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**FACTORS AFFECTING CUSTOMER'S DECISION TO RENEW A
GENERAL INSURANCE POLICY: THE CASE OF SELECTED PRIVATE
INSURANCE COMPANIES IN ADDIS ABABA, ETHIOPIA**

By: Mulugeta Belete

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Fulfillment of the Requirement of the Degree of Master of Business
Administration**

Advisor: Abera Legesse (PhD)

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Addis Ababa, Ethiopia

DECLARATION

I, Mulugeta Belete, declare that this thesis entitled “**Factors Affecting Customer’s decision to renew a General Insurance policy: The Case of Selected Private Insurance Companies in Addis Ababa Ethiopia**” is done by me and it has not been submitted for any degree to any other institution or university. I also confirm that all sources of materials used for this thesis has been properly acknowledged.

Declared by Mulugeta Belete

Signature-----

Date-----

CERTIFICATION

This is to certify that Mulugeta Belete performed under my supervision on the research paper “Factors Affecting Customer’s decision to renew a General Insurance policy: The Case of Selected Private Insurance Companies in Addis Ababa Ethiopia”. I certify that this thesis is his original work and can be submitted for partial fulfillment of the requirements for the award of Masters of Art in Business Administration.

Approved by Board of Examiners

Dr. Abera Legesse
Advisor

 Signature

 Date

Dr. Tilahun Teklu
Internal Examiner

 Signature

 Date

Dr. Taye Amogne
External Examiner

 Signature

 Date

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ABSTRACT

This research was about “ Factors Affecting Customer’s decision to renew a General Insurance Policy: The Case of Selected Private Insurance Companies in Addis Ababa, Ethiopia” and their effect on customer retention and their factors, The major purpose of the research is to investigate the factors affecting independent variables on customer decision’s to renew of selected private insurance companies in Addis Ababa and also their reactions towards customer satisfaction, trust, switching barriers, price, brand image, and the dependent variable (customer retention). Both explanatory and descriptive research designs were adopted for the study by using a quantitative approach. The study focused on a target population of customers of the selected private insurance companies in Addis Ababa, Ethiopia, where the companies were selected based on market share using a multi-stage sampling method. The convenience sampling method was used to select respondents because the population of the insurance companies could not be available at the same time. Primary data was collected from the customers of selected insurance companies through structured questionnaires. The data collected from questionnaires was analyzed using the statistical package for social science (SPSS) version 25, and the findings were interpreted based on the listed hypothesis and regression model and descriptive and inferential statistics. The findings of the study indicated that customer satisfaction, trust, switching barriers, price, and brand image are the factors that have positive and significant effects on customer retention of selected private insurance companies at a 95% confidence level.

Keywords: Customer Satisfaction, Trust, Switching Barriers, Price, Brand image, Customer Retention

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ACRONYMS

ANOVA: Analysis of variance

SPSS: Statistical Package for Social Science

NBE: National Bank of Ethiopia

CS: Customer Satisfaction

T: Trust

SB: Switching Barrier

P: Price

BI: Brand image

CR: Customer Retention

EDT: Expectancy Disconfirmation Theory

SD: Standard Deviation

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

According to (Kotler et al., 2008), In order to succeed, businesses must implement effective marketing strategies. Firms have traditionally focused their marketing strategies on attracting new customers and increasing their market share. However, as a result of globalization, most industries and markets are becoming increasingly competitive, necessitating significant changes in the way businesses operate. To retain customers in industries with high competition, such as insurance in Ethiopia, businesses must meet the needs and expectations of each individual customer.

A business can pursue a variety of other goals, but its very survival every business depends on how well it can capture and retain its market in order to increase its revenues. Customer satisfaction has been identified as a necessary foundation for the company to retain existing customers. Customers are the driving force behind any company's success, and their management will ensure the company achieves its profit goal. Customer retention is thus a major concern for any business in today's competitive environment (Hauser et al., 1994). Customer retention is critical for a business to thrive in today's competitive business world. One must constantly adapt better strategies and, more specifically, improved mechanisms to eventually seize the organization's accustomed clients, thus attracting potential customers in the future (Yu et al., 2017).

Insurance products have become largely commoditized, and customers frequently choose their insurer based solely on price. With little differentiation between product offerings, insurance companies find it extremely difficult to retain customers, resulting in low loyalty and increased costs. Furthermore, attracting new members is more difficult and costly than retaining existing ones. Acquiring new customers can cost five times as much as satisfying and retaining existing customers (Kotler & Keller, 2009).

In the highly competitive insurance industry, the retention of customers plays a crucial role in the success and growth of companies. Customer retention refers to the ability of companies to retain

existing customers and prevent them from switching to competitors. Research has shown that customer retention can have a significant impact on the profitability of companies, with an increase of just 5% in customer retention resulting in a 50% boost in lifetime customer profits on average across multiple industries, including the insurance sector(Ashraf et al., 2020).

As the insurance industry continues to grow and expand globally, understanding the factors that affect customer retention has become an area of great interest and importance. In the United Kingdom, the insurance industry is concerned about low customer retention rates, which have been attributed to extensive customer dissatisfaction and skepticism about the quality of delivered services. In Africa, the insurance industry is experiencing notable growth and development. As the middle class continues to expand and the demand for insurance products increases, insurance companies are focusing on strategies to retain their customers. They recognize that retaining existing customers is more cost-effective than acquiring new ones. Research in Africa has highlighted the need for insurance companies to improve customer awareness of various insurance plans, ensure timely enrollment and renewal processes, and educate vulnerable segments to ensure proper utilization of insurance services(Jahnert & Schmeiser, 2022).

The insurance industry in Ethiopia is no exception to the importance of customer retention. As the insurance market in Ethiopia continues to grow and become more competitive, insurance companies are recognizing the need to focus on retaining their existing customers. Customer retention in the insurance industry is particularly vital due to the high acquisition costs associated with acquiring new customers(Jahnert & Schmeiser, 2022).

Research conducted on the insurance sector in Ethiopia has identified trust as a major issue affecting customer retention. The low level of trust observed in the insurance industry has resulted in a decrease in the number of customers and a negative impact on companies' premium. This condition has forced insurance companies in Ethiopia to prioritize customer loyalty and improve trust among their customers. In order to understand how these factors influence customer retention, it is important to examine previous research conducted on customer retention in various industries, such as the insurance sector. Furthermore, it is important to analyze the relationship between customer satisfaction and customer retention, as previous studies have

suggested that high levels of customer satisfaction lead to increased customer retention. Retention of customers gives greater benefits over the acquisition of new customers(Ashraf et al., 2020).

In the insurance domain, switching barriers exert a significant influence on customer retention dynamics. High switching costs, such as penalties for policy termination or administrative complexities, dissuade customers from exploring alternative insurance providers, thereby bolstering retention levels. Similarly, strong interpersonal relationships built on trust, rapport, and personalized services create a sense of attachment and loyalty among customers, mitigating their inclination to switch insurers(Fekadu & Alemayehu, 2019).

In the insurance sector, price represents the cost of coverage to customers, often in the form of premium payments. Price sensitivity, or the degree to which customers react to changes in price, varies among policyholders and can significantly influence their decisions to renew policies or switch insurers. Lower prices or competitive pricing strategies may attract new customers and contribute to initial policy purchases. However, the sustainability of customer relationships depends on more than just initial pricing incentives. Long-term customer retention hinges on the perceived value proposition offered by insurers, which includes not only price but also service quality, coverage options, and overall customer experience(Kassahun & Tadesse, 2018).

Brand image encompasses the collective perceptions, associations, and reputation that customers attribute to an insurer's brand. A strong brand image instills trust, confidence, and loyalty among policyholders, fostering enduring relationships and reducing the likelihood of churn. Insurance companies with a positive brand image are better positioned to attract and retain customers, as their brand serves as a symbol of reliability, stability, and quality service (Tadesse & Solomon, 2017).

This study aims to fill gaps in the existing literature by specifically, limited research in Ethiopian context there is a scarcity of studies specifically examining customer retention factors within the Ethiopian insurance industry, leaving a gap in understanding the unique drivers of customer loyalty in this market(Kassahun & Tadesse, 2018). Neglect of emerging markets existing literature on customer retention predominantly focuses on developed countries, overlooking the

distinct socio-economic and cultural dynamics of emerging markets like Ethiopia(Tadesse & Solomon, 2017). Lack of specificity in retention determinants, studies exploring customer retention in emerging markets often lack specificity regarding the factors influencing retention within the insurance sector, necessitating research tailored to the Ethiopian context(Mengistu & Birhanu, 2020). Insufficient empirical evidence despite the importance of customer retention for insurance companies in Ethiopia, there is a notable gap in empirical studies that provide actionable insights based on data-driven analysis of retention factors(Tadesse & Maru, 2020).

These literature gaps highlight the need for comprehensive research that specifically investigates the factors influencing customer retention in the Ethiopian insurance industry, providing empirical evidence and actionable recommendations for insurers operating in this market.

1.2 Statement of the Problem

Most marketing theories and practices are geared toward acquiring new customers rather than keeping existing ones. Traditionally, the emphasis has been on sales rather than relationship building. However, some businesses have always prioritized customer loyalty and retention. Customers' satisfaction and retention are becoming increasingly important to businesses. Customer retention can be improved by either establishing high switching barriers or providing high levels of customer satisfaction(Kotler, 2000).

Knowing the worth of a customer is especially important in the insurance industry. Customer retention is fewer expensive than acquiring new customers. Because it takes several years for a customer to become profitable to an insurance company, it is critical that customers do not leave the company prematurely. A targeted and specific marketing approach to the company's most valuable customers can result in cost savings. Taking into account the cost of acquisition and the customer's long-term return, a 10% increase in customer retention can result in a 30% increase in pre-tax profitability. In comparison, a 10% improvement in acquisition only results in a 3% improvement(Lytle, 2008).

Currently in Ethiopian insurance sector, customers may easily switch from one company to another, and all of these insurance industries essentially provide similar services, posing a challenge to in terms of retaining their existing customers. According to Nile insurance company annual report 2021/2022 from the target renewal business of 48,764policies 29,308policies are

renewed which means 19,456(40%) of policyholder did not renewed their policies and 2022/2023 annual report from the target renewal business of 50,508 policies 31,301 policies are renewed which means 19,207(38%) of policyholder did not renewed their policies. In Addition according to Nib insurance annual report 2021/2022 from the target renewal business of 39,450 policies 23,405 policies are renewed which means 16,045(40.67%) of policyholder did not renewed their policies and 2022/2023 annual report from the target renewal business of 47,900 policies 30,467 policies are renewed which means 17,433(36%) of policyholder did not renewed their policies.

The longer a customer stays with a company, the more valuable the company becomes revenue generation, repeat business, word of mouth referrals, and competitive advantages.. Long-term customers can buy more policies, consume less of a company's time, are less price sensitive, and bring in new customers. Customer retention, however, has become a challenge for Addis Ababa Ethiopian insurers. Given these challenges, the purpose of this research is to examine the role of customer retention factors in Addis Ababa Ethiopia's insurance sector. This research is trying to investigate, identifying and analyzing the factors that affect customer retention for the growth of market share and profitability in Addis Ababa Ethiopian insurance industry and it is useful to focuses in this area for further development of the insurance industry.

This study will be prompted by a lack of empirical and secondary data analysis in the relationship between the customer retention and factors the case of insurance companies in Addis Ababa Ethiopia. The researchers thoroughly investigated insurance research in Addis Ababa Ethiopian contexts and discovered very little literature.

This study will fill a knowledge gap in this area. Several studies have shown that improving quality and customer satisfaction results in better financial performance for business. However, more and more researchers have realized that Price and trust worthiness are the most important factors to form customer retention(Sarwar et al., 2012).

In the insurance industry of Ethiopia, customer retention has become a critical concern for insurance companies. Despite efforts to attract and acquire new customers, retaining existing customers remains a challenge. There is a lack of comprehensive understanding regarding the

factors that significantly influence customer retention in the Ethiopian insurance market. Without a clear understanding of these factors, insurance companies may struggle to develop effective strategies to enhance customer retention and sustain long-term business growth. The existing literature on customer retention in the insurance industry predominantly focuses on developed countries, with limited research conducted in the context of emerging markets such as Ethiopia. Additionally, studies specific to the Ethiopian insurance sector are scarce, further exacerbating the gap in knowledge regarding the determinants of customer retention in this unique market environment(Azize, 2015).

Therefore, the problem addressed by this research is to investigate the factors affecting customer retention in the Ethiopian insurance industry, with a focus on customer satisfaction, trust, switching barriers, price, and brand image, and to examine their impact on customer retention.

1.3 Research Question

- ✓ What is the effect of customer satisfaction on customer retention?
- ✓ What is the effect of trust on customer retention?
- ✓ What is the effect of switching barriers on customer retention?
- ✓ What is the effect of price on customer retention?
- ✓ What is the effect of brand image on customer retention?

1.4 Objectives of the Study

1.4.1 General Objectives

The general aim of the research used to determine the major factors that influence customer decision's to renew a general insurance policy on selected private insurance companies in Addis Ababa Ethiopia.

1.4.2 Specific Objectives

Specific objectives are:

- ✓ To determine the effect of customer satisfaction on customer retention.
- ✓ To analyze the effect of trust on customer retention.
- ✓ To examine the effect of switching barriers on customer retention.
- ✓ To determine the effect of price on customer retention.
- ✓ To examine the effect of brand image on customer retention.

1.5 Significance of the Study

This research provides knowledge on factors affecting customer decision's to renew a general insurance policy in case of selected private insurance company in Addis Ababa Ethiopia. More specifically, there is no sufficient research has been conducted regarding to this topic. Therefore, the outcome/conclusion of the research and recommendations would help for future researchers as base line studies and for reference purposes. In line with this, the study would help to insurance stockholders and insurance associations as it provides actionable insights for strategic decision-making, helps in the development of effective retention strategies, contributes to competitive advantage and long-term financial performance, and enhances stakeholder confidence and reputation. Furthermore, this study rewards the researcher a partial fulfillment of master of business administration from Addis Ababa University.

1.6 Scope of the Study

The scope of the study was focused on only five customer decision's to renew factors; customer satisfaction, trust, switching barriers, Price, and brand image. However, these five factors are found to be very critical and have a great attachment with customer retention and that have been identified in previous research as significant predictors of customer retention. In Addis Ababa Ethiopia, there were 17 private insurance companies in business. Nevertheless, the study was only conducted on four private insurance companies, which was choosing based on market share. The study was being applied in Ethiopian insurance company customers of these selected private insurance companies only in Addis Ababa including head offices and city branches. Quantitative research approach and both explanatory and descriptive research design were used to identify the factors affecting customer retention.

1.7 Definitions

Customer is an individual or entity that purchases an insurance policy from an insurance company in exchange for premium payments(Smelser & Swedberg, 2010).

Retention: retention refers to the ability of an insurance company to maintain existing policyholders by renewing their insurance policies(Rejda, 2005).

Customer Retention: Customer retention refers to the strategies and efforts employed by insurance companies to retain existing policyholders and prevent them from switching to competitors(Stanek et al., 2003).

Customer Satisfaction: Customer satisfaction refers to the degree to which policyholders feel content with their insurance company's products, services, and interactions(Anderson et al., 1994).

Trust: refers to the confidence and reliance that policyholders have in their insurance company to fulfill its promises, including providing coverage as outlined in the policy and handling claims fairly and efficiently(Parasuraman et al., 2005).

Price: Refers to the amount of money policyholders pay in exchange for insurance coverage(Lemaire, 2005).

Brand image: brand image" refers to the perceptions, beliefs, and impressions that customers and potential customers hold about an insurance company's brand. It encompasses the company's reputation, values, service quality, customer experiences, and overall identity as perceived by stakeholders(Keller, 2013)

Switching barriers: refers to any factor or condition that makes it difficult or costly for policyholders to switch from one insurance provider to another(Shapiro & Varian, 1999).

1.8 Organization of the Study

The paper was organized into five chapters.

This research is organized into five chapters. The first chapter presents the background of the study, statement of the problem, research objectives, scope of the study, and significance of the study. The second chapter came up with, review of related literature which contained the relevant literature compiled as related to the study. The third chapter discusses research methods were employed and it embraced research design, sampling techniques, data collection method and tools, data interpretation and presentation methods. Chapter four deals with the results and discussion of collected data and the final chapter, chapter five, conclusion, recommendation, and limitation and further work are presented.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2. Introduction

This Chapter reviews literatures relevant to the study. The purpose is to provide the relevant literature in the field of customer retentions, and to develop an appropriate conceptual framework showing the hypothesized relationship between independent variables and customer retention.

2.1 Concept of Insurance

The term insurance refers to a firm's financial loss protection; it is primarily used to protect a firm from the risk of an uncertain loss. This service is typically provided by an insurance company, also referred to as an insurer, insurance carrier, or underwriter. An entity that purchases insurance is known as an insured or a policyholder(Agbo & Agbaji, 2019).

Insurance is essential in a free-market economy. It protects society from the financial consequences of mishaps to life and property. The insured pays a relatively small amount, known as a premium, to the insurer, who then issues an insurance policy in which the insurer agrees to reimburse the insured for any losses covered by the policy. It is the process of spreading the risk of economic loss among as many people as possible who face the same risk, and it is based on probability and large numbers. There are numerous perils to society, including earthquakes, hurricanes, tornadoes, floods, droughts, arson, theft, fraud, vandalism, contamination, pollution, and terrorism. Insurers can provide coverage for almost any predictable loss. Having the right insurance is one of the wisest decisions any business owner can make. Not only does this protect the cost of business assets from risks that could very well reduce them to nothing if a disaster struck, but it also protects the cost of personal assets, which are frequently on the line in terms of liability(siegel & yacht, 2010)

Insurance is an important tool for dealing with the financial consequences of risk. It has traditionally been defined as the business of converting event (insurable) risks through the use of a two-party contract. Insurance is a mechanism for transferring the cost of risk rather than the risk itself. A contract in which one party purchases the right to be indemnified by another party for insured losses is known as an insurance contract. Insurance companies act as risk converters.

Insurance companies provide financial innovations to their customers, allowing them to transform their risks(Culp, 2002).

The insurance industry is a vital financial institution that helps a country's economy growth, According to (Pfeffer & Klock,1974)insurance has a long history, and insurance has its beginnings in ancient Babylon. According to(Venugopal,2018)Insurance provides numerous benefits to individuals, families, organizations, and the country as a whole. Firstly, insurance companies are business organizations, and as such, they strive to remain profitable and create value for their owners, creditors, managers, and employees. Governments will benefit from tax collection as well. Organizations will be protected against a variety of risks; insurance allows such organizations to continue to exist. Insurance is a fundamental risk management tool.

2.2 Insurance Industry in Ethiopia

Insurance companies provide unique financial services to every economy's growth and development. In Ethiopia, the insurance industry serves as an important intermediary in terms of risk transfer, increasing private investment, creating job opportunities, and ensuring various development-related projects(Berhe & Kaur, 2017).

In Ethiopia, the first domestic insurance company, namely, Imperial Insurance Company started is suing policies in fire, life, and general accident since 1951.It also under scored a turning point in the history of insurance business that ended in the issuance of the Commercial Code of Ethiopian 1960. The insurance sector during the command economic system was characterized by monopoly of the sector by the government and reliance on a couple of classes of insurance business (motor and marine) for much of gross premium income. Later, proclamation No. 86/1994 us hered a new era in the history of insurance business in which Ethiopian insurance market has become an arena where the public and private insurance companies. In addition to the 1994 proclamation, a new insurance business proclamation (Proclamation No 746/2012) enacted in the year 2012 to further support the development of the sector.

Currently In Ethiopia, there are 18 insurance companies,out of the 18 insurance companies one is state owned and 17 is private owned insurance companies with 632 branches after opening 27 new branches in 2020/21.8 are general insurance providers and the remaining are composite insurance companies (which provides both general and long-term(life) insurance business). Approximately 54.6 %t of total insurance branches in Addis Ababa. Private insurance companies

made up 85.8 % of the total. Insurance companies increased their total capital by 14.7 % to Birr 11.1 billion, with share of private insurance companies is 73.6% and public insurance company is 26.4 percent(NBE annual report, 2020/21).

The Ethiopian insurance market will remain at an embryonic stage of development over the medium term, characterized with low levels of insurance penetration and density. The market is dominated by non-life insurance (91.91%), with life insurance only accounting for 8.1% of total insurance premium written. Both life and non-life insurance are growing from a very low base and have continued to be heavily dependent on the update of coverage among the relatively small middle class (NIC annual report, 2021/2022).

2.3 Theoretical Literature Review

2.3.1 The Expectancy Disconfirmation Theory (EDT)

The Expectancy Disconfirmation Theory (EDT) posits that customer satisfaction is influenced by the comparison between customers' pre-purchase expectations and their actual post-purchase experiences. According to this theory, if a customer's perceived performance of a product or service exceeds their initial expectations, they are likely to experience positive satisfaction and be more inclined to remain loyal to the provider. According to (R. L. Oliver, 1980) seminal work on the Expectancy Disconfirmation Theory laid the foundation for understanding the relationship between customer satisfaction and retention. Oliver proposed that satisfaction is determined by the disconfirmation of expectations, where satisfaction occurs when the perceived performance of a product or service exceeds expectations, and dissatisfaction arises when perceived performance falls short of expectations.

Overall, the Expectancy Disconfirmation Theory provides a theoretical framework for understanding how customer satisfaction influences retention. By exceeding customer expectations and consistently delivering high-quality products or services, companies can enhance satisfaction levels and foster long-term customer relationships.

2.3.2 Trust-Commitment Theory

This theory suggests that trust is a fundamental component of customer commitment to a brand or provider, leading to increased customer retention. (Morgan & Hunt, 1994) developed the Trust-Commitment Theory, proposing that trust serves as a foundation for developing strong

interpersonal relationships between buyers and sellers. According to this theory, when customers perceive a high level of trust in an organization, they are more likely to develop a sense of commitment to that organization, resulting in continued patronage and loyalty. Moreover, the Trust-Commitment Theory emphasizes the role of trust in mitigating perceived risks associated with transactions and interactions with a company. When customers trust an organization, they feel confident in the company's ability to deliver on its promises, provide reliable products or services, and handle any issues or concerns that may arise.

In summary, the Trust-Commitment Theory provides a theoretical basis for understanding how trust influences customer retention. By cultivating trust among customers through transparent communication, reliable service delivery, and ethical business practices, companies can foster long-term relationships and increase customer retention rates.

2.3.3 Lock-in Theory

The Lock-in Theory, also known as the Lock-in Effect or Switching Cost Theory, posits that customers are less likely to switch to alternative providers when they have invested significant resources, time, or effort into a particular product or service. The presence of switching costs, which can be financial, psychological, or procedural in nature, creates barriers that inhibit customers from switching to competitors, thereby increasing customer retention. According to (Farrell & Klemperer, 2007) explores the concept of switching costs and their impact on customer behavior. The authors argue that switching costs can arise from various sources, including contractual commitments, learning curves, or network effects, and can significantly influence market dynamics by reducing customer churn and fostering supplier lock-in.

Overall, the Lock-in Theory provides valuable insights into the mechanisms through which switching costs influence customer retention. By understanding the factors that contribute to lock-in effects, companies can develop strategies to enhance customer loyalty, minimize churn, and maintain a competitive edge in the market.

2.3.4 Social Exchange Theory

This theory posits that individuals engage in relationships based on the perceived costs and benefits associated with those relationships. In the context of customer-provider relationships, interpersonal relationships play a crucial role in fostering customer loyalty and retention. Social

Exchange Theory suggests that when customers perceive positive interpersonal relationships with a company or its representatives, they are more likely to develop a sense of loyalty and commitment to that organization. This loyalty stems from the reciprocity inherent in social exchange, where customers feel obligated to continue their relationship with the company in return for the positive experiences and support received.

Moreover, the quality of interpersonal relationships can influence customers' emotional attachment to a brand or provider. Research by(Liao & Wang, 2009) in the hospitality industry found that strong interpersonal relationships between service providers and customers contribute to increased customer satisfaction and loyalty. Customers who feel valued, respected, and understood by company representatives are more likely to remain loyal and continue patronizing the organization. Social exchange theory provides a theoretical basis for understanding how interpersonal relationships influence customer retention. By investing in building strong, positive relationships with customers, companies can enhance customer loyalty, satisfaction, and long-term retention.

2.3.5 Price Sensitivity Theory

The Price Sensitivity Theory suggests that consumers' willingness to purchase a product or service is influenced by its price. It posits that consumers evaluate the value they receive from a product or service relative to its price, and their sensitivity to price changes varies depending on various factors such as income, preferences, and the availability of substitutes. When it comes to customer retention and pricing, there's a delicate balance to strike. While offering discounts or lowering prices might attract more customers in the short term, it can also devalue your product or service in the eyes of existing customers who may have paid a higher price. This can potentially lead to dissatisfaction and erosion of customer loyalty.

According to research by (Reichheld & Schefter, 2000)titled "E-loyalty: Your secret weapon on the web," customer retention is crucial in the online marketplace. They argue that establishing loyalty among customers can significantly impact a company's profitability and long-term success. In the context of pricing, maintaining customer loyalty often involves strategies beyond simply offering the lowest price, such as providing excellent customer service, building brand trust, and offering unique value propositions that differentiate your product or service from competitors. In summary, while price sensitivity theory highlights the importance of pricing in

consumer behavior, customer retention strategies should consider the broader implications of pricing decisions on long-term customer relationships and overall brand value.

2.3.6 Brand Equity Theory

Brand equity theory posits that a brand holds value beyond its functional benefits, encompassing consumers' perceptions, emotions, and experiences associated with the brand. It includes factors such as brand awareness, perceived quality, brand associations, and brand loyalty. Maintaining and enhancing brand equity is crucial for businesses as it can positively impact customer behavior and financial performance. In the context of customer retention and brand image, brand equity theory suggests that a strong brand image can contribute to higher levels of customer loyalty and retention. When customers have positive perceptions of a brand, they are more likely to repurchase from that brand and recommend it to others.

According to (Keller, 1993), "Conceptualizing, Measuring, and Managing Customer-Based Brand Equity," brand image is a key component of brand equity. Keller emphasizes the importance of understanding how consumers perceive a brand and how those perceptions influence their behavior. A favorable brand image can serve as a competitive advantage, leading to increased customer retention and loyalty. To maintain and strengthen brand image, businesses need to consistently deliver on their brand promises, provide exceptional customer experiences, and actively manage their brand reputation. By doing so, they can cultivate positive associations and emotional connections with customers, which can ultimately lead to greater customer retention and brand loyalty.

In summary, brand equity theory underscores the significance of brand image in customer retention. By building a strong and positive brand image, businesses can foster long-term relationships with customers and differentiate themselves from competitors.

2.4 The Concept of Customer Retention

Customer retention refers to the process of influencing customers to remain loyal to a certain business and make it repurchase product from this company(Danish et al., 2015).The idea that retaining current customers is less expensive than acquiring new ones is the basis for the financial impact of customer retention. For new consumers, various charges, such as advertising, operating costs, and promotions, happened(Anderson, 1994).

Customer retention is one of the most significant aspects of marketing, which explains how much service provider can pay for to carry out the retention program among current customers(Qadri et al., 2014).Any company's profitability is directly impacted by customer retention. The more customer retention the profitability in organization increases(Banik& Sinha, 2020).

Customer retention is an activity that a company engages in to reduce customer defections. Customer retention not only makes the insurance company profitable, but it also helps offset the costs of new customer recruitment advertising and marketing. Retaining the right policyholder is critical to profitability. Because the cost of acquiring new customers can be up to 10 times that of retaining existing ones, even a small increase in retention rates can add millions of dollars to premium revenue, whereas an increase in lapse rates for unprofitable customers can significantly improve an insurer's combined ratio(Nagar et al., 2017).

Customer retention is considered a crucial objective and a competitive component in today's business environments. As globalization proceeded in the world economy, the products and services changed and the competition between the firms began to grow and become more complex. The firms started to lose their customers and they were spending a lot of money for acquiring new clients; thus the interest in customer retention began to rise(Coyles& Gokey, 2005).

Customer retention is the process of trying to keep customers from defecting. It starts with the first contact a company has with a customer, and it continues throughout the entire lifetime of a relationship. A company's ability to attract and retain new customers is strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace(Reichheld& Teal, 1996).Companies typically benefit from retention in the form of profit, lower costs, and long-term advantages. Retention is the sole factor that increase profit from 5% to 85%(Parasuraman& Zeithaml, 1996).

Now, customers are extremely valuing for what they experience in the company throughout the service points in the company. Companies' success is determined by their customers' experiences during their life time with that particular organization. Today, the total customer experience is

the focus of great service organizations. They understand that the customer's perception of the organization is influenced by its communication/marketing efforts, branding, and interactions with employees, as well as its products or services(Crosby & Stephens, 1987).

The economic value of customer retention is widely acknowledged. Customer retention affects profits more than market share, scale economies, and other variables commonly associated with competitive advantage. Reduced customer defections can have a significant impact on company profits. A 5% reduction in customer defections can boost profits by anywhere from 25% to 85%.A reduction in the defection rate of less than 3% can increase revenue by more than 100%, and a further 5% reduction in the defection rate can generate profits of more than 500%(Harrison & Ansell, 2002).According to an American company a Nationwide Insurance study, a 1% increase in customer retention increased annual premiums by \$1 million (Insurance Technology, 2008).

2.4.1 Benefits of Customer Retention

According to (Ang & Buttle, 2006)In 1990, firms focused on acquiring new clients and increasing their customer base. This ideology has evolved over time, partly due to the fact that working on an existing customer is more profitable for the company than seeking many customers, which comes at a much higher cost. Another advantage of keeping a customer is that it generates positive word of mouth, which brings another client at a lower cost than the company trying to find such a client on its own.

According to a number of studies, increasing customer retention is more cost-effective than acquiring new customers. New customers take time and effort to develop, and they may not purchase in large quantities the first few times. We know that retaining at least 5% of customers over their purchasing lifetime can significantly increase. According to(Bach & Gichuhi, 2022)Customer retention is one of the fundamental concepts in relationship marketing that has obtained great value because it can provide a business with more profits than recruiting new customers.

Customer retention increases revenue by increasing sales volume and/or premium prices while decreasing expenses or costs associated with generating those revenues. It has been argued that

increasing the retention rate resulted in an increase in profit. According to (Reichheld & Teal, 1996) identified six economic benefits of retaining customers: (1) savings on customers' acquisition or replacement costs, (2) a guarantee of base profits as existing customers are likely to have a minimum spend per period, (3) growth in per-customer revenues, over a period of time, existing customers are likely to earn more, have more varied needs and spend more, (4) a reduction in relative operating costs as the firms can spread the cost over many more customers and over a longer period, (5) free of charge referrals of new customers from existing customers which would otherwise be costly in terms of commissions or introductory fees and (6) price premiums as existing customers do not usually wait for promotions or price reductions before deciding to purchase, in particular with new models or versions of existing products.

2.4.2 Customer Retention versus Profitability

The profitability of insurance companies is entirely dependent on policyholders. Without customers, businesses would be unable to maintain and improve their performance (Gera et al., 2017). In essence, retaining existing customers is regarded as a critical step toward minimizing operational costs and increasing organizational profitability (Ofosu-boateng, 2020). The only goal of a business is "to create a customer". However, customer retention has become equally essential to every business. Evidence suggests that a 5% increase in customer retention results in a 25% to 95% increase in customer net present value across a wide range of business environments (Ahmad & Buttle, 2001). It has been proven in literature that there is a link between customer loyalty and organizational profitability (Reichheld, 1996).

2.4.3 Measures of Customer Retention

Customer retention has become the main agenda for businesses that prioritize maintaining a productive relationship with customers in addition to serving as a key tool for generating financial gains. In comparison to new customers, retained customers are willing to pay slightly higher prices and would not mind looking forward for discounts (Coviello et al., 2002). This is due to the fact that retained customers believe that slightly higher prices indicate higher quality, in addition to indicating the firm's above-average customer service. As a result, customers who stay with a company for a long period of time are referred to as retained customers. Thus, the researcher discovered three distinct methods, namely behavioral, attitudinal, and composite, which were used to measure their customer retention rate. The behavioral measurement

described that Purchase activities that are repetitive and consistent in nature(Ang & Buttle, 2006).

The other method of to measure customer retention is attitudinal method that reflects the emotional and psychological attachment of the customer, i.e. loyalty, engagement, and adherence(Trasorras et al., 2009) These customers are regarded as authentic; in other words, authentic customers are loyal customers. These are the customers who are always positive about the brand or the product and are referred to as evangelists. Customers who are evangelists are essentially "word of mouth" marketers. These customers persuade others to purchase the product or brand that the new customers are unwilling to purchase due to higher prices(Berry, 1995).

The third and the last method of measuring customer retention are known as composite measurement because it combines both behavioral and attitudinal measurements. This measurement encourages customers to spread positive word-of-mouth about companies and their products to their social circle(Larivière & Van Den Poel, 2005).The composite method is regarded as the most effective tool for increasing customer retention. Loyal customers are also willing to accept new prices in order to receive the highest quality of services from the organization(Reichheld, 1990).

2.4.4 Factors Affecting Customer Retention

There are many factors that can affect customer retention. But for the purposes of this research, five factors are being discussed.

2.4.4.1 Customer Satisfaction and Customer Retention

Customer satisfaction is when somebody feels happy and disappointed after comparing their expectations with the performance results of a product. If the results are below expectations, the customer will feel disappointed. If the results are close to expectations, the customer will be happy. And if the results are above expectations, the customer is very satisfied(Rahmawati& Sentana, 2021). Customer satisfaction is a measure of how well the products and services provided by a company meet the expectations of their customers. This can be thought of as a sign of high quality service, which can lead to increase customer satisfaction(Chikako & Hamu, 2021).

Customer retention is one of the most crucial measures of customer satisfaction. According to the literature review, customer satisfaction has historically been seen as a key factor in predicting long-term consumer behavior(Oliver, 1997). Consumer satisfaction has a stronger impact on determining if a customer will make repurchase. According to (Cronin & Taylor, 1992)In a specific category of services, it is recognized that customer satisfaction has a meaningful and positive effect on customer repurchase.

According to a team of researchers, customer satisfaction is an unquestionable factor in determining the degree of customer retention for current buyers of professional services(Day, 2002). Furthermore, the importance of satisfaction on retention is so well recognized that some major economies are now measuring satisfaction at the industry level through large sample surveys in order to forecast customer retention and future financial performance(Fornell, 1992a).

2.4.4.2 Trust and Customer Retention

(Mayer et al., 1995) defined that, trust is the agreeableness of party to be risky to the action of another party based on the expectation that another will do a specific action that is important to the trusty, without regard for the ability to checkout and monitor the other party. Trust is to build a relationship between two parties, which leads to retention behavior(Banik& Sinha, 2020). In the fields of economics, management, philosophy, and psychology, trust is the most crucial component.

In today's competitive business environment, insurers rely on a large number of policyholders to survive and prosper. Customers can purchase multiple policies from the same provider and renew their contracts before the expiry date. Insurers provide promises to customers if they have trust in their respective providers, so trust is more important for insurance sectors(Damtew, 2013).

Explained that trust is the willingness of one party to expect another party to perform a particular action(Zhu et al., 2018). In some cases, service providers may be unable to retain their satisfied customers(Schneider et al., 1999) because customer satisfaction itself alone cannot guarantee a customer's long-term commitment to any service provider satisfied customers. Instead, service providers should consider factors other than customer satisfaction, such as customer trust, in

order to retain their customers(Hart & Johnson, 1999). In other words, customer trust is most likely a significant driver of customer retention(Ranaweera& Prabhu, 2003).

2.4.4.3 Switching Barriers and Customer Retention

According to (Ullah et al., 2015)Switching barriers is defined as either the customer's assessment of the opportunities and resources needed to carry out the act of switching, or alternatively as the impediment that prevents the act of switching. Switching barriers can have both major and interaction effects on customer retention. As a result, a company can continue to retain customers, even if they are not satisfied, but it is possible in one condition if switching barriers are high.

While most businesses companies for 100% customer satisfaction, this is not always possible. Identifying alternative ways of retaining customers, such as switching barrier is particularly useful in this context. According to(Jones et al., 2000)Switching barriers are the factors that force customers to stay with their current service providers. They discovered that switching barriers such as switching cost and interpersonal relationships made switching costly for clients.

a. Switching Cost

Switching costs are one component of switching barriers, which are described as the costs of moving service providers in terms of time, money, and psychological costs. Switching costs might range from terminating with the present service provider to joining with the alternative service provider. Because services are experienced in nature, the client may also face a difficult task of evaluating an alternative's core service before making an actual purchase or trying it, particularly if the consumer perceives significant functional risk in the complicated service context.(Chen & Wang, 2009)

According to customer perception, these switching costs, which may include time, money, and efforts, make it difficult for any purchaser to change or switch from one retailer to another, which leads to customer retention(Gremler& Brown, 1996). Switching costs may be incurred in the insurance market as a result of switching from one insurer to another. Such expenses could include search costs such that, the costs of time spent for searching information about claims settlement service, investment behavior, and financial stability of insurance companies, transaction costs like, the costs of time and effort needed for bargaining price and administrative

activities(Lai et al., 2011). Customers are less likely to switch service providers as perceived switching costs increase. As a result, the higher the switching costs, the higher the customer retention of the same service provider(Bansal & Taylor, 1999).Switching costs as one factor determining market competitiveness, because high switching costs discourage consumers from switching to alternate providers(Jones & Sasser, 1995).

b. Interpersonal Relationship

Business identified two factors that influence on relationship retention: instrumental factor and interpersonal factor. In terms of affecting relationship retention, interpersonal factor are more powerful than instrumental factors. The author contends that instrumental considerations serve as a foundation for creating or initiating a relationship. Relationships are built on instrumental factor, but interpersonal factors serve to strengthen them(Abdul-Muhmin, 2005).

A good interpersonal interaction helps to strengthen and create trust between the consumer and the service personnel. Interpersonal relationships, on the other hand, do not emerge overnight; they require time and effort. Interpersonal contacts lead to the identification of characteristics such as trust, fairness, shared values, relational social norms, and communication as determinants of commercial or service sector relationships(Auh, 2005).

The long-term interpersonal relationship between the company and its customers provides many benefits to the customers: social benefits such as fellowship and personal recognition, psychological benefits such as anxiety reduction and credit, economic benefits such as discounts and time savings, and finally customization benefits such as customer management and so on. As a switching barrier, the interpersonal interaction between the company and the customers might be essential. The continuous interpersonal relationship becomes a relationship-specific asset that acquires the customer to pay a cost to be out of the relationship and so prevents the client from being separated from the company's relationship. As a result, the interpersonal relationship between the company and its customers can be a crucial feature of the switching barrier(Berry, 1995).

2.4.4.4 Price and Customer Retention

In the market, price is an important factor when it comes to purchasing goods or services. This is because it can affect the decision of a customer. There are two types of consumers in the market:

the first is price conscious, and the second is quality conscious(Ullah et al., 2015).According to(Butt & Murtaza, 2011)Pricing is one of the most crucial factors that could be a reason for repelling or attraction of consumer company's brand. On the basis of two things customer decide to purchase the product or service making: the first is the quality of the good or service, and the second is the price of the good or service provided (Ullah et al., 2015).

Price is the most important factor in retaining customers. The main factor influencing satisfaction and retention is a fair pricing. Because the pricing is determined by the cost in money, the financial factor is crucial in creating customer value. Consumer evaluations of whether a seller's pricing is fair, reasonable, or acceptable are referred to as price fairness. Fair pricing is a crucial factor in customer satisfaction and retention. Fair pricing encourages customer loyalty and satisfaction(Kukar-kinney & Monroe, 2007). Insurance products have become largely commoditized, and customers frequently choose their insurer on the base of price(Nagar et al., 2017).

The insurance industry, like many other competitive industries, is driven by two main concerns: the need to return a profit to their shareholders and investors, and the need to achieve market growth and maintain a certain level of market share.Premium prices are critical in allowing insurance companies to strike a balance between these two objectives(Yeo et al., 2001).

2.4.4.5 Brand Image and Customer Retention

In this dynamic period, where competitiveness and technological innovation are paramount, firms are always introducing new products and services. Customers benefit from competition since they have more options when it comes to selecting a product(Ballantyne & Varey, 2006).

In the financial services industry, branding is done more at the corporate level than at the product level. Branding should begin with a defined targeting and positioning plan. The brand image and marketing strategy should be consistent. Advertising can only be successful in brand building if the financial product meets the needs of the consumer and the complete service experience is consistent with the brand image expressed(Richard, 1990).Brand image is a circumlocutory instrument that may favorably alter customer purchasing behavior and also plays an important part in improving any business performance(Malik et al., 2013).

According to (Haudi et al., 2022) Branding is an important feature of today's competitive economy since it separates equivalent goods and services provided by different firms in the eyes of customers and makes them preferred over one another. While expressing authenticity, value, and loyalty to the products and services provided by companies to their clients, the brand provides a variety of tasks, including lowering consumer risks connected with goods and services and creating social interactions without exposing their identity. Firms that have achieved brand status have been classed differently from other firms in terms of product and service offerings. (Alvarez, 2001) investigated that all brands should be aware of competitors' specific product or service attributes and concepts such as quality assurance, intensity of service, and expected performance.

Insurance companies are facing intense competition in the industry, making customer retention a crucial factor for their success (Abdel Fattah et al., 2021). Therefore, building a strong brand image can play a significant role in retaining customers (Fatima et al., 2022). Furthermore, customers' perceptions of product quality and service quality are closely associated with their perceptions of the brand image. Therefore, by consistently delivering high-quality service and products, insurance companies can improve their brand image and ultimately enhance customer retention. This demonstrates that brand image has a strong influence on customers' perceptions and thoughts of the product, influencing their consumption behavior. The literature on brand image supports the notion that it is an important driver of customer loyalty and can contribute to a company's long-term business success (Balmer & Greyser, 2006).

2.5 Empirical Review

(Danish et al., 2015) in the study of Factors Affecting Customer Retention in Telecom Sector of Pakistan. In today's competitive environment, all service providers must retain customers and reduce churn. He discussed the factors that have strong relationships with customer retention, such as customer satisfaction, trust, affective commitment, and calculative commitment, corporate image, switching cost behavior, loyalty, and attitudinal loyalty. According to the findings, customer satisfaction has a positive relationship with customer retention because only those customers who are currently satisfied with the company's products and services use them. Customer retention is impossible without customer satisfaction. Trust is also important in

achieving a high level of retention. The correlation analysis reveals a positive and significant relationship with retention.

(Tamuliene & Gabryte, 2014)The study shows how customer satisfaction, relationship quality, and switching costs affect customers' retention intentions. It is recommended that mobile operators strengthen and improve their customer relationships. According to the study, having a good relationship with the client is essential because the quality of relationships has a direct impact on customer retention and satisfaction. Improving relationships increases emotional damages, so customers are hesitant to switch mobile operators. According to empirical findings, there is a statistically significant positive correlation between the following factors identified in the theoretical model: customer satisfaction, relationship quality, switching costs, and customer retention, all of which influence customer retention in the Lithuanian mobile communications sector.

(Venkatesan & Jacob, 2019)in the study of loyalty and satisfaction support customer retention in life insurance sector, It confirms significant positive relationship of customer retention between customer satisfaction and customer loyalty. A satisfied customer communicates his/her satisfaction to others and can thus keep bringing in new business. Satisfied customers maintain continuous business with the particular firm and also encourage their friends and family members to buy insurance. Retention of customers leads to business growth and increasing Profitability of firm.

(Ricadonna et al., 2021a) in the study of the effect of trust on customer retention in Sharia commercial banks, The results of hypothesis testing reveal that trust has a positive and significant effect on customer retention

(Carelse, 2017)in the study on investigating the impact of service quality and customer satisfaction on customer loyalty in life insurance in South Africa, customer loyalty as the dependent variable that is influenced or predicted by the independent variables, service quality perception and customer satisfaction. The conceptual model hypothesized that perceived service quality influenced customer loyalty both directly and indirectly through customer satisfaction.

Furthermore, customer satisfaction influenced customer loyalty positively. However, the empirical model's findings revealed that perceived service quality influences customer loyalty only indirectly through customer satisfaction, and that there is a positive relationship between customer satisfaction and customer loyalty.

(Oketch, 2014) in the study on challenges of customer retention by Madison insurance company limited in Kenya, According to the respondents, the challenges of customer retention in the company can be divided into two categories: internal and external challenges. Internal challenges included, among other things, managing claims processes, calls, and renewal notices. Competition, pricing wars, customer expectations, customer nature, and trust were among the external factors. The majority of respondents appear to agree that the main challenge of customer retention in the company is stiff competition in the insurance industry, with the majority of insurance industry players engaging in price undercutting, resulting in predatory pricing of insurance products in order to win clients from competitors. This has increased the company's difficulty in balancing the price of the products with the risks taken.

(Magasi & Salaam, 2016) studied determinants of customer loyalty in sub-Saharan African Banking Industry. The result of the study show that perceived quality, customer satisfaction and trust have a significant critical positive influence on customer loyalty.

(Ullah et al., 2015) studied on Factors affecting customer retention. Based on the findings, the researcher concluded that the three most important criteria that contribute to customer retention are pricing, customer satisfaction, and quality. The research's findings make it abundantly evident that companies must emphasize certain factors, such as quality, price, and customer satisfaction, in particular if they want to retain their customers. Also, it is evident from the results that quality contributes more to customer retention than pricing.

(Nasrin Danesh et al., 2012) studied customer satisfaction, customer trust and switching barriers on customer retention in Malaysia hypermarkets. According to the study's research findings Customer satisfaction, customer trust, and switching barriers are positively correlated with overall customer retention in the Malaysian retail sector. And also the study's findings suggest that customer satisfaction has a positive effect on customer trust.

(Alshurideh et al., 2012) study shows that the relationship between satisfaction and repeat purchasing has received considerable attention. However, this phenomenon has received little attention in Jordan's mobile phone industry. Data analysis revealed that the Chi-Square test is significant, with a p-value of 0.00, which is less than 5%. This suggests that the hypothesis's contention that customer satisfaction has a statistically direct effect on customer retention in the Jordanian mobile phone sector is supported. Customer satisfaction has an impact on long-term customer relationships as well. According to (Fornell, 1992a), one of the indicators of customer retention is that a satisfied customer tends to stay in touch with the company. According to (Hallowell, 1996) there is a positive correlation between customer satisfaction and relationship duration in the retail and mobile banking sectors.

According to an Indian life insurance survey, while price is a significant component of value, but it is not the only one in provider selection. Customers will also consider the service they have received and the trust they have in the provider (Damtew, 2013). According to this survey in Indian insurance company, 33% of customers indicated that price is a factor in provider selection, company trustworthiness (69%), customer service (43%) and convenience (38%) Trust is also important in achieving a high level of retention.

The biggest influence on retention is customer satisfaction, but trust also plays a significant role. Trust and personal relationships are crucial for maintaining customers, in markets where one individual action can have a significant impact on the outcome of a purchase (Wilson et al., 1995).

(Ranaweera & Prabhu, 2003b) findings also show that switching barriers' main and interaction effects on retention are highly significant. These findings suggest that, in an industry with switching barriers, service providers are likely to be able to retain even dissatisfied customers. Furthermore, as indicated by the switching barriers scale, these barriers are primarily related to the time, money, and effort required switching. Thus, switching barriers may be an effective means of retaining customers for firms primarily interested in maintaining market share. Switching barriers can be a useful alternative to pursuing higher and higher levels of customer satisfaction for their own sake in a competitive environment where firms are challenged to find alternative, cost effective means of retaining customers.

According to research conducted by(Lu et al., 2020) in the hospitality industry, brand image is directly linked to productivity and can be used as a competitive strategy. This suggests that insurance companies can differentiate themselves from their competitors by focusing on building a strong brand image. In the context of the insurance industry, a recent study suggests that there may be a positive impact on customer loyalty towards the primary brand as long as that primary brand excels on empathy and responsiveness in their delivery of service quality(Akbar et al., 2020).in the study conducted by(Das et al., 2016) it was found that brand image plays a crucial role in customer retention in the insurance industry. These findings suggest that insurance companies should prioritize building a positive brand image that aligns with customer perceptions and preferences in order to enhance customer satisfaction, loyalty, and retention

According to (Qadri et al., 2014)The study found that switching barriers (interpersonal relationship and switching cost), brand image, price perception, trust, and customer satisfaction have an impact on customer retention in the cellular industry of Pakistan. The study also found that the higher the building brand image, the higher the customer retention. The study suggests that cellular service providers in Pakistan should focus on improving these factors to retain existing customers and remain competitive in the market.

(Ricadonna et al., 2021b)in the study on The Effect of Trust and Brand Image on Customer Retention with Customer Loyalty as Intervening Variables to Customers of Sharia Commercial Banks. These findings highlight the importance of trust, brand image, and customer loyalty in positively and significantly customer retention in the context of Sharia commercial banks. They emphasize the need for Islamic banks to focus on building trust, enhancing brand image, and fostering customer loyalty to improve customer retention and overall performance in the competitive banking industry.

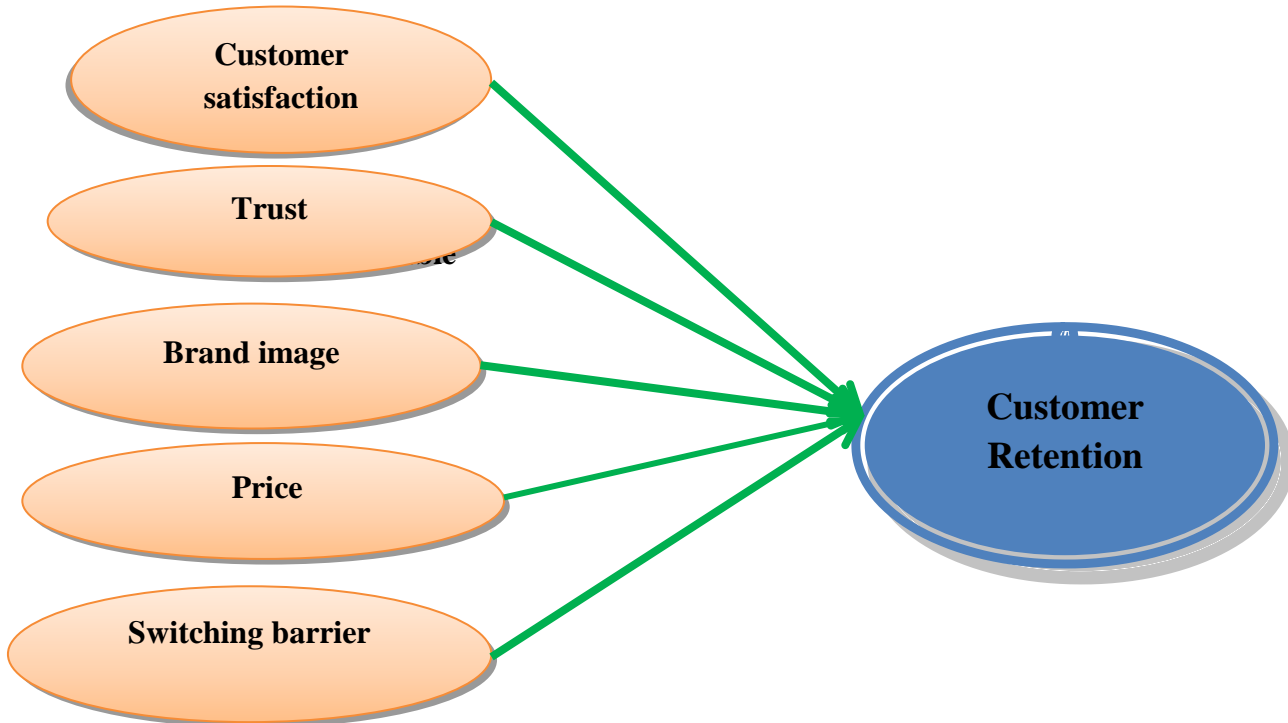
2.6 Conceptual Framework

This section provides the conceptual framework that was guided the research. According to (Becker, 1998)The conceptual framework grounds the study in relevant knowledge bases, establishing the significance of the problem statement and research questions or hypothesis. Aside from that, a conceptual framework is also made up of theoretical and empirical work relevant to the investigation of a specific purpose. As a result, the following conceptual model depicts the dependent variable, Customer Retention, as the primary variable of interest, with the

variance attempted to be explained by the five independent variables of customer satisfaction, trust, switching barriers, price, and brand image. The proposed model and related hypotheses will be tested in the context of Ethiopia's General insurance sector in Addis Ababa.

Conceptual Framework/ Model Figure 2.1

Independent variables



Source; adopted from(Qadri et al., 2014)

2.7 Research Hypothesis

Customer Satisfaction and Customer Retention

Customer satisfaction has historically been seen as a key factor in predicting long-term consumer behavior(R. Oliver et al., 1997). the higher the level of customer satisfaction, the higher the level of retention of existing customers, which helps to protect existing customers from competition, lowers price elasticity, lowers future transaction costs with customers, lowers failure costs, lowers the need to attract new customers, and raises the organization's reputation (Fornell, 1992b). According to a team of researchers, customer satisfaction is an unquestionable factor in determining the degree of customer retention for current buyers of professional services(Day, 2002).According to (F. F. Reichheld, 1993) discovered that between 65 and 85 percent of buyers

stated that they left their current service providers despite being highly satisfied with current service provider. The following hypothesis is proposed based on the above discussion.

H1: There is a significant positive relationship between Customer satisfaction and customer retention.

Trust and Customer Retention

According to (Ranaweera & Prabhu, 2003) customer trust is most likely a significant driver of customer retention. According to (Garbarino & Johnson, 1999), trust has a strong positive impact on client retention. According to (Komiak & Benbasat, 2004) declared that trust leads to increased client retention. Customer trust and customer retention have a direct relationship. According to (Gounaris, 2003) trust is an important aspect in any type of relationship between customers and existing service providers. The stronger the consumer's trust in a service provider, the more likely the client will stay in the connection. The hypothesis is proposed based on the above discussion.

H2: There is a significant positive relationship between trust and customer retention.

Switching Barrier and Customer Retention

According to (M. A. Jones et al., 2000) switching barriers are the factors that force customers to stay with their current service providers. Switching cost as a critical variable that has a direct effect on customer retention. According to (Burnham et al., 2003) switching costs are a major cause of client retention.

According to (Peterson, 1995) the ongoing interpersonal relationship between the firm and the consumers provides numerous benefits to the consumers, including individual identification, emotional and customized benefits, monetary benefits, and societal benefits. As a result, the interpersonal relationship between the firm and the consumers is an important factor of the switching barrier. (E. Jones et al., 2003) studied whether a strong interpersonal relationship has an optimistic impact on current customers' repurchase intent. The hypothesis is proposed based on the above discussion.

H3: There is a significant positive relationship between switching barrier and customer retention.

Price and Customer Retention

Price is the most important factor in retaining customers(Kukar-kinney &Monroe, 2007). According to(Abratt & Russell, 1999)customer perception of the pricing of the company's products or services is a crucial necessity for customers to continue using the existing service providers. Customers change service providers if the pricing of the company's items are too high. The hypothesis is proposed based on the above discussion.

H4: There is a significant positive relationship between Price and customer retention.

Brand Image and Customer Retention

According to (Haudi et al., 2022)Branding is an important feature of today's competitive economy since it separates equivalent goods and services provided by different firms in the eyes of customers and makes them preferred over one another. Therefore, building a strong brand image can play a significant role in retaining customers(Fatima et al., 2022). According to(Varadarajan et al., 2006) a higher level of corporate image corresponds to a higher level of customer retention. The hypothesis is proposed based on the above discussion.

H5: There is a significant positive relationship between brand image and customer retention.

CHAPTER THREE

3 RESEARCH METHODOLOGY

This chapter of the study deals with the type of research, research design, sample size, sampling techniques, data collection instrument, data collection procedures, methods of data analysis, and research ethics that was employed.

3.1 Description about the Study Area

Insurance is one way of risk transfer mechanism. People buy insurance policy to transfer the risk for the uncertain future in exchange the insurance company collect the share of contribution called Premium.

The modern insurance service was introduced after the establishment of the first bank called Abyssinia bank in 1905 to transact marine and fire insurance as an agent of foreign insurance company (Zelege et al., 2018). After some years Ethiopian Insurance Corporation (EIC) was established with insurance proclamation, proclamation number 68/1975 in 1975 and under the proclamation number 86/1994 in 1994 a number of private insurance companies are begin to established by providing different classes of business. There are 17 private insurers are operating in Ethiopia.

3.2. Research Design

(Kothari, 2004) Describe research design as the conceptual framework for conducting research. Usually refers to the blueprint for the collection, measurement, analysis, and interpretation of data. This study were employed both descriptive and explanatory research methods. The primary goal of descriptive research is to describe the current state of affairs (Kothari, 2004). Thus, explanatory research seeks to comprehend phenomena by identifying and quantifying causal relationships between them (Ryals & Payne, 2001).

3.3 Research Approach

Different approaches are widely utilized while designing a research study. For example, (Kothari, 2004) reported the two basic approaches which are applied to research; there are quantitative and qualitative approaches.

Qualitative research studies do not attempt to quantify their findings through statistical summarization or analysis. It aims to describe different aspects of behavior and other factors in

the social sciences and humanities. Data in this type of research is frequently in the form of descriptions rather than numbers. Without formal measurement, it usually consists of in-depth interviews, group discussions, and observations.

Quantitative research is the systematic and scientific investigation of quantitative properties, phenomena, and relationships. The goal of quantitative research is to create and apply mathematical models, theories, and hypotheses about natural phenomena. It usually begins with a theory or a broad statement proposing a broad relationship between variables. Quantitative researchers prefer methods such as surveys and experiments, and they will test hypotheses or statements in order to infer from the specific to the general (Taylor & Baker, 1994).

This study quantitative approach was used because it is focused on measuring the effects of each independent variable on a dependent variable. The objective of the study is to quantify how closely the relationship between different factors (customer satisfaction, trust, switching barrier, price, and brand image) and customer retention.

3.4 Target Population

There are 18 insurance companies in Ethiopia including Ethiopian Insurance Corporate (EIC) which governed by the government of Ethiopia. However, this research is focused only on private insurance companies. Therefore, the target population for the study was only customers of the selected private insurance companies in Addis Ababa Ethiopia.

3.5 Sample Size and Sample Technique

Sampling technique is the process of choosing a sample from a specific population. The sample selection process is continued until your required sample size has been reached (Saunders et al., 2019). Multi-stage sampling technique was employed to select the samples out of 17 private insurance companies which operate in Ethiopia based on their market share. Accordingly, Ethiopian private insurance companies were stratified in to three categories based on their market for the year of 2021/2022 to select samples from the given private insurance company. Then using simple random sampling method, NILE insurance company and Nib insurance company were selected from the top one, Tsehay insurance company from the medium, and BERHAN insurance companies were selected from the low level. After that, insurance customers

were selected based on convenient sampling technique, which is a non-probabilistic sampling technique; because all population of the Insurance Companies could not be available at the same time. Convenience sampling also called accidental or opportunity sampling was to be a technique in which a sample was drawn from that part of the population that was close to hand, readily available, or convenient.

According to(Cochran, 1977),for the population that are large to yield are representative sample for proportions which is valid ; where N is a sample size, Z is the Abscissa of the normal curve that cuts off an area “α” at the tails, the tails are (1- α) equals the desired confidence level i.e. 95%.“E” represents the desired level of precision; “p” is the estimated probability of attribute that is present in the population. “q” is 1-p. The value for Z can be found in the statistical tables which contain the area under the normal curve. Now to determine the sample size of the study as follows:

$$N = \frac{Z^2 \times pq}{E^2}$$

$$= \frac{(1.96^2) \times 0.5(1 - 0.5)}{0.05^2} = 384$$

Table 3.1: Sample Size Determination

S.no	Name of insurance company	Market share	Number of sample
1	Nile insurance company S.C	4.7	96
2	Nib insurance company S.C	4.2	96
3	Tsehay insurance company S.C	3	96
4	Birhan insurance company S.C	1.6	96
Total			384

Source: Annual report of insurance companies (2021-2022)

3.6 Data Type and Collection Method

Since as the term primary indicates the data gathered for the first time(Kothari, 2004). Therefore, for this research the researcher used primary data source collected from the selected insurance

customers using structured questionnaire 5-point Likert scale approach was used to enable participants to rate their level of agreement from “strongly disagree” to “strongly agree”(Sekaran & Bougie, 2016). This was to receive unbiased and more accurate response.

There are two parts to the questionnaire. In part one, the customer's personal information is sought, which includes questions on gender, age, marital status, length of stay with the company, education level, and occupation. Part 2 of the questionnaire used Likert Scales with coding of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, and 5=strongly agree. In the questionnaire survey, participants were asked to rate their level of agreement or disagreement with that statement. This section has 32 questions that assess the impact of Customer Satisfaction, trust, switching barrier Price, and Brand Image on Customer Retention. Part 2 contains five dimensions; the first dimension consists of four questions that assess customer satisfaction, the second dimension is Trust, consists of five questions, the third of which is switching barriers, which consists of ten questions with two sub-dimensions: interpersonal relationship and switching cost. While the fourth dimension consists of five questions that measure the consumer's price perception. The fifth dimension, Brand Image, consists of three questions, and the dependent variable, customer retention consists of five questions. All independent and dependent variable questions is adopted from(Qadri et al., 2014).

3.7 Method of Data Analysis

Descriptive and inferential statistical approaches were used to analyze the data collected from respondents through questionnaires and secondary source. SPSS version 25 conducted to show the output. The analyzed data were presented by means of tables and graphs. The finding was also interpreted based on regression model.

3.8 Model Specification

The regression model is given as follow:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where: Y = Customer Retention

X1= Customer satisfaction, X2= Trust, X3=Switching Barrier, X4= Price, X5= Brand image, β_0

= Constant term, β_1 , β_2 , β_3 , β_4 , and β_5 are coefficients of the independent variables and, ϵ =

Error term

3.9 Reliability and Validity

The statement used to test the consistency of the research findings is referred to as reliability (Bassett & John, 2010). Reliability is an indication of the degree to which a measure is free of variable random error i.e. Errors that change results from one observation to the next observation (Kirk & Miller, 1986). Therefore, the consistency was tested using Cronbach's Alpha where the value of Cronbach's Alpha should be greater than 0.7 to call the research is reliable. Using an indirect measurement may create an issue of validity. In order to check the validity and reliability of the data pilot survey has been conducted and it is passed the test. This survey is needed to make any amendment in order to meet the research requirements.

3.10 Ethical Consideration

The major issue that occurs in research studies is ethical consideration. It is very necessary for every research study. The researcher tried to ensure confidentiality of the information provided by the respondents by respecting their rights and privacy throughout the process and was ensure that the question toward for research purposes and not for other purposes. All documents used and sites visited have properly documented and acknowledge to avoid issues of plagiarism.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis, interpretation and discussion the collected data through questionnaire. According to the research methodology in chapter three, 384 questionnaires were distributed to customers of the selected private insurance organizations. Only 360 responses were returned, reflecting a 93.75% response rate. The collected data were analyzed by using statistical package for social science (SPSS) version 25.

4.2 Demographic Characteristics of Respondents

The demographic features of respondents are discussed in this section. As a result, the demographic information collected from respondents for the study includes gender, age, marital status, educational level, duration of stay with the insurance company and occupation. As a result, table 4.1 illustrates the frequency and percentage of respondents' demographic composition.

Table 4.1: Demographic background of respondents

No	Item	Description	Frequency	Percentage (%)	Valid Percent	Cumulative Percent
1	Gender	Male	233	64.7	64.7	64.7
		Female	127	35.3	35.3	100
2	Age	Under 35	34	9.4	9.4	9.4
		35-39	93	25.8	25.8	35.3
		40-44	159	44.2	44.2	79.4
		45& above	74	20.6	20.6	100
3	Marital status	Single	115	31.9	31.9	31.9
		Married	218	60.6	60.6	92.5
		Divorced	17	4.7	4.7	97.2
		Widowed	10	2.8	2.8	100
4	Duration of stay with the company	1-2 years	58	16.1	16.1	16.1
		3-5 years	120	33.3	33.3	49.4
		6-10 years	128	35.6	35.6	85.0
		10 years longer	54	15.0	15.0	100
5	Educational level	12 grade copulated and below	99	27.5	27.5	27.5
		Diploma	95	26.4	26.4	53.9
		BA/BSC	128	35.6	35.6	89.4
		MA/MSC	32	8.9	8.9	98.3
		Above MA/MSC	6	1.7	1.7	100
6	Occupation	Running own business	191	53.1	53.1	53.1
		Government sector	71	19.7	19.7	72.8
		Private sector	88	24.4	24.4	97.2
		Other	10	2.8	2.8	100

Source: own survey 2023

Male respondents dominate gender category with 64.7% (n=233) of the respondents were male the remaining 35.3 % (n=127) were female. This distribution indicates with a higher representation of males compared to females. The larger proportion of male respondents suggests that their perspectives and experiences may have a stronger influence on the overall findings of the study.

As it is indicated above in Table 4.1 the respondents are found in the age category of less than 35 years which are 9.4% of the respondents. The second major group of respondents found in the age category of 35-39 years which are 25.8% of the respondents and the third age category found majority of the respondents that in the age group of 40-44 years which is 44.2% of the respondents. Finally the remaining medium proportion shows that they were in the age category of 45 and above which is 20.6%. The largest proportion of respondents is found in the 40-44 age category, representing 44.2% of all participants. This suggests that individuals within this age range are more likely to participate in the study and potentially have a significant influence on the research findings. It is essential to consider their perspectives and experiences when analyzing the factors affecting customer retention.

Most of the participants here is under table 4.1 their marital status backgrounds reflected that the majority 218 (60.6%) of the respondents were married followed by 115 (31.9%) single, 17 (4.7%) divorce, the rest 10 (2.8%) widowed. The majority of respondents, comprising 60.6% of the sample, are married. This indicates a significant presence of individuals in committed relationships within the study. The perspectives and experiences of married individuals can provide valuable insights into the factors affecting customer retention from the standpoint of individuals in long-term partnerships.

Most of the participants here is under Table 4.1, the customer has been stayed for the insurance company from 1 to 2 years 58 respondents or 16.1% of all participants. Have been stayed for 3-5 years 115 respondents' 31.9% while 6-10 years who have stayed are 128 respondents consisted of 35.6% of all respondents and customers who have been stayed for 10 years or longer period are composed of 54 respondents or 15% of the respondents. The largest proportion of respondents falls within the 6-10 years category, accounting for 35.6% of all participants. This indicates a significant group of long-term customers who have maintained their relationship with

the insurance company for a substantial period. Their continued loyalty suggests a positive experience and satisfaction with the company's offerings.

Most of the participants here is under table 4.1 their Occupation reflected that the majority 191 (53.1%) of the respondents were Running Own Business followed, 88 (24.4%) private Sector, 71(19.7%) government Sector and the rest others 10(2.8%) respectively. The majority of respondents, comprising 53.1% of the sample, are engaged in running their own business. This indicates a significant presence of entrepreneurs and self-employed individuals within the study. Their perspectives and experiences as business owners can provide valuable insights into the factors affecting customer retention from an entrepreneurial stand point.

Most of the participants here is under table 4.1 their educational backgrounds reflected that the 128 (35.61%) of the respondents were first degree holders followed by 95(26.4%) diploma,32(8.9%) Master's and 99(27.5%) 12 grade completed and below the rest 6(1.7%) above Master's holder. Almost 72.5% of the respondents were well-educated and it was a good opportunity to get respondents with possibility of understanding the questions and overall purpose of this survey would be higher.

4.3 Descriptive Analysis for Factors Affecting Customer Decision to Retention

The research was focused on examining the factors affecting customer retention: the case of selected private insurance companies in Addis Ababa Ethiopia. Accordingly, questions related with customer retention factors (customer satisfaction, trust, switching barrier, price, and brand image) and customer retention were asked Respondents used five-point Likert scales to indicate their degree of agreement with the questions. To compare their level of agreement on the statement, mean and standard deviation ratings were also used. According to (Pihie, 2009),low perception occurs when the mean score is 3.39 or lower, moderate perception occurs when the value is between 3.40 and 3.79, and high perception occurs when the value is 3.80 or higher.

4.3.1 Customer Satisfaction

The table below shows the level of agreement among respondents on the question of regarding customer satisfaction on retention.

Table 4.2: Descriptive statistics on customer satisfaction

Items	Mean	Std. Deviation
I am satisfied with the overall service quality offered by this insurance company.	3.59	1.046
I am satisfied with the professional competence of this insurance company.	3.68	1.074
I am satisfied with the performance of the employees of this insurance.	3.53	1.129
I am comfortable about the relationship with this insurance company.	3.41	1.195
Total Customer satisfaction	3.55	1.111

Source: own survey, 2023

The above table shows the mean and standard deviation of factors affecting customer retention which is customer satisfaction. In this category 4 statements were included.

Overall service quality: The statement "I am satisfied with the overall service quality offered by this insurance company." has a mean score of 3.59 indicates that, on average, respondents are slightly above neutral in their satisfaction with the overall service quality offered by the insurance company. The standard deviation of 1.046 suggests that there might be some variability in responses, but generally, the satisfaction level is moderate.

Professional Competence: The statement "I am satisfied with the professional competence of this insurance company." has a mean score of 3.68 and a standard deviation of 1.074, respondents seem to be slightly more satisfied with the professional competence of the insurance company compared to the overall service quality. The higher mean suggests a relatively positive perception of the company's professional competence.

Performance of Employees: The statement "I am satisfied with the performance of the employees of this insurance." has a mean score of 3.53 and a standard deviation of 1.129 indicate moderate satisfaction with the performance of the employees. While the mean is slightly lower than the professional competence, it still suggests a moderate level of satisfaction.

Relationship comfort: The statement “I am comfortable about the relationship with this insurance company.” has a mean score of 3.41 and a standard deviation of 1.195, respondents seem to have relatively lower satisfaction or comfort levels regarding their relationship with the insurance company. The higher standard deviation implies that opinions or feelings about this aspect vary more among respondents.

Overall, the average mean of 3.55 indicates a moderate level of agreement or satisfaction across all statements, while the standard deviation of 1.111 suggests some variability in responses. This implies that there is diversity in respondents' perceptions and experiences regarding the insurance services provided. By considering these descriptive statistics, researchers can identify areas of strength and areas that may require improvement in order to enhance customer satisfaction.

4.3.2 Trust

Under this subsection, seven statements were presented for respondents to indicate their level of agreement.

Table 4.3. Descriptive statistics on Trust

Items	Mean	Std. Deviation
This insurance company is reliable because it is mainly concerned with the Customers' interests.	3.65	1.015
The billing system of this insurance company is trustworthy.	3.30	1.224
The service process provider by this insurance company is secure.	3.47	1.107
The Reputation of this insurance company is trustworthy.	3.51	1.071
The policies and practice of this company are trustworthy.	3.67	1.123
Total Trust	3.52	1.108

Source: own survey, 2023

Reliability and Customer Interests: The statement "The Company is reliable because it is mainly concerned with the Customers' interests" has a mean of 3.65 and a standard deviation of 1.015. The moderate mean suggests that, on average, respondents perceive the company to be reliable and prioritize customer interests. The lower standard deviation indicates less variability in responses, implying a higher level of agreement among the respondents on this aspect.

Trustworthiness of billing system: The statement "The billing system of this insurance company is trustworthy" has a mean 3.30, Standard Deviation = 1.224. The lower mean and higher standard deviation indicate a relatively lower level of trust in the billing system. There's also a wider variation in respondents' opinions, suggesting differing perceptions about its trustworthiness.

Security in service process: The statement "The service process provided by this insurance company is secure" has a mean 3.47, Standard Deviation 1.107. This indicates a moderate level of trust in the security of the service process provided by the insurance company. There's some variability in responses, but the mean leans towards a moderate level of trust.

Trust in Reputation: The statement "Reputation of the insurance company is trustworthy" has a mean of 3.51 and a standard deviation of 1.071. The mean suggests a moderate level of agreement that the company's reputation is trustworthy. The lower standard deviation indicates less variability in responses, implying a higher level of agreement among the respondents on this aspect.

Trust in Policies and Practices: The statement "The policies and practices of this company are trustworthy" has a mean of 3.67 and a standard deviation of 1.123. The relatively moderate mean suggests that, on average, respondents perceive the company's policies and practices to be trustworthy. The standard deviation indicates some variability in opinions or experiences, suggesting that respondents' perceptions of trustworthiness may vary to some extent.

The overall average trust mean of 3.52 with a standard deviation of 1.108 indicates that, on average, respondents have a moderate level of trust in the insurance company. However, the wider standard deviation suggests that there is variability in trust levels among the respondents. This implies that while some respondents have higher levels of trust, others have lower levels of trust.

From these statistics, it's evident that there's variability in trust perceptions across different facets of the insurance company's operations. Some areas, such as policies and practices, tend to be viewed more positively in terms of trust, while others, like the billing system, seem to have more

varied perceptions and relatively lower trust levels. Understanding these perceptions can help the company focus on areas that might require improvement to enhance overall trust and reliability in the eyes of customers.

4.3.3 Switching Barrier

Table 4.4. Descriptive statistics on switching barrier

Item	Mean	Std. Deviation
It would cost me a lot of money to switch from my current insurance company to another insurance company.	3.62	.953
It would cost me a lot of time to switch from my current insurance company to another insurance company.	3.34	1.143
It would cost me a lot of effort to switch from my current insurance company to another insurance company.	3.76	.965
In general switching to a new insurance company would be a hassle.	3.67	1.073
I might have changed my insurer, if I could do so without any significant hassle.	3.52	1.015
I feel there is a bond between my insurance company and myself.	3.70	1.146
I have developed a personal friendship with my insurance company.	3.91	1.083
I would be more comfort interacting with the people working for my Insurance company than I will be if I switch my insurance company provider.	3.71	1.113
I would miss my insurance company if I switch.	3.88	1.068
I will lose a friendly and comfortable relationship with my insurance company if I change.	3.58	1.073
Total switching barrier	3.67	1.063

Source: own survey, 2023

The other dimension of factors affecting customer retention is switching barrier

Cost of Switching (Money): The statement "It would cost me a lot of money to switch from my current insurance company to another insurance company" has a mean of 3.62 and a standard deviation of 0.953. The moderate mean suggests that, on average, respondents perceive a moderate financial impact associated with switching insurance companies. The lower standard

deviation indicates less variability in responses, implying a higher level of agreement among the respondents on this aspect.

Cost of Switching (Time): The statement "It would cost me a lot of time to switch from my current insurance company to another insurance company" has a mean of 3.34 and a standard deviation of 1.143. The lower mean suggests a lower level of agreement that switching insurance companies involves a significant time commitment. The higher standard deviation indicates a wider range of opinions or experiences among respondents, suggesting that some individuals may perceive the time cost to be higher than others.

Cost of Switching (Effort): The statement "It would cost me a lot of effort to switch from my current insurance company to another insurance company" has a mean of 3.76 and a standard deviation of 0.965. The moderate mean suggests that, on average, respondents perceive a substantial effort requirement associated with switching insurance companies. The lower standard deviation indicates less variability in responses, implying a higher level of agreement among the respondents on this aspect.

Hassle of Switching: The statement "In general, switching to a new insurance company would be a hassle" has a mean of 3.67 and a standard deviation of 1.073. The mean suggests a moderate level of agreement that switching insurance companies is generally seen as a hassle. The higher standard deviation indicates some variability in opinions or experiences, suggesting that respondents' perceptions of the hassle involved may vary to some extent.

Willingness to Switch: The statement "I might have changed my insurer if I could do so without any significant hassle" has a mean of 3.52 and a standard deviation of 1.015. The mean suggests a moderate level of agreement that respondents would consider changing their insurer if the process were hassle-free. The standard deviation indicates some variability in opinions or experiences, suggesting that the level of willingness to switch may vary among respondents.

Bond between the individual and the insurance company: The statement "I feel there is a bond between my insurance company and myself" has a mean of 3.70 and a standard deviation of

1.146. This indicates a moderate level of perceived bond between the person and their insurance company. The relatively higher standard deviation suggests that opinions or feelings about this bond may vary among individuals.

Personal friendship developed with the insurance company: The statement “I have developed a personal friendship with my insurance company” has a mean of 3.91 and a standard deviation of 1.083. This suggests a stronger emotional connection or perceived friendship between the individual and the insurance company compared to the general bond. The lower standard deviation implies a more consistent agreement among respondents about this friendship aspect.

Comfort in interacting with the insurance company’s people: The statement “I would be more comfort interacting with the people working for my Insurance company than I will be if I switch my insurance company provider” has a mean of 3.71 and a standard deviation of 1.113. This indicates a moderate level of comfort when dealing with the employees or representatives of the current insurance company. The standard deviation suggests a varied degree of comfort among respondents, but it's similar to the bond between the individual and the company.

Anticipated feelings of missing the insurance company if switching: The statement “I would miss my insurance company if I switch” has a mean of 3.88 and a standard deviation of 1.068. This demonstrates a strong likelihood that individuals would miss their current insurance company if they were to switch. The lower standard deviation implies more agreement among respondents about the likelihood of missing their current insurer.

Fear of losing a friendly relationship if switching insurers: The statement “I will lose a friendly and comfortable relationship with my insurance company if I change” has a mean of 3.58 and a standard deviation of 1.073. This suggests a concern or fear about losing the friendly and comfortable relationship that exists with the current insurance company. The standard deviation again implies variability in the extent of this fear among respondents.

The overall average switching barrier mean of 3.67 with a standard deviation of 1.063 indicates that, on average, respondents perceive moderate barriers to switching insurance companies. The

standard deviation suggests that there is variability in the perceived switching barriers among the respondents. This implies that while some respondents perceive high barriers to switching, others may perceive them to be relatively lower.

These statistics collectively indicate that individuals perceive switching insurance companies as challenging and emotionally connected. The means and standard deviations reflect moderate to high levels of attachment and reluctance to switch due to established bonds, perceived hassle, and the effort, time, and money involved in the switch.

4.3.4 Price

Table 4.5. Descriptive statistics on premium price

Item	Mean	Std. Deviation
This insurance company took effective ways to help us know its pricing policies of products and services.	3.57	.982
The pricing policies of products and services from this insurance company are attractive.	3.34	1.193
The premium rate offered by this insurance company is reasonable.	3.53	1.060
This insurance company is offering flexible pricing for various services that meet my needs.	3.74	1.009
I will continue to stay with company unless the price is significantly higher for the same service.	3.82	1.066
Total premium price	3.6	1.062

Source: own survey, 2023

Effectiveness in communicating pricing policies: The statement “This insurance company took effective ways to help us know its pricing policies of products and services" has a mean of 3.57 and a standard deviation of 0.982. This indicates a moderately positive perception that the insurance company effectively communicates its pricing policies. The lower standard deviation suggests a relatively consistent agreement among respondents regarding this aspect.

Perception of attractiveness in pricing policies: The statement “The pricing policies of products and services from this insurance company are attractive" has a mean of 3.34 and a standard deviation of 1.193. This suggests a lower perception regarding the attractiveness of the insurance

company's pricing policies. The higher standard deviation indicates more variability in opinions among respondents regarding the appeal of these policies.

Perceived reasonableness of premium rate: The statement "The premium rate offered by this insurance company is reasonable" has a mean of 3.53 and a standard deviation of 1.060. This indicates a moderate perception that the premium rates offered by the insurance company are reasonable. The standard deviation implies some variability in opinions about the fairness of these rates

Perception of flexible pricing meeting individual needs: The statement "This insurance company is offering flexible pricing for various services that meet my needs" has a mean of 3.74 and a standard deviation of 1.009. This suggests a relatively positive perception that the insurance company offers flexible pricing that aligns with individual needs. The lower standard deviation indicates a more consistent agreement among respondents regarding this aspect.

Intent to stay unless significantly higher pricing: The statement "I will continue to stay with company unless the price is significantly higher for the same service" has a mean of 3.82 and a standard deviation of 1.066. This strongly suggests that individuals are inclined to remain with the company unless faced with a significant price increase for the same service. The lower standard deviation indicates a more consistent agreement among respondents regarding this intention to stay based on pricing

The overall mean value of customer participation in price is 3.6 and the standard deviation of 1.062. This suggests a moderately positive overall perception of the insurance company's pricing. The standard deviation indicates some variability in opinions among respondents about the overall pricing experience.

The statistics indicate that while there's a generally positive perception about certain aspects of the insurance company's pricing policies, such as effective communication, flexibility, and the intention to stay unless faced with significantly higher prices, there's variability in opinions regarding the attractiveness and overall perception of pricing. The standard deviations suggest differing opinions among respondents about these aspects of the company's pricing strategies.

4.3.5 Brand Image

Table 4.6. Descriptive statistics on brand image

Item	Mean	Std. Deviation
I consider that this insurance company's reputation is high.	3.86	1.142
I like the public image of my insurance company.	3.62	1.110
The insurance company delivered a good brand image to its customers.	3.87	1.064
Total brand image	3.78	1.105

Source: own survey, 2023

Perceived high reputation of the insurance company: The statement "I consider that this insurance company's reputation is high" has a mean of 3.86 and a standard deviation of 1.142. This indicates a relatively high perception of the insurance company's reputation among respondents. The higher standard deviation implies some variability in opinions regarding the perceived reputation, but the mean suggests a generally positive view.

Likability of the public image of the insurance company: The statement "I like the public image of my insurance company" has a mean of 3.62 and a standard deviation of 1.110. This suggests a moderately positive perception of the public image associated with the insurance company. The standard deviation indicates some variability in opinions among respondents regarding the likability of this public image.

Delivery of a good brand image to customers: The statement "The insurance company delivered a good brand image to its customers" has a mean of 3.87 and a standard deviation of 1.064. This indicates a relatively strong perception that the insurance company delivers a good brand image to its customers. The lower standard deviation suggests a more consistent agreement among respondents about this aspect of the company.

In summary, these statistics collectively indicate a generally positive perception of the insurance company's reputation and brand image. There's a tendency among respondents to view the company's reputation as high, while perceptions of the public image and overall brand image are moderately positive with some variability in opinions among individuals. Overall, the mean

values imply a favorable perception of the insurance company's reputation and brand image among the surveyed individuals.

4.3.6 Customer Retention

Table 4.7. Descriptive statistics on customer retention

Item	Mean	Std. Deviation
The relationship with my insurance company is important to me.	3.66	1.020
I plan to continue my relationship with the company in the future.	4.02	.944
I would encourage friends and relatives to do business with my insurance company.	3.61	1.014
I have said positive things about my insurance company to others.	3.61	1.004
I would recommend my insurance company as the best insurance service provider in the area.	3.70	.923
Total customer retention	3.72	0.981

Source: own survey 2023

Based on the information provided in table 4.7, it appears that the majority of respondents have a high perception regarding the statement “I plan to continue my relationship with the company in the future,” a mean value is 4.02 and a standard deviation is 0.944. This statement indicates that, on average, customers have a high preference for the company as their first choice for insurance coverage. The low standard deviation suggests that responses were fairly consistent, with minimal variability.

However, for the remaining statements, the respondents showed a moderate level of agreement. However, this suggests that the respondents had mixed opinions or moderate perceptions regarding those statements. Overall, the average for all customer retention is 3.72, with a standard deviation of 0.981. This indicates a moderate level of customer retention with the insurance company. While there is some variability in the responses, the mean values generally indicate positive sentiments, with customers expressing a willingness to remain with the company, recommend it to others, and speak positively about their experiences.

4.4. Inferential Analysis

4.4.1. Reliability

Reliability deals with how the measurement is internally consistent. To tell the research is reliable, the result should be above 0.7(Field, 2013). To check the consistency of the answers of respondents, Cronbach's Alpha were used and presented as below:

Table 4.8 reliability test

Reliability Statistics	
Cronbach's Alpha	No of Items
.918	6

No	Variables	Cronbach's Alpha	No of Items
1	Customer satisfaction	0.750	4
2	Trust	0.766	5
3	Switching barrier	0.809	10
4	Price	0.726	5
5	Brand image	0.771	3
6	Customer retention	0.844	5

Source: own survey 2023

As it shown on the above table 4.8, the value of alpha for the variables is greater than 0.7 therefore the questionnaire is reliable.

4.4.2. Correlation Analysis

Correlation analysis is used to study the strength of relationship among between two variables. The value of correlation coefficient is lies between -1 and +1. Where, the value more close to zero then the relationship is said to be weak. The value is nears to -1 or +1 then the relationship between the variables is negative or positive respectively. However, it does not explain whether the variable is the cause or effect. To check the level of association between the independent (customer satisfaction, trust, switching barrier, premium price and quality customer service) and dependent variable (customer retention) Pearson correlation method is applied.

According to (Field, 2005) the level of strength of the relationship between two variables is classified into three categories; the relationship is said to be weak if the correlation coefficient is from 0.1 to 0.29, from 0.3 to 0.49 is moderate, and >0.5 is the strong relationship.

Table 4.9. Pearson correlation coefficient matrix

Correlations							
		CS	T	SB	P	BI	CR
CS	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	360					
T	Pearson Correlation	.694**	1				
	Sig. (2-tailed)	.000					
	N	360	360				
SB	Pearson Correlation	.627**	.597**	1			
	Sig. (2-tailed)	.000	.000				
	N	360	360	360			
P	Pearson Correlation	.668**	.696**	.690**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	360	360	360	360		
BI	Pearson Correlation	.628**	.588**	.653**	.676**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	360	360	360	360	360	
CR	Pearson Correlation	.727**	.663**	.681**	.673**	.634**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	360	360	360	360	360	360

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

Source: own survey 2023

The above correlation matrix indicates that the five factors were positively and strongly correlated with Customer retention. The highest strong coefficient of correlation is between customer satisfaction and customer retention ($r = 0.727$, $n = 360$, $p \leq 0.01$). This indicates that there is a significant positive relationship among between customer satisfaction and customer

retention. The second highest strong coefficient of correlation is between switching barrier and customer retention ($r = 0.681$, $n = 360$, $p \leq 0.01$). The third highest strong coefficient of correlation is between price and Customer retention ($r = 0.673$, $n = 360$, $p \leq 0.01$). The fourth strong correlation is between premium trust and customer retention ($r = 0.663$, $n = 360$, $p \leq 0.01$). The fifth highest strong coefficient of correlation is between brand image and customer retention ($r = 0.634$, $n = 360$, $p \leq 0.01$). In general, the above correlation matrix shows that all independent variables are positively and strongly correlates with the dependent variable.

4.4.3. Regression Analysis

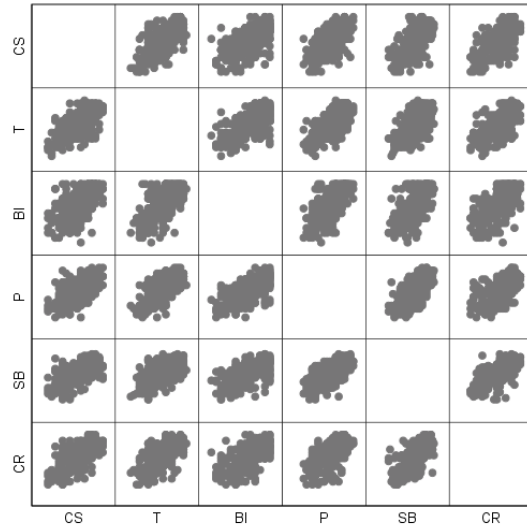
Regression analysis is a tool to analyze the relationship between independent and dependent variable and whether the relationship is significant or not. It is also widely used to make predictions, which means it will be helped to answer the question what would happen to dependent variable if an increasing of one unit in one of the independent variable, while taking other independent variable constant.

Multiple regression analysis was applied to address the research questions and hypothesis since the research has more than one independent variable. There are an assumptions to test before conducting regression analysis; linearity, normality, multicollinearity, autocorrelation, and heteroscedasticity tests.

A. Linearity Test

The linearity assumption deals about the relationship between independent and dependent variables should be linear. The linear regression equation is: $Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \dots + \beta_ix_i + e$. Where, Y is the dependent variable, x_i is the independent variables, β_i is the coefficient of independent variables, α is constant and e is error term. Linear equation can be evaluated by using a scatter plot. Since the points in the scatter plot roughly fall along a straight diagonal line, there exists a linear relationship between the variables.

Figure 4.1. Linearity matrix scatter plot



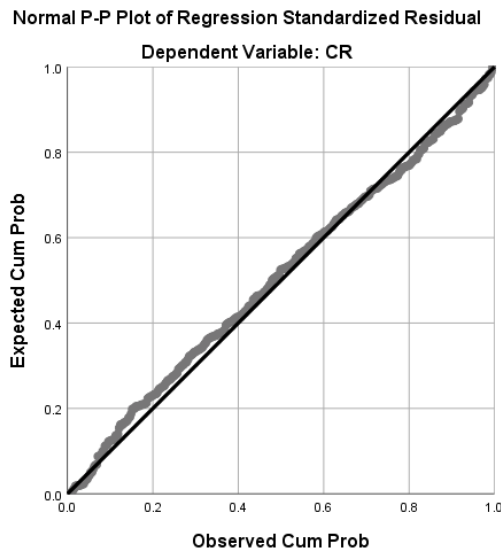
Source: Own survey, 2023

Figure 4.1 shows the presence of linear relationship between the independent (predictor) and dependent variable.

B. Normality Test

The P-P plot for the model can be used to test this assumption. The closer the dots are to the diagonal line, the closer the residual distribution is to normal.

Figure 4.2. P-P plot



Source: own survey, 2023

C. Multicollinearity

Multicollinearity test is used to check if there is significant correlation among two or more predictor. Tolerance and the variance inflation factor (VIF) can be used to test this. If the value of tolerance is greater than 0.1 and VIF value is in interval of 1 to 5, this showed that no collinearity. As the below table indicates that VIF for all independent variables is less than 5 and tolerance level is greater than 0.1. Therefore, the model has no multicollinearity problem.

Table 4.10. Multicollinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Customer satisfaction	.409	2.447
	Trust	.414	2.416
	Switching barrier	.434	2.304
	Price	.352	2.837
	Brand image	.447	2.239

a. Dependent Variable: Customer retention

Source: own survey, 2023

D. Autocorrelation Test

This assumption can be tested using Durbin-Watson test. According to (Marshall et al., 2015) if Durbin- Watson statistic is between 1.5 and 2.5, then there is no autocorrelation problem. Therefore, as the below table shows Durbin- Watson result is 1.898 this means there is no autocorrelation problem.

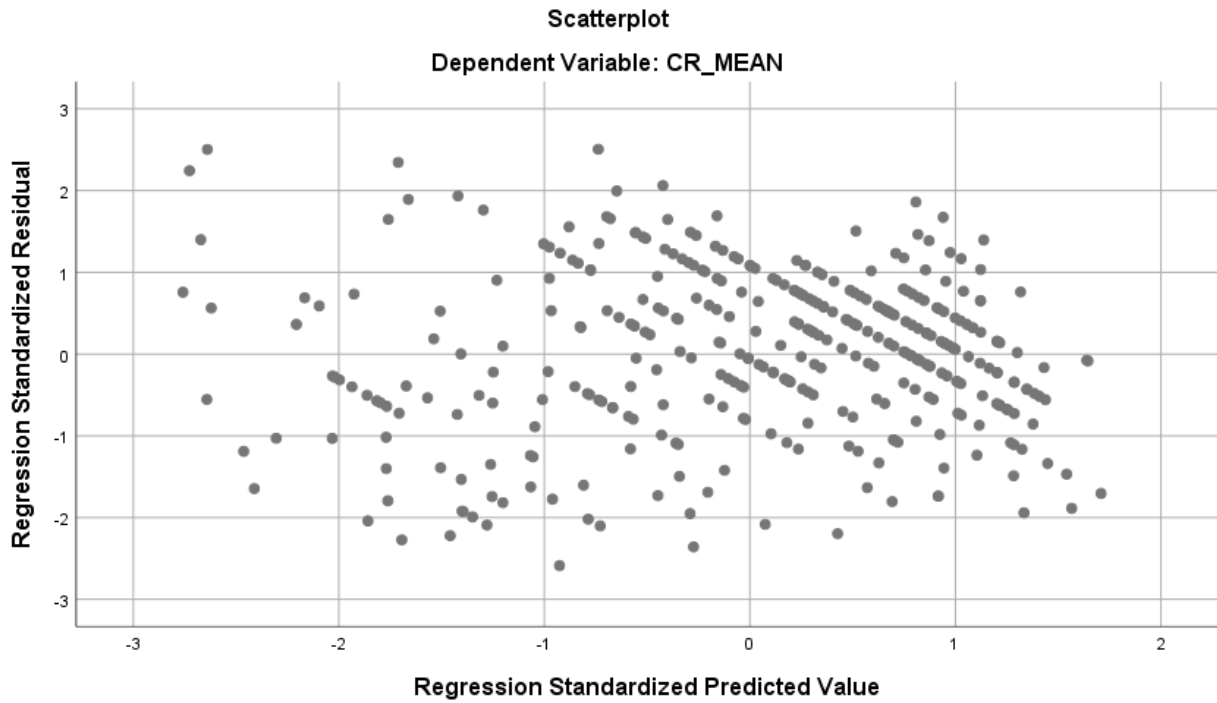
Table 4.11. Autocorrelation test

Durbin-Watson
1.897

E. Heteroscedasticity test

Multiple linear regressions assume that the residuals have constant variance at every point in the linear model and this is checked by using scatter plot. Figure 4.5 shows that scatter plot don't Exhibit a pattern, the test of homoscedasticity is not violated or no heteroscedasticity problem.

Figure 4.3. Heteroscedasticity scatter plot



Source: own survey, 2023

4.5. Regression Analysis Results

The linear regression model of the study is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where: Y = customer retention

X1= customer satisfaction (CS)

X2= trust (T)

X3= switching barrier (SB)

X4= price (P)

X5=Brand image (BI)

β_0 =Constant term,

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 are coefficients of the independent variables and,

ε =Error term

4.5.1. The Coefficient of Determination and Test of Model Adequacy

4.5.1.1. The Coefficient of Determination

This research was employed to examine the factors affecting customer retention of insurance service and R square is one way to elaborate the relationship of dependent and independent variables. Tables 4.12 showed that the coefficient of determination (R-squared) is 0.645. This indicates that 64.5% of the relationship or variation was explained by independent variables (customer satisfaction, trust, switching barrier, Price, and Brand image) and the remaining 35.5% of variance of customer retention factors could be explained by other variables.

Table 4.12: Regression analysis model summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.803 ^a	.645	.640	.46221

- a. Predictors: (Constant), customer satisfaction, trust, switching barrier, price, and brand image.

Source: own survey SPSS output, 2023

4.5.1.2. Test of Model Adequacy

Even though, researcher has gotten a significant effect of independent and dependent variables using coefficient of correlation (R Squared=.645). But, the researcher does not pass final conclusion on relation until it was checked by means of analysis of variance (ANOVA). This ANOVA test enables to test the significance of correlation coefficient and F test is designed to test the significance of all independent variables in a model.

Table 4.13: ANOVA output

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	137.691	5	27.538	128.901	.000 ^b
	Residual	75.628	354	.214		
	Total	213.319	359			

- a. Dependent Variable: Customer retention

- b. Predictors: (Constant), customer satisfaction, trust, switching barrier, price, and brand image.

Source: own survey, 2023

From the ANOVA output, the five independent variables (customer satisfaction, trust, switching barrier, price, and brand image) significantly predict the dependent variable (customer retention) with $F(5,354) = 128.901$ and $p = 0.000$ and p value is less than 0.05. If the overall model is adequate, the researcher should proceed to individual (independent variables) testing of significance and this presented in below with table 4.14

Table 4.14 coefficients of the variables

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.331	.146		2.272	.024
	CS	.306	.045	.334	6.745	.000
	T	.147	.048	.152	3.091	.002
	SB	.281	.057	.235	4.894	.000
	P	.114	.056	.109	2.036	.042
	BI	.091	.040	.108	2.283	.023

a. Dependent Variable: customer retention

Source: own survey, 2023

Therefore the regression model is become:

$$\hat{Y} = .331 + .306X_1 + .147X_2 + .281X_3 + .114X_4 + .091X_5$$

Where: \hat{Y} = customer retention, X_1 = Customer satisfaction, X_2 = Trust, X_3 = Switching barrier, X_4 = Price, and X_5 = brand image

From the above Table 4.14 point out that the five independent variables (customer satisfaction, trust, switching barrier, and Price and brand image) have a factors affecting customer retention on the selected private insurance companies significantly at 95% confidence interval. The p -value of all the independent variables is below 0.05 which implies all have a significant relationship with the dependent variable (Customer retention).

4.6. Discussion and Hypothesis Testing

Table 4.14 presents the regression result of coefficient of variables and significance. The model was prepared based on the collected data to examine the factors affecting customer retention in insurance company.

The results of the model predicting customer retention factors through the variables are customer satisfaction, trust, switching barrier, price, and brand image. From regression analysis we have found P and B value for all independent variables that can express the level of statistical significance and relationship between dependent and independent variable. A P values is less than 0.05 statistically significant that indicates strong evidence against the null hypothesis therefore we reject the null hypothesis and accept alternative hypothesis. And B value is positive that can express direct relationship but B value is negative to explain indirect relationship between independent and dependent variables.

The constant term in a regression model represents the expected value of the dependent variable (customer retention) when all independent variables are set to zero. In this case, the constant value of 0.331 suggests that all independent variables value is zero; the expected value of customer retention is 0.331.

The coefficient of customer satisfaction was 0.306 at 95% confidence level this means when one unit increase in customer satisfaction is leads to an increase of customer retention by 30.6% while remaining other independent variables constant. The sign of the coefficient (positive in this case) indicates the direction of the relationship, which means that dependent and independent variables have positive relationship. The p-value for this coefficient is 0.00 statistically significant because p value is less than 0.05 meaning that customer satisfaction is a significant predictor of customer retention in private insurance. Hence, the Null hypothesis was rejected. This is consistent with the findings of(Venkatesan & Jacob, 2019) whose study concluded that there is a significant positive relationship of customer retention between customer satisfaction.

H1: customer satisfaction has a positive and significant effect on customer retention in selected private companies in Addis Ababa Ethiopia.

The second hypothesis which states, trust has positive and significant effect on customer retention in private insurance companies located in Addis Ababa city, was also supported the data survey because the P-value is 0.02 which is ($P < 0.05$; $B = 0.147$), we can infer that a unit change in Trust level in private insurance companies in Addis Ababa explains on average 14.7% the customer retention improvement level, if other factors remains constant. The sign of the coefficient (positive in this case) indicates the direction of the relationship, which means that dependent and independent variables have positive relationship.

Hence, the based on this result, the null hypothesis were rejected. This finding is also similar with the study of (Ricadonna et al., 2021a),(Magasi & Salaam, 2016) and (Nasrin Danesh et al., 2012)in which they investigated that trust revealed significant and positive association with customer retention.

H2: Trust has positive and significant effect on customer retention in selected private companies in Addis Ababa Ethiopia.

The third hypothesis which states, switching barrier has positive and significant effect on customer retention in private insurance companies, was also supported the data survey because the P-value is 0.000 which is ($P < 0.05$; $B = 0.281$), It implies that unit change in switching barrier explains on average 28.1% of customer retention level, if other factors remains constant. The sign of the coefficient (positive in this case) indicates the direction of the relationship, which means that dependent and independent variables have positive relationship.

Therefore, based on this result, the null Hypothesis was rejected. This result supported by the findings of (Ranaweera & Prabhu, 2003b) ,(Nasrin Danesh et al., 2012) and (Qadri et al., 2014)their study concluded that there is a significant and positive relationship of customer retention and switching barrier .

H3: switching barrier has positive and significant effect on customer retention in selected private insurance companies in Addis Ababa Ethiopia.

The fourth hypothesis which states, price has positive and significant effect on customer retention in private insurance companies, was also supported the data survey because the P-value is 0.42 which is ($P < 0.05$; $B = 0.114$), the coefficient result indicates that, unit change in premium price explains on average 11.4% of customer retention level while taking other independent

variables constant. The sign of the coefficient (positive in this case) indicates the direction of the relationship, which means that dependent and independent variables have positive relationship. Hence, price has a significant effect on customer retention, thus based on this the null hypothesis was rejected. This result supported by the findings of(Ullah et al., 2015) and (Qadri et al., 2014)their study reported that pricing a statistically significant and positive impact on customer retention.

H4: price has positive and significant effect on customer retention in selected private companies in Addis Ababa Ethiopia.

The fifth hypothesis which states, Brand image has positive and significant effect on customer retention in private insurance companies, was also supported the data survey because the P-value is 0.023 which is ($P < 0.05$; $B = 0.091$), It implies that unit change in brand image explains on average 9.1% of customer retention level, if other factors remains constant. The sign of the coefficient (positive in this case) indicates the direction of the relationship, which means that dependent and independent variables have positive relationship. Therefore, based on this, the null Hypothesis was rejected. This result supported by the findings of(Fatima et al., 2022) and(Qadri et al., 2014) their study concluded that there is a significant and positive relationship of customer retention brand image .

H5: brand image has positive and significant effect on customer retention in selected private insurance companies in Addis Ababa Ethiopia.

In general, this research has done to identify which variables affect customer retention of insurance company's (customer's perspective) in a case of selected private insurance companies in Addis Ababa, Ethiopia. Multiple linear regression models have been used to investigate their relationship or association. Accordingly, the model summery indicates that five independent variables which are customer satisfaction, trust, switching barrier, price, and brand image explain the variance in customer retention by 64.5%. The rest 35.5% will be filled by other variables. As well as, the Beta coefficient for all independent variables was significant at p value of < 0.05 .

Table 4.15 shows that summary of the above discussion and hypothesis testing.

Hypothesis	Description	Regression result	Decision
H1	Customer satisfaction has positive effect on customer retention.	B=0.306, p<0.05	Accepted
H2	Trust has positive effect on customer retention.	B=0.147, p<0.05	Accepted
H3	Switching barrier has a positive effect on customer retention	B=0.281, p<0.05	Accepted
H4	Price is positive effect on customer retention	B=0.114, p<0.05	Accepted
H5	Brand image has a positive effect on customer retention	B=0.091, p<0.05	Accepted

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

The research conclusion, recommendations, and future research based on the research findings are presented in this section.

5.1 Conclusion

As it was stated on the first chapter of the research, the aim of this research was to investigate the main determinants of customer's decision to renew a general insurance policy of selected private insurance companies in Addis Ababa, Ethiopia. This study as well sought to answer the five research questions; what is the effect of customer satisfaction on customer retention? What is the effect of trust on customer retention? What is the effect of switching barriers on customer retention? What is the effect of price on customer retention? And what is the effect of brand image on customer retention?

To answer those questions, the data were collected from 360 customers of selected private insurance companies. Meanwhile, the collected data was coded, entered and analyzed by using SPSS version 25. In order to identify the effect, the researcher took customer satisfaction, trust, switching barrier, Price, and brand image as a dimension for affect customer retention. The regression analysis result showed that all the mentioned variables have a positive and significant effect with customer retention.

Based on the findings from the descriptive statistics analysis, the researcher has concluded that Customers of the selected private insurance companies have moderate perception on customer satisfaction, trust, switching barrier, price, and brand image.

Based on the findings from the regression analysis of the model, the researcher concluded that customer retention of selected private insurance companies was explained by the explanatory variables included in the model. In conclusion, the regression analysis conducted revealed that all the variables examined, including customer satisfaction, trust, price, switching barrier, and brand image, have a significant impact on customer retention. The analysis demonstrated that these factors play crucial roles in influencing customers' decisions to remain with an insurance provider.

Firstly, customer satisfaction emerged as a significant predictor of customer retention. Satisfied customers are more likely to continue their relationship with the insurer, highlighting the importance of meeting and exceeding customer expectations.

Secondly, trust was found to have a significant effect on customer retention. Establishing a strong sense of trust between the insurer and the customer fosters loyalty and encourages customers to stay with the company over the long term.

Switching barrier, another significant variable, indicates that customers are less likely to switch to a different insurance provider when barriers, such as contractual obligations, high switching costs, or limited alternatives, are present. These barriers act as deterrents to customer churn and contribute to higher retention rates.

Furthermore, price was identified as a significant factor in customer retention. Customers are sensitive to the pricing of insurance policies, and competitive pricing can positively influence their decision to remain with a particular insurer.

Lastly, the analysis revealed that brand image significantly impacts customer retention. Brand image represents the perception and reputation of an insurance company in the eyes of its customers. A positive brand image can significantly impact customer retention. When customers have a favorable view of an insurance company's brand, they are more likely to continue their relationship with the company and choose it over competitors. A strong brand image can be built through effective marketing, consistent messaging, delivering exceptional customer experiences, and aligning the brand with customer values and aspirations.

Overall, these findings highlight the multifaceted nature of customer retention in the insurance industry. Insurers should focus on enhancing customer satisfaction, building trust, offering competitive pricing, switching barriers, and Strengthen Brand Image to maximize customer retention rates and foster long-term customer relationships.

5.2 Recommendation

Based on the conclusion that all variables, including customer satisfaction, trust, price, switching barrier, and brand image, have a significant effect on customer retention, here are some recommendations:

- ❖ **Enhance Customer Satisfaction:** Continuously monitor and improve customer satisfaction levels by actively seeking feedback, addressing customer concerns, and personalizing interactions. Regularly assess customer needs and preferences to tailor products and services accordingly.
- ❖ **Build and Maintain Trust:** Foster trust by maintaining transparency in insurance policies, claims processes, and pricing. Communicate openly with customers, provide clear and accurate information, and ensure fair and ethical practices. Establishing a reputation for trustworthiness can strengthen customer loyalty.
- ❖ **Based on the research finding switching barriers is one of the factors that influence Customer retention.** Therefore insurance companies effort to reduce customers switching by continuously reviewing and building positive switching barriers through offering of incentives like discount for various service charges and strengthen interpersonal bond by developing friendly and comfortable relationship so as to raise customer retention.
- ❖ **Competitive Pricing Strategies:** Regularly analyze market trends and competitors' pricing to ensure that premium prices are competitive. Consider implementing pricing models that balance profitability with customer affordability. Offering flexible pricing options and discounts can attract and retain price-sensitive customers.
- ❖ **Strengthen Brand Image:** Invest in building a strong brand image that reflects credibility, reliability, and value. Differentiate your insurance company from competitors by highlighting unique features, benefits, and customer-centric initiatives. Use marketing and communication strategies to reinforce positive brand associations.

In conclusion, the study provides valuable insights into the factors influencing customer retention in private insurance companies in Addis Ababa. The findings can be used to inform strategies aimed at improving customer retention in the insurance industry. By focusing on the factors identified in the study, insurance companies can improve their customer retention

strategies and retain their customers for longer periods, leading to increased revenue and cost savings.

5.3. Limitations and Future Research Direction

The research on factors affecting customer retention in private insurance companies in Addis Ababa, Ethiopia, with the independent variables of customer satisfaction, trust, switching barrier, price, and brand image may have certain limitations and suggest future research directions. Some of these limitations and potential research directions include:

- ❖ Only general insurance service covered under this study. Future research should be considering life insurance service.
- ❖ This research is limited to focus only on private insurance companies which operate in Ethiopia. Therefore, this governance aspect was left for other future researchers.
- ❖ Due time and financial limitation outlying branches were not included and the study was only conducted in Addis Ababa including head offices and city branches of selected private insurance companies. This might not accurately represent the population as a whole. As a result, future researchers could investigate it in another companies or organizations in broad.
- ❖ Only five factors (customer satisfaction, trust, switching barrier, price and brand image) were undertaken to identify customer retention. There are different customer retention factors including the above five factors. However, these five factors are found to be very critical and have a great attachment with customer retention. Therefore, the other factors were left for other future researchers.
- ❖ As a result, there was a scarcity of available data for the study, and some respondents did not complete or return the questionnaire on time.

Considering these limitations and exploring the suggested research directions can further advance the understanding of customer retention factors in private insurance companies in Addis Ababa, Ethiopia, and contribute to the development of effective strategies for enhancing customer retention in the industry.

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Appendix A: Questionnaire in English Version

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION (MBA)

EXTENSION PROGRAM

**A QUESTIONNAIRE ON THE FACTORS AFFECTING CUSTOMERS RETENTION IN GENERAL
INSURANCE: THE CASE OF SELECTED PRIVATE INSURANCE COMPANIES IN ADDIS ABABA
ETHIOPIA**

Dear respondents:

I am Mulugeta Belete and a student of Masters of Business Administration at Addis Ababa University. This Questionnaire is aimed to obtain information on the Factors Affecting Customers Retention in General Insurance: The Case of Selected Private Insurance Companies in Addis Ababa Ethiopia. The research is being conducted for academic purpose. Your answer is very important for the proper analysis of the research and will be treated confidentially and anonymously. I would really appreciate if you could spend a few minutes of your time filling in this survey.

In case if you have any clarification or inquiry, don't hesitate to contact me by the following address.

Mulugeta Belete Tell; 09-28555071

Email address: mulugetabel12@gmail.com

Thank you, for your cooperation and timely response in advance!

General Instructions

There is no need of writing your name.

Please put a „√“mark to all your responses in the space provided beside to each Question.

Part I-Personal Information

1. Gender: Male Female

2. Age: Under 35 35-39 40-44 45&above

3. Marital status: Single Married Divorced Widowed

4. Duration of stay with the insurance company

1-2 year 3-5 years 6-10years 10 years longer

5. Educational level

12 grade completed and below Diploma BA/BSC MA/MSc above MA/MSc

6. Occupation:

Running own business Government sector Private sector other

Part II (Factor Affecting Customer Retention Dimension) Practices

INSTRUCTION: For this section, please select only one of the numbers which is best reflects your opinion on the statement and tick the box.

1-Stronglydisagree 2-Disagree 3-Neutral 4-Agree 5-Stronglyagree

SN	Customer Satisfaction		1	2	3	4	5
1	CS ₁	I am satisfied with the overall service quality offered by this insurance company.					
2	CS ₂	I am satisfied with the professional competence of this insurance company.					
3	CS ₃	I am satisfied with the performance of the employees of this insurance.					
4	CS ₄	I am comfortable about the relationship with this insurance					
Trust			1	2	3	4	5
1	T ₁	This insurance company is reliable because it is mainly concerned with the Customers’ interests.					
2	T ₂	The billing system of this insurance company is					
3	T ₃	The service process provider by this insurance company is secure.					
4	T ₄	The Reputation of this insurance company is trustworthy.					
5	T ₅	The policies and practice of this company are trustworthy.					
Switching Barrier			1	2	3	4	5
A, Switching cost							
1	SBSC ₁	It would cost me a lot of money to switch from my current insurance company to another insurance					

2	SBSC ₂	It would cost me a lot of time to switch from my current insurance company to another insurance company.					
3	SBSC ₃	It would cost me a lot of effort to switch from my current insurance company to another insurance company.					
4	SBSC ₄	In general switching to a new insurance company would be a hassle.					
5	SBSC ₅	I might have changed my insurer, if I could do so without any significant hassle.					
B, Interpersonal Relationship							
1	SBIR ₁	I feel there is a bond between my insurance company and myself.					
2	SBIR ₂	I have developed a personal friendship with my insurance company.					
3	SBIR ₃	I would be more comfort interacting with the people working for my Insurance company than I will be if I switch my insurance company provider.					
4	SBIR ₄	I would miss my insurance company if I switch.					
5	SBIR ₅	I will lose a friendly and comfortable relationship with my insurance company if I change.					
Price			1	2	3	4	5
1	P ₁	This insurance company took effective ways to help us know its pricing policies of products and services.					
2	P ₂	The pricing policies of products and services from this insurance company are attractive.					
3	P ₃	The premium rate offered by this insurance company is					
4	P ₄	This insurance company is offering flexible pricing for various services that meet my needs.					
5	P ₅	I will continue to stay with company unless the price is significantly higher for the same service.					
Brand Image			1	2	3	4	5
1	BI ₁	I consider that this insurance company's reputation is high.					
2	BI ₂	I like the public image of my insurance company.					

3	BI ₃	The insurance company delivered a good brand image to its customers.					
Customer Retention			1	2	3	4	5
1	CR ₁	The relationship with my insurance company is important to me					
2	CR ₂	I plan to continue my relationship with the company in the future					
3	CR ₃	I would encourage friends and relatives to do business with my insurance company.					
4	CR ₄	I have said positive things about my insurance company to others					
5	CR ₅	I would recommend my insurance company as the best insurance service provider in the area.					

Thank you again for your patience in responding the questionnaire.

Appendix B: Questionnaire in Amharic Version

በአዲስ አበባ ዩኒቨርሲቲ የቢዝነስ አድሚኒስትሬሽን ድህረ ምረቃ ትምህርት ክፍል መጠይቅ

ወደ ምላሽ ሰጪዎች

እኔ ሙሉ-ጌታ በለጠ በአዲስአበባ ዩኒቨርሲቲ የቢዝነስ አድሚኒስትሬሽን ማስተርስ ተማሪ ነኝ። ይህ መጠይቅ የተዘጋጀው በአዲስ አበባ ዩኒቨርሲቲ ለቢዝነስ አድሚኒስትሬሽን ማስተርስ ፕሮግራም የሚሟሟ ጥናት “አዲስ አበባ ውስጥ የሚገኙ የተመረጡ የግል ኢንቬስትሜንቶች የጠቅላላ ኢንቬስትሜንት ተጠቃሚ ደንቦቻቸው ከእነርሱ ጋር በደንበኝነት እንዲዘልቁ የሚያደርጉ ጉዳዮች” በሚል ርዕስ የተዘጋጀና ይህን ጥናት ለማከሄድ መረጃ ለማሰባሰብ ነው። ስለሆነም እርሶ የሚሰጡት መረጃ ለዚህ ጥናት ግብአትነት ብቻ የሚውል ሲሆን ይህን መጠይቅ ለመሙላት ስም መጥቀስ የማያስፈልግና መጠይቁን የሞላው ግለሰብ ማንነት ሚስጥራዊነቱ የተጠበቀ ነው። በመሆኑም ይህን መጠይቅ ጊዜ ወሰደው በመሙላት መልካም ፍቃድ ስለሆነ ከልብ አመሰግናለሁ። ምንም ዓይነት ማብራሪያ ወይም ጥያቄ ካሉት በሚከተለው አድራሻ እኔን ለማነጋገር አያመንቱ።

ስልክቁጥር; 09-28555071

ኢሜልአድራሻ: mulugetabel12@gmail.com

ስለትብብርዎ እና ወቅታዊ ምላሽዎ በቅድሚያ አመሰግናለሁ!

መጠይቁን በሚሞሉበት ጊዜ የመረጡት መልስ በሚገኝበት ቦታ አንፃር የ_(✓) ምልክት በማስቀመጥ ያመልክቱ።

ክፍል 1-የግልመረጃ

- 1. ልጅ: ወንድ ሴት
- 2. ዕድሜ : ከ 35 በታች 35-39 40-44 45 እናበላይ
- 3. የጋብቻሁኔታ: ያለገባ ያገባ/ች ፈት ባለቤቱ/ የመተበት
- 4. በኢንቬስትሜንት የቆይታ ጊዜ
1-2 ዓመት 3-5 ዓመት ከ 6-10 ዓመት ከ10 ዓመት በላይ

5. የትምህርት ደረጃ

12 ክፍል ያጠናቀቀና ዲፕሎማ ዲግሪ ማስተርስ ከማስተርስ በላይ

6. የስራ ሁኔታ: የግል ስራ የመንግስት ስራ የግል ድርጅት ስራ ሌላ

ክፍል2 እባክዎ ከዚህ በታች ለሚገኙት የጥናቱ መጠይቆች መልስ ይሆናል ብለው ያመኑትን ቦታ ይህን(✓) ምልክት በማድረግ በጥንቃቄ ይመልሱ።

1-በጣም አልስማማም 2-አልስማማም 3-አስተያየት የለኝም 4-አስማማለሁ 5-በጣም እስማማለሁ

SN	የደንበኞች እርካታ		1	2	3	4	5
1	CS ₁	በዚህ የኢንሹራንስ ኩባንያ የቀረበው አጠቃላይ የአገልግሎት ትጥራት ረክቻለሁ።					
2	CS ₂	በዚህ የኢንሹራንስ ኩባንያ ሙያዊ ብቃት ረክቻለሁ።					
3	CS ₃	በዚህ የኢንሹራንስ ሠራተኞች አፈጻጸም ረክቻለሁ።					
4	CS ₄	በዚህ የኢንሹራንስ ኩባንያ ጋር ስላለው ግንኙነት ተመችቶኛል።					
በኢንሹራንስ ላይ ያለ እምነት			1	2	3	4	5
1	T ₁	ይህ የኢንሹራንስ ኩባንያ አስተማማኝ ነው ምክንያቱም በዋናነት ከደንበኞች ፍላጎት ጋር የተያያዘ ነው።					
2	T ₂	የዚህ የኢንሹራንስ ኩባንያ የሂሳብ አከፋፈል ስርዓት ታማኝ ነው።					
3	T ₃	በዚህ የኢንሹራንስ ኩባንያ የአገልግሎት ሂደት አቅራቢው ደህንነቱ የተጠበቀ ነው።					
4	T ₄	የዚህ የኢንሹራንስ ኩባንያ ስም ታማኝ ነው።					
5	T ₅	የዚህ ኩባንያ ፖሊሲዎች እና አተገባበራቸው ታማኝ ናቸው።					
የደንበኛ ኢንሹራንስ መቀየር ተፅዕኖ			1	2	3	4	5
ሀ. የመቀየሪያ ወጪ							
1	SBSC ₁	አሁን ካለኝ የኢንሹራንስ ኩባንያ ወደ ሌላ የኢንሹራንስ ኩባንያ ለመቀየር ብዙ ገንዘብ ያስወጣኛል።					
2	SBSC ₂	አሁን ካለኝ የኢንሹራንስ ኩባንያ ወደ ሌላ የኢንሹራንስ ኩባንያ ለመቀየር ብዙ ጊዜ ያስወጣኛል።					
3	SBSC ₃	አሁን ካለኝ የኢንሹራንስ ኩባንያ ወደ ሌላ የኢንሹራንስ ኩባንያ ለመቀየር ብዙ ጥረት ያስከፍለኛል።					
4	SBSC ₄	በአጠቃላይ ወደ አዲስ የኢንሹራንስ ኩባንያ መቀየር አስቸጋሪ ይሆናል።					
5	SBSC ₅	ያለ ምንም ጉልህ ችግር ማድረግ ከቻልኩ ኢንሹራንስዬን ልቀይር እችላለሁ።					
ለየግለሰቦች ግንኙነት							
1	SBIR ₁	በእኔ ኢንሹራንስ ኩባንያ እና በራሴ መካከል ትስስር እንዳለ ይሰማኛል።					
2	SBIR ₂	ከኢንሹራንስ ኩባንያዬ ጋር የግል ወዳጅነት መስርቻለሁ።					
3	SBIR ₃	የኢንሹራንስ ኩባንያዬን ከምቀይር ይልቅ በኢንሹራንስ ኩባንያዬ ከሚሠሩ ሰዎች ጋር ባለኝ ግንኙነት የበለጠ እጽናናለሁ።					
4	SBIR ₄	ከቀየርኩ የኢንሹራንስ ኩባንያዬ ይናፍቀኛል።					
5	SBIR ₅	ከቀየርኩ ከኢንሹራንስ ኩባንያዬ ጋር ያለኝን ወዳጃዊ እና ምቹ ግንኙነት አጣለሁ።					
የኢንሹራንስ የአገልግሎት ተመን(ዋጋ)			1	2	3	4	5

1	P ₁	ይህ የኢንሹራንስ ኩባንያ የምርት እና የአገልግሎቶቹን የዋጋ አሰጣጥ ፖሊሲ እንድናውቅ ለመርዳት ውጤታማ መንገዶችን ወስዷል።					
2	P ₂	የዚህ ኢንሹራንስ ኩባንያ ምርቶች እና አገልግሎቶች የዋጋ አሰጣጥ ፖሊሲዎች ማራኪ ናቸው።					
3	P ₃	በዚህ የኢንሹራንስ ኩባንያ የቀረበው የአረቦን ተመን ምክንያታዊ ነው።					
4	P ₄	ይህ የኢንሹራንስ ኩባንያ የእኔን ፍላጎት ለሚያሟሉ የተለያዩ አገልግሎቶች ተለዋዋጭ ዋጋ እያቀረበ ነው።					
5	P ₅	ለተመሳሳይ አገልግሎት ዋጋው በጣም ከፍ ያለ ካልሆነ በስተቀር ከኩባንያው ጋር መቆየቴን እቀጥላለሁ።					
የምርት ምስል			1	2	3	4	5
1	BI ₁	የዚህ የኢንሹራንስ ኩባንያ ስም ከፍተኛ እንደሆነ አስባለሁ።					
2	BI ₂	የኢንሹራንስ ኩባንያዬን ህዝባዊ ምስል እወዳለሁ።					
3	BI ₃	የኢንሹራንስ ኩባንያው ለደንበኞቹ ጥሩ የምርት ምስል አቅርቧል።					
በደንበኝነት መዝለቅ			1	2	3	4	5
1	CR ₁	ከኢንሹራንስ ኩባንያዬ ጋር ያለው ግንኙነት ለእኔ አስፈላጊ ነው።					
2	CR ₂	ከኩባንያው ጋር ያለኝን ግንኙነት ለመቀጠል እቅድ አለኝ።					
3	CR ₃	ከኢንሹራንስ ኩባንያዬ ጋር የንግድ ሥራ እንዲሰሩ ጓደኞቼን እና ዘመዶቼን አበረታታለሁ።					
4	CR ₄	ስለ ኢንሹራንስ ኩባንያዬ ለሌሎች አዎንታዊ ነገር ተናግራለሁ።					
5	CR ₅	የእኔ የኢንሹራንስ ኩባንያ በአካባቢው ካሉት ምርጥ የኢንሹራንስ አገልግሎት ሰጪ እንደሆነ እመክራለሁ።					

መጠይቆችን በትዕግስት ሞልተው ስለመለሱልኝ በድጋሜ አመሰግናለሁ!