customer retention.

4.10 Relationship between Personal Profile and Customer Retention

Since the measurement used for age, and number of years with the insurer are both used scale, Person Coefficient of Correlation can be used to determine association between them. Thus the table below show that there is no significant relationship between these two variables and customer retention; that is, both age, and number of years are insignificant to determine customer retention they both have the value of r = -0.039, -0.018. Hence there is no association between either age or total number of years being stayed with the insurer and customer retention.

Correlations between the independent variables (age, total number of years with the insurer) and the dependent variable (customer retention)

		Respondent age	Total number of year with the insurer	Customer Retention
Respondent age	Pearson Correlation	1	.273**	-.101
	Sig. (2-tailed)		.000	.098

	N	268	268	268
Total number of year with the insurer	Pearson Correlation	.273**	1	-.017
	Sig. (2-tailed)	.000		.779
	N	268	268	268
Customer Retention	Pearson Correlation	-.101	-.017	1
	Sig. (2-tailed)	.098	.779	
	N	268	268	268

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.10.1 Correlation Analysis for Personal Profile: Pearson Coefficient

The rules of thumb about the strength of correlation coefficients is determined to be Very strong if the Coefficient is between ±.81 and ±1.00, Strong if the coefficient is between ±.61 and ±.80, Moderate when the coefficient is between ±.41 and ±.60, weak when the coefficient is between ±.21 and ±.40, and there will be no relationship at all when the coefficient is between ±.00 and ±.20 (Hair et al., 2003). Hence, in the above table the relationship between age and customer retention is -0.101, which means there is no relationship between the two variables. Similarly the relationship between total number of years with the insurer and customer retention is -0.017 again there is no relationship between these two variables too.

Correlations Between the Independent Variables (Educational Level, Gender, General Insurance, Life Insurance, Micro Insurance, and Customer's Business Category), and the Dependent Variable (Customer Retention)

Since the data used for the profile are nominal, and the mean measure for customer retention is scale Person correlation cannot be used to determine the association. However, Kendall's tau_b can be used to determine the correlation (Hair et al., 2003). Thus, table below shows the statistical result for the same measure:

			Respondent maximum educational level	Respondent gender	General insurance service user.	Life insurance service user.	Micro insurance service user.	Customer's business category (classification)	Customer Retention
Kendall's tau_b	Respondent maximum educational level	Correlation Coefficient	1.000	-.048	-.043	.019	.041	.015	**.050**
		Sig. (2-tailed)	.	.430	.478	.752	.503	.795	.370
		N	268	268	268	268	268	268	268
		Correlation Coefficient	-.048	1.000	-.090	.022	.106	-.047	**.019**

Respondent gender	Sig. (2-tailed)	.430	.	.140	.724	.082	.423	.733
	N	268	268	268	268	268	268	268
General insurance service user.	Correlation Coefficient	-.043	-.090	1.000	-.725**	-.631**	-.209**	**.034**
	Sig. (2-tailed)	.478	.140	.	.000	.000	.000	.551
	N	268	268	268	268	268	268	268
Life insurance service user.	Correlation Coefficient	.019	.022	-.725**	1.000	-.078	.141*	**-.081**
	Sig. (2-tailed)	.752	.724	.000	.	.203	.016	.152
	N	268	268	268	268	268	268	268
Micro insurance service user.	Correlation Coefficient	.041	.106	-.631**	-.078	1.000	.144*	**.042**
	Sig. (2-tailed)	.503	.082	.000	.203	.	.014	.454
	N	268	268	268	268	268	268	268
Customer's business category (classification)	Correlation Coefficient	.015	-.047	-.209**	.141*	.144*	1.000	**-.034**
	Sig. (2-tailed)	.795	.423	.000	.016	.014	.	.534
	N	268	268	268	268	268	268	268
Customer Retention	Correlation Coefficient	.050	.019	.034	-.081	.042	-.034	1.000
	Sig. (2-tailed)	.370	.733	.551	.152	.454	.534	.
	N	268	268	268	268	268	268	268

**. Correlation is significant at the 0.01 level (2-tailed).

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

Table 4.10.2 Correlation Analysis for Personal Profile: Kendall's tau_b Coefficient

As shown in the table above there is no association between the independent variables and the dependent variable; educational level, gender, general insurance service use, life insurance service use, micro insurance servicer use, business category were used as independent variable and customer retention is the dependent variable.

Chapter Five

Summary, Conclusion and Recommendation

As per the organization of the study, this is the last section of the research; thus, the research summary, conclusion, recommendation and further research directions are presented as follows:

5.1 Summary

In this research the effect of customer relationship marketing on customer retention used by NISCO is thoroughly analyzed. The relationship strength and dimensions between the factors of customer retention were identified. These factors, which are considered as a major component of customer relationship marketing in most literatures were: Trust, Commitment, Satisfaction, Communication and Relationship Benefits. Trust and Commitments have been found central to relationship marketing in most research finding (Morgan and Hunt, 1994; Berry and Parasuraman, 1991; While Dwyer et al., 1987). The major research finding used in the study are summarized below:

- ✓ The constructs used in this study have significant effect on customer retention.
- ✓ Trust in the insurance industry has the most significant effect on customer retention.
- ✓ Commitment is the next most significant effect on customer retention next to trust.
- ✓ The other constructs have significant effect on customer retention.

5.2 Conclusions

This study examined the effect of customer relationship marketing on customer retention in the case of NISCO by using trust, commitment, satisfaction, communication, and relationship benefit as a determinant of customer retention. Based on the empirical research findings in this study, it can be concluded that customer relationship marketing has positive and significant effect on customer retention.

There are seventeen Insurance companies in the Insurance industry in Ethiopia. Zemen Insurance, which is under formation and close to commence its operation presumably in this fiscal year will make the total figure to rise up. The competition pattern in the Insurance industry is highly tied on premium cuts. Companies usually lower the premium charge which makes the industry somehow unstable. However, this research clearly pointed out that another dimension of competitive advantage is still possible through the application of customer relationship marketing to develop long-term relationship with existing customers. Thus, the lifetime value of their relationship payoffs both parties at a profit.

Customer relationship marketing has a positive and significant effect on customer retention. The effect of customer relationship marketing on customer retention of NISCO, as per this research finding is that, the company:

- ✓ As per the research finding, all the independent variables used in this study have positive and significant association with customer retention. Trust is the most influential factor to the existence of relationship marketing, and customer retention.
- ✓ Commitment is the next most important factor which can predict Customer Retention, followed by Satisfaction, Communication, and Relationship Benefit.

5.3 Recommendations

After a thorough analysis of the sample survey, which was considered relatively large sample size, major regression and correlational analysis were computed. The developed hypothesis has been tested and all alternate hypothesis were supported with the research findings. Existence of multicollinearity and multiple linear regression were checked but found none. The assumptions made to use statistics have also been tested, and those assumptions were evaluated and found valid to proceed.

All the factors used in this research are determined to have positive and strong association with customer retention. Although the data is collected only from NISCO, the finding of this empirical study can be generalized to those Insurance companies in the Ethiopian market as well. This is because the form of operation in the insurance industry is the same and relatively large sample data is considered for this study; also data was collected from all part of the nation hence the Insurance companies are highly recommended to:

- ✓ Built trust with their business customers; that is, the Insurer should maintain trust which shall result statistically significant role in the determination of customer retention. Hence, the Insurer should build its reputation, and need to be reliable to create confidence on integrity. The Insurer should make their policies and practices clear to their business customers. The Insurer also has to fulfill its obligations to its customers. Claims must be paid within reasonable time frame, and business customers must be warranted that they shall be indemnified upon accidental loss due to insured perils. And the company data about their business customer should be kept safe.

- ✓ Exert the maximum effort to show their determination toward relationship commitment generally with those selected business customers. Accordingly, the company should apply the right policy and practices in place, and should offers personalized services to meet its customers' need. The company should also need to be flexible enough whenever there is a service change. The Insurer also need to be flexible in serving its customers' needs and also need to update their services regularly.

- ✓ Provide maximum satisfaction level to their business customers. Thus the Insurer gets first hand choice by the business customers; that is, the Insurer gets share of mind and heart better than its competitors does. The Insurer shall let the business customers to feel comfortable for all the services.

- ✓ Should have a clear communication path to follow during underwriting and claim settlement; that is the insurer should provide timely, accurate and trustworthy information at all time. The Insurer should also provide early notice whenever there is any change with regard to policy in general.

- ✓ Should give relationship benefit to business customers thus both the Insurance Company and the Business customers will benefit in the long run. The insurer should promptly provide core service benefit as risk management and protections at all time. The insurer should also provide supplementary service benefits to business customers, the insurer should provide after sale service benefits such as training, risk management advice to its business customers. The insurer should also indicate that both parties have mutual benefits from their long-term relationship.

5.4 Future Research Directions

Though there is confusion still going on the terms of customer relationship marketing and customer relationship management, both are important in the sense that long-term relationship, customer retention, customer satisfaction, loyalty are the focus area. However, a further study will give scholars and managers clear difference or any between these concepts, hence a further study would have a paramount importance if the absolute difference, or similarity between customer relationship marketing and customer relationship management is determined.

The study of this research focused on a business-to-business model in the insurance industry, and a further study to evaluate the effects of customer relationship marketing either on individual customers or within professionals; specifically in the case of insurance industry how does customer relationship marketing leads to reinsurance arrangement deal closures. Thus, these research would give managers to make sound decision about their marketing activities and strategies.

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Appendices

Research Instrument

Appendix 1

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS SCHOOL OF COMMERCE
GRADUATE STUDIES, DEPARTMENT OF MARKETING MANAGEMENT

Questionnaire

Dear respondent, I would like to thank you for taking your time to fill the questionnaire. The purpose of this research is to study the effect of customer relationship marketing on customer retention in Insurance industry. This survey is designed as part of my work for a Masters of Art in Marketing Management at Addis Ababa University School of Commerce. All the information will be kept confidential and used **strictly** for academic purposes only.

CASE No: ____________________

Instruction:

Please, mark using either (☑), (☒), or (⊡) selection method based on your convenience in the appropriate box for your choice. Please, also make sure that your choice is visible.

Part I. General Information

1. How old are you? (Please, write your age in terms of years only). ______ (Years).

2. What is your maximum education level?

☐ Elementary School	☐ Diploma	☐ Doctoral
☐ High School	☐ Degree	☐ Professor
☐ Vocational School Certificate	☐ Masters	☐ Other

3. What is your gender?
   - ☐ Male
   - ☐ Female

4. How long have you been doing business with the insurer? ________ (Years)

5. What policy covers do you purchased from the insurer? (Please tick all that apply)
   - ☐ General Insurance (Motor, Workmen Compensation, Fire and Lightning, etc.)
   - ☐ Life Insurance
   - ☐ Micro-Insurance

6. In which business classification can your organization be categorized?
   - ☐ Governmental Organization
   - ☐ International NGO
   - ☐ Local NGO
   - ☐ Private Business
   - ☐ Religious Organization
   - ☐ Other

Part II: Elements of Customer Relationship Marketing

Please answer each statement below by putting a circle around the number or mark ((☑), (☒), or (⊡)) that best reflects your degree of agreement or disagreement with each statement.

Key:

1 = SD: Strongly Disagree

2 = D: Disagree,

3 = N: Neutral,

4 = A: Agree,

5 = SA: Strongly Agree,

1. Trust	**SD**	**D**	**N**	**A**	**SA**
1.1. The reputation of my insurer is trustworthy.	1	2	3	4	5
1.2. My insurer words and promises are reliable.	1	2	3	4	5
1.3. I have a confidence on the integrity of the insurer.	1	2	3	4	5
1.4. The policies and practices of my insurer are trustworthy.	1	2	3	4	5
1.5. My insurer fulfill its obligations to me.	1	2	3	4	5
1.6. My insurer pays claims within a reasonable time frame.	1	2	3	4	5

1.7. I am certain that I will be indemnified when loss occur.	1	2	3	4	5
1.8. I am certain that my insurer kept all my personal records secured.	1	2	3	4	5
2. Commitment	**SD**	**D**	**N**	**A**	**SA**
2.1. The insurer always applies the right policy and practices.	1	2	3	4	5
2.2. My insurer offers personalized services to meet my needs.	1	2	3	4	5
2.3. My insurer is flexible when its services are changed.	1	2	3	4	5
2.4. Other insurers approaches me with lower premium charges, but I still prefer to continue doing business with my current insurer.	1	2	3	4	5
2.5. My insurer is flexible in serving my needs.	1	2	3	4	5
2.6. The insurer mostly updates their service.	1	2	3	4	5
3. Satisfaction	**SD**	**D**	**N**	**A**	**SA**
3.1. Overall, I am very satisfied with my insurer.	1	2	3	4	5
3.2. If I had to do it all over again, I would still choose to use the insurer.	1	2	3	4	5
3.3. I am comfortable about the relationship with this insured.	1	2	3	4	5
3.4. I am very pleased with what my insurer does for me.	1	2	3	4	5
3.5. My experiences with the insurer have always been good.	1	2	3	4	5
4. Communication	**SD**	**D**	**N**	**A**	**SA**
4.1. My insurer provides timely and trustworthy information.	1	2	3	4	5
4.2. My insurer provides information if there are new insurance services.	1	2	3	4	5
4.3. Information provided by my insurer is always accurate.	1	2	3	4	5
4.4. My insurer provides early notice whenever there is change during policy renewal (change in policy or premium payment).	1	2	3	4	5
5. Relationship Benefits	**SD**	**D**	**N**	**A**	**SA**
5.1. The insurer promptly provides me such core service benefit as risk management and protections.	1	2	3	4	5
5.2. The insurer always provide me such supplementary service benefits as easy and convenient to my business operation.	1	2	3	4	5

5.3. The insurer provides me such after sale service benefits as training, risk management advice etc… whenever necessary.	1	2	3	4	5
5.4. To the best of my knowledge, I and my insurer have mutual benefits from our relationship.	1	2	3	4	5

Part III Customer Retention

Please, also indicate your agreement or disagreement level for the next statements, using the same method of selection as the previous section, concerning your interest to continue doing business with the insurer.

6. Customer Retention	**SD**	**D**	**N**	**A**	**SA**
6.1. My insurer is my first choice for any insurance service need.	1	2	3	4	5
6.2. My relationship with the insurer is important to me.	1	2	3	4	5
6.3. I would recommend my insurer to others (friend, family…).	1	2	3	4	5
6.4. I plan to continue my relationship with my insurer in future.	1	2	3	4	5
6.5. I have said positive things about my insurer to others.	1	2	3	4	5

Thank you again for your participation in this research.