

**The Effect of Determinants of Customer Perception on
the Satisfaction of Corporate life insurance customers:
the case of Ethiopian Insurance Corporation.**

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Declaration:

I, the undersigned student, hereby declare that, this research thesis is my original work, which has not been presented for a masters degree in this/ elsewhere university. All sources of materials used for this study have been fully acknowledged.

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Confirmation:

This research is conducted under my supervision and fulfills all requirements of research standard of the program. I hereby approve the submission of this research thesis.

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Acronyms

- **ANOVA**- One-way Analysis of variance
- **BRT**-Broad Representative Theory
- **CS**- Customer Satisfaction
- **EIC**- Ethiopian Insurance Corporation
- **NGO**- Non-governmental organizations
- **SDR**-Strong Direct Realism
- **VIF**- Variation Inflation Factor

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ABSTRACT

The study mainly intends to explore the effect of determinants of customer perception on the satisfaction of corporate life insurance customers. To evaluate the effect of determinants of customer perception on the satisfaction of corporate life insurance customers Ethiopian Insurance Corporation (EIC) was considered as a case study. This research employed both descriptive and explanatory design. Quantitative and qualitative study was conducted to collect information from primary and secondary sources. For the purpose of this research, structured and standardized questionnaire was conducted to the life insurance customers of EIC. Interview questions were conducted to collect information from EIC Marketing Manager. The collected information was analyzed through statistical software. The main findings of the study are attitude positively and significantly affects customer satisfaction, perceived risk positively and significantly affects customer satisfaction, socio-economic factor positively and significantly affects customer satisfaction, convenience has a negative and insignificant effect on customer satisfaction, expectation has negative and insignificant effect on customer satisfaction. As a result, the researcher recommended that the company should emphasize on attitude, perceived risk and socio-economic factors. Future researches should also focus on having more number of corporate life insurance customers of EIC as this research is limited only on three corporate customers.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Human beings always want and wants more. For satisfying the needs and wants, people must work hard so as to make use of scarce resources available. Making scarce resources to the best use of advantage is termed as economic activity. According to Urwick and Hunt (2002), business is one form of economic activity by which any enterprise which makes, distributes or provides any service which other members of the community need and are willing to pay for it. According to American Marketing Association, Marketing is one form of business by which, it is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Customer perception refers to the process by which a customer selects, organizes and interprets information or stimuli to create a meaningful picture of brand or the product (Kotler, 1997). It is a three stage process including exposure, attention and interpretation that translates raw stimuli into meaningful information. Each individual interprets the meaning of stimulus in a manner consistent with his/her own unique biases, needs and expectations. According to Walters, Hutton and Barnes (1989), perception is the overall process by which a customer becomes aware of the product and interprets it according to their frame of reference. This study also implies that every perception has a perceiver who receives the stimuli and interprets using the senses.

Like customer perception, customer satisfaction does not have a uniform meaning it is somehow complicated. Different scholars defined customer satisfaction from different perspective. According to the English business dictionary, customer satisfaction is the degree of satisfaction provided by the goods and services of the company as measured by the number of repeat customers.

Engel, Blackwell and Miniard(1990), conducted a study which suggested that when the expectation of customers' matches with the resultant feeling, customers will be satisfied and when the expectation does not meet the resultant feeling, then the customer will be dissatisfied. Generally, customer satisfaction is the result of the fulfillment level provided by a product or service in response for customers need and wants, which is the customer's fulfillment response (Oliver, 1997). Generally speaking, customer satisfaction is measuring and understanding the gap in between customer's expectation and the actual performance which is a post-purchase evaluation.

The relationship between customer perceived value and customer satisfaction is best explained by Eggert and Ulaga (2002). In this study the authors' tried to investigate whether customer perceived value or customer satisfaction is a better predictor of behavioral outcomes. The authors used two alternative models, by which the first model indicated that customer perceived value has a direct effect on purchasing managers' intention. The second model showed that customer perceived value is mediated by satisfaction. Generally, the result of the study shows that customer satisfaction is a better predictor of behavioral outcomes.

Tsoukatos and Rand (2006) defined insurance as a means of equitable transfer of risk of the potential loss, from one entity to another, in exchange of premium and duty of care. Specifically, life insurance is a contract between a policy owner and the insurer, where the insurer agrees to pay a designated sum of money upon the occurrence of the policy owner's disability due to accident or aging, death or other events, and the policy owner agrees to pay a fixed amount to the insurer at designated interval.

1.2. Background of the organization

The emergence of modern insurance in Ethiopia is traced back to the establishment of Bank of Abyssinia in 1905 as the first bank of Ethiopia. The bank has been acting as an agent for foreign insurance companies to underwrite fire and marine policies. Ethiopian Insurance Corporation (EIC) was established as an autonomous public owned insurance corporation on the 1st January 1976 through proclamation No. 68/1975, with capital of Birr 11,000,000 paid up capital and 439 employees. It was administered by the National Bank of Ethiopia following the nationalization of thirteen private insurance companies by the then socialist government of Ethiopia (Fair Review, 1992).

As per the proclamation 86/1994 investment in insurance business is restricted to domestic investors only. Consequently, domestic private insurance companies were being established and currently there are 17 insurance companies in the country (Hailu, 2007).

1.3. Statement of the problem

Customers are the backbone of life insurance business. Many difficulties exist in assessing the customer perception and satisfaction. In today's competitive world, it becomes necessary to provide customer satisfaction, spread more than awareness, stress on need based innovative products and affordable prices.

According to Zairi(2000), customer satisfaction (CS) is a very often misused and abused expression. Many organizations use it casually in order to state that their customers are happy and satisfied with the levels of service rendered and the products and services purchased, but they actually have never tried to measure that satisfaction.

Many difficulties existing in assessing the customer satisfaction in life insurance contracts unlike commodities and other services such as transport and banking. Life insurance customers do not consume product or utilize the service at one point in time, rather they feel the satisfaction of assurance over a period of time, particularly when they give thought about the risk that they are exposed had they not insured. (Gupta, 2013).

Quite a substantial amount of research has been done already about customer perceptions with in several different contexts mainly with in insurance and life insurance industry. However, customer perception studies from the perspective of finding determining variables of customer perception affecting satisfaction level of customers is hard to find.

Generally, if there were no risk, there would not be an insurance or insurance industry. It is in human nature to seek continuously different contents and forms of risk management which is the purpose of insurance. Identifying and defining risk relating to the characteristics as well as creating an insurance product that satisfies the needs and wants of individuals, legal entity, local community and the state, is main challenge in the insurance industry.

According to Mervyn M. de Souza (2012), the problems in the insurance industry of third world countries are the corporate structure, which is due to the small number of prospective candidates for the choice of board of directors, the management and other personnel, and capitalization which is the lack of capital to cover preliminary expenses incurred in the establishment of the company, to cover actuaries, and to maintain contingency reserves.

Ethiopian Insurance Corporation has been carrying on life and general insurance business as a composite insurance company since its establishment 1976. Having the current Ethiopian market with its 80 million plus people creates an opportunity for the company to have large number of life insurance customers. Even though, the number of total population is high, the development of life insurance business is low. Of the different factors; financial problems, culture, religion, quality of the product, personal and customer servicing are mentioned as a significant cause for the backward development of the life insurance market in Ethiopia. (Hailu, 2007).

Tajudeen, Ayantunji and Dallah (2009), conducted a study that indicates people with education have more positive attitude than people who are less educated. Their study also shows that people who have highest positive attitude towards insurance is the age group in between 56 and 65 years than other age groups this is due to the people in this age group are at the end of the active life and they are more aware of their retirement life. They also found that high household income groups have the highest positive attitude towards insurance than the low household income groups. Similarly, a study conducted by Suh et al (2006) also suggests that customers from different cultures may depend on different factors during the process of relationship development with service providers.

Lin and Zhen (2005) in their study stated that product knowledge devolves on customer's trust about the product, or consumer's consciousness about it. Ravipa and Mark (2004), state that customer perceived that life insurance is a long-term investment. With the long-term policy of life insurance, customers want to confirm that they understand how to receive their money back when the maturity date of insurance policy in the future, or that their family knows how to get it when they have any unfortunately happen. Fundamentally, customers need personal commitment from sales people whom they trust to make sure their money will not be lost because of the poor investment by the insurance company. Besides that, customers want to have someone who helps them to take care of their interest and can be contacted easily when they need claim for themselves. Therefore, this research needs to identify the effect of determinants of customer perception on the satisfaction of corporate life insurance customers of Ethiopian Insurance Corporation.

1.4. Research question

How do the determinants of customer perception affect customer satisfaction of corporate life insurance customers of Ethiopian Insurance Corporation?

Sub-research questions

- How do attitudes affect customer satisfaction of corporate life insurance customers of EIC?
- In what way does perceived risk affect customer satisfaction of corporate life insurance customers of EIC?
- How do socio-economic factors affect customer satisfaction of corporate life insurance customers of EIC?
- In what way does convenience affect customer satisfaction of corporate life insurance customers of EIC?
- How do expectations affect customer satisfaction of corporate life insurance customers of EIC?

1.5. Aim and Objectives of the study

The main Objective of this research is to examine the effect of determinants of customer perception on customer satisfaction of corporate life insurance customers of EIC.

Objectives of the study

- To investigate the effect of attitude on customer satisfaction of corporate life insurance customers of EIC.
- To examine the effect of perceived risk on customer satisfaction of corporate life insurance customers of EIC.
- To identify the effect of socio-economic factors on customer satisfaction of corporate life insurance customers of EIC.
- To investigate the effect of convenience on customer satisfaction of corporate life insurance customers of EIC.
- To examine the effect of expectation on customer satisfaction of corporate life insurance customers of EIC.

1.6. Significance of the study

The main objective of the study is to identify factors affecting the satisfaction level of corporate life insurance customers. It helps the company to know the factors influencing the satisfaction of the corporate customers as well as to analyze the strength and weakness of the company. This paper serves as a base for future researchers.

1.7. Scope of the study

This research emphasizes on the insurance industry specifically the Ethiopian Insurance Corporation. It focuses only on corporate customers of life insurance in EIC. The research is done in Addis Ababa because it is convenient to the researcher. The paper only focuses on the five determinants of customer perception: attitude, perceived risk, socio-economic factors, convenience and expectation.

1.8. Limitations of the study

This study does not include all insurance customers and the result of the study represents only the corporate life insurance customers of EIC. The study finding cannot be generalized to other industries because it's done in insurance industry and it cannot be also generalized to other insurance companies because the study is conducted on EIC which is the only government owned insurance company, prior insurance company in establishment, have more experience in the insurance industry when compared to the private insurance companies and also have numerous life insurance customers. Because the study uses probability sampling to choose its respondents from the whole target population (the corporate customers of EIC) and only take the head office and main branch, it is difficult to generalize for the whole corporate customers of the company though the number of respondents can be a good representative to the whole target population. The other limitation is this research uses probability, simple random sampling method to gather information, as a result, the result of this study includes only the corporate life insurance customers which are randomly selected by the researcher. To overcome this limitation, a sample is drawn from the population by which the number of respondents can be a good representative to the whole population.

1.9. Organization of the study

This research is organized into five chapters. Chapter one contains Background of the study, Statement of the problem, Research questions, Aim and Objective of the study, Significance of the study, Scope of the study, Limitation of the study, Plan of the study and Definition of terms. Chapter two is Literature Review, Chapter three includes the methodology employed in the study, including, research design, sample size and sampling technique, data source and collection method, procedure of data collection and method of data analysis, Chapter four is Data analysis and Result of the study, and finally Chapter five is Conclusion and Recommendation.

1.10. Definition of terms

- **Customer perception**- is a process by which an individual becomes aware of the environment and interprets it so that it will fit into the frame of reference. (Walters et al, 1989).
- **Customer satisfaction**- is the outcome of cognitive and emotional evaluation made after the tangible perceived experience on all levels and processes are compared to the expected standards. (Homburg, C. and Rudolph, 2001).
- **Insurance**- is a contract by which one party (insurer) agrees to pay to the other party (insured) or his beneficiary a certain sum upon for a particular unforeseen event (the risk) against which insurance is wanted. (Bodla B, S, Garic M.C, Singh K.P).
- **Life insurance**- life insurance is also an agreement between the policy holder and the insurer, where the insurer agrees to pay a designated sum of money upon the occurrence of the policy owner's disability due to accident or aging, death or other events, and the policy owner agrees to pay a premium at the given time interval.
- **Attitude**- is a neurological and psychiatric state by which it is the willingness to act in a particular manner, according to the temperament of the individual experience. (Pickens, 2005).
- **Perceived risk**- is conceptualized as arising from unanticipated and uncertain consequences of an unpleasant nature resulting from the product purchase which is the subjective estimation of customers in a situation of making choice of purchasing behavior. Bauer (1960).
- **Socio-economic factors**- is an economic and sociological combined total measure of a person's work experience and of an individual's or family's economic and social position in relation to others, based on income, education, and occupation. (Burnett and Chonko, 1981).
- **Convenience**- is the ability to reduce customers' non-monetary costs (time, energy and effort) when purchasing or using goods and services (Chang & Polonsky 2012).

- **Expectation-** is a belief about service delivery that serves as standards or reference points against which performance is judged. (Parasuraman, Berry, Zethimal, 1991).

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1. Introduction

This chapter consists of different reviews from related study. It includes the nature of perception, determining factors of perception, the processes of perception, principles of perception, thresholds of perception, elements of satisfaction, customer satisfaction measurement, theories of customer satisfaction, factors affecting satisfaction, the overall insurance industry, different types of life insurances.

2.2. Theoretical Review

2.2.1. Nature of perception

According to John Foster (2000), there are two theories of perception. The first theory is the strong direct realism (SDR) which accepts a realist view of the physical world, and claims that our perceptual access to this world is psychologically direct. The second theory is the broad representative theory (BRT). This theory also accepts a realist view of the world, but claims that the perceptual contact with physical items is always psychologically mediated meaning it is constituted by the combination of the subject's being in a more fundamental psychological state, which is not in itself physical-item perspective, and certain additional facts. SDR cannot provide a satisfactory account of the phenomenal content of perception and how such content features in the securing of perceptual contact. Similarly, BRT cannot explain how we can have genuine perceptual access to the physical world at all.

Generally, perception can be better explained by understanding the nature and characteristics of perception.

- ❖ Perception is a complex process. After a stimulus is detected by the sense organs, the perception process comes into play and involves the interplay of three processes (selection, organization and interpretation). It is dynamic process. (Cantril, 1968; Maltin &Foley, 1992).
- ❖ Perception is an intellectual process; it involves a lot of cognitive effort. Once sensation takes place, the perception process involves the selection, organization and interpretation of data. (Assael, 1992).
- ❖ Perception is broad in nature; it includes a physiological component (through sensation), as well as sociological and psychological components. (Broadbent, 1958).
- ❖ Perception is a subjective process as two people may perceive the same stimuli differently. While two persons may be exposed to the same stimuli, the manner in which they select them, organize and interpret them is different. This is because the two are impacted by their background, learning and experiences, motivation, personality, cultures, values and lifestyles, social class effects which may be different with each other. (Lui et al, 2015).

2.2.2. The perception process

According to Alan Saks and Gary Johns(2011), perception is composed of three components. The first is the perceiver who is the person that receives the stimuli and becomes aware of that product. The second component is the target, in marketing terms which is the product or the service being evaluated. The third component is the situation by which the product or service is allocated and the situation by which a customer is receiving the stimuli. These components help an individual to have a meaningful idea about a given product.

As mentioned above, perception is a process by which it involves series of stages. A perception is said to be successful when the customer makes purchasing and consumption decision. The process of perception is composed of the following five steps:

- Exposure- is the first step of the perception process by which it is the minimum requirement of perception. According to Wells and Prensky(1989),no matter how great a message is, it will not be perceived unless a person is exposed to the stimulus. The person may be accidentally or deliberately exposed to the stimuli.
- Attention- is the second step which is the allocation of mental capacity to a stimulus.Like exposure, attention can be of planned and involuntary (spontaneous)attention.Assael (1992), defined attention as the momentary focusing of a cognitive capacity on a specific stimulus. This step is the screening stage that controls the qualityand nature of information.
- Organization- Assael (1992) defined perceptual organization as a body where differenttypes ofinformation arecomprehended and retained. According to Schiffman et al (1991), people do not experience the numerous stimuli they select from the environment as separate and discrete sensations. They rather tend to organize them into groups and perceive them as unified wholes.Perceptual organization is governed by the Gestalt laws of organization: Proximity, Similarity, Closure and Continuity.
- Interpretation- is the fourth phase of the perception process. Mowen (1993), explained interpretation as a process by which customersattach meaning to a stimulus based upon their experience, memory, and expectations.
- Retention- is the last phase of the perception process by which it is marked by the storage of a product or brand information in the short and long term memory.

THE CONSUMER PERCEPTION PROCESS

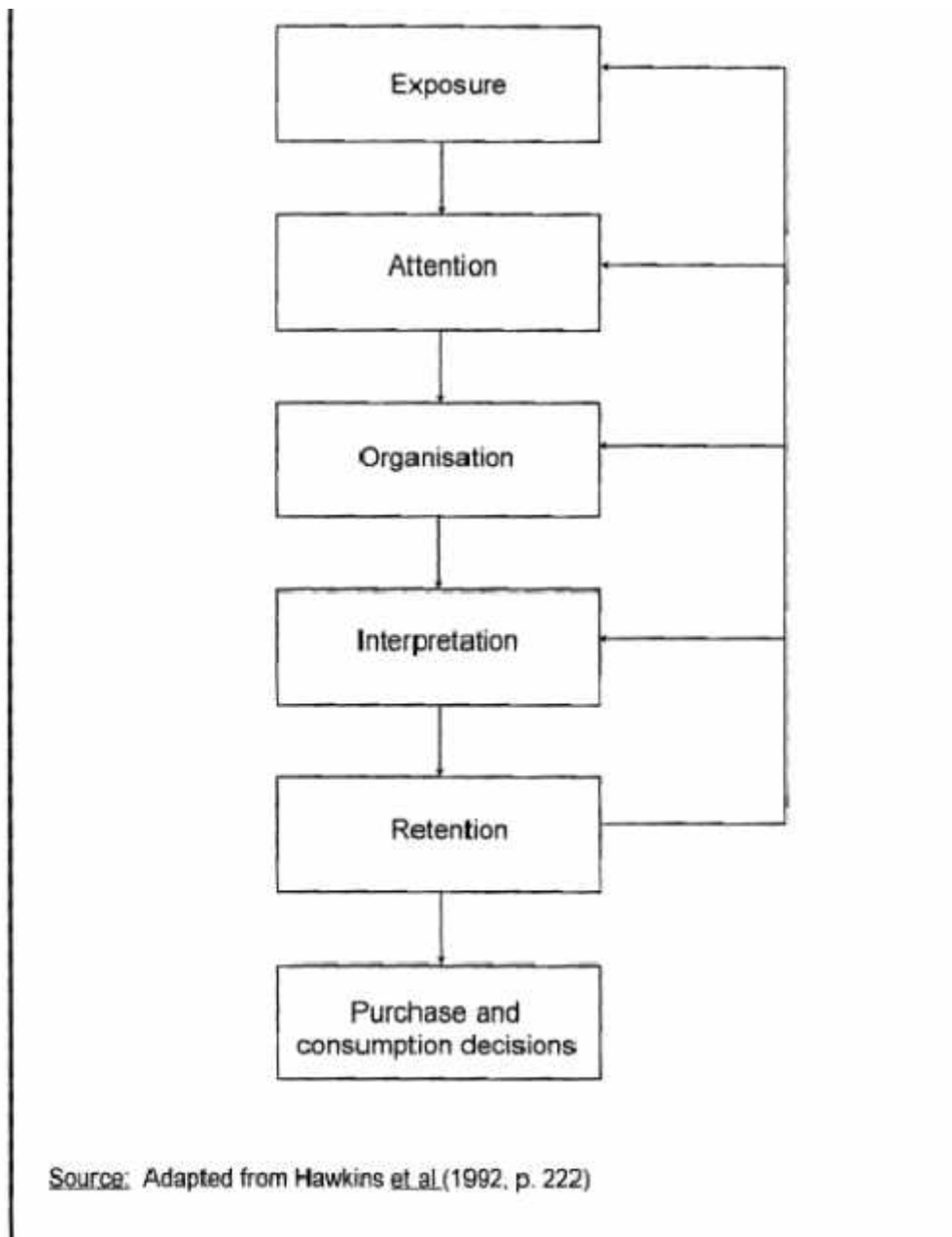


Figure 1.1 The consumer perception process

Source: Adapted from Hawkins et al (1992)

Similarly, Gregory (1970) and Gibson (1966), proposed two perception processes namely: the bottom-up processing and the top-down processing. Bottom-up processing was proposed by Richard Gregory in 1970. According to Gregory (1970), sensory analysis begins at the entry level with information flowing from the sensory receptors to the brain. In this type of processing, features of the stimulus like size, shape, color, taste and smell become registered to our sensory memory as a sensory input and get processed at a higher level of the brain. Finally, the meaning of the stimulus becomes registered to our long term memory.

Top-down processing model was proposed by Psychologist E.J Gibson by which information processing is guided by high-level mental process, as when we construct perception by filtering information through our experience and expectations. This type of processing is based on our prior knowledge or schemata, which allows as making inferences to perceive more than what is contained in the stimulus itself. As a result, the output of this type of processing represents a dynamic process of searching the best meaning of a stimulus given the individual characteristics and qualities of the perceiver. (Gibson 1966).

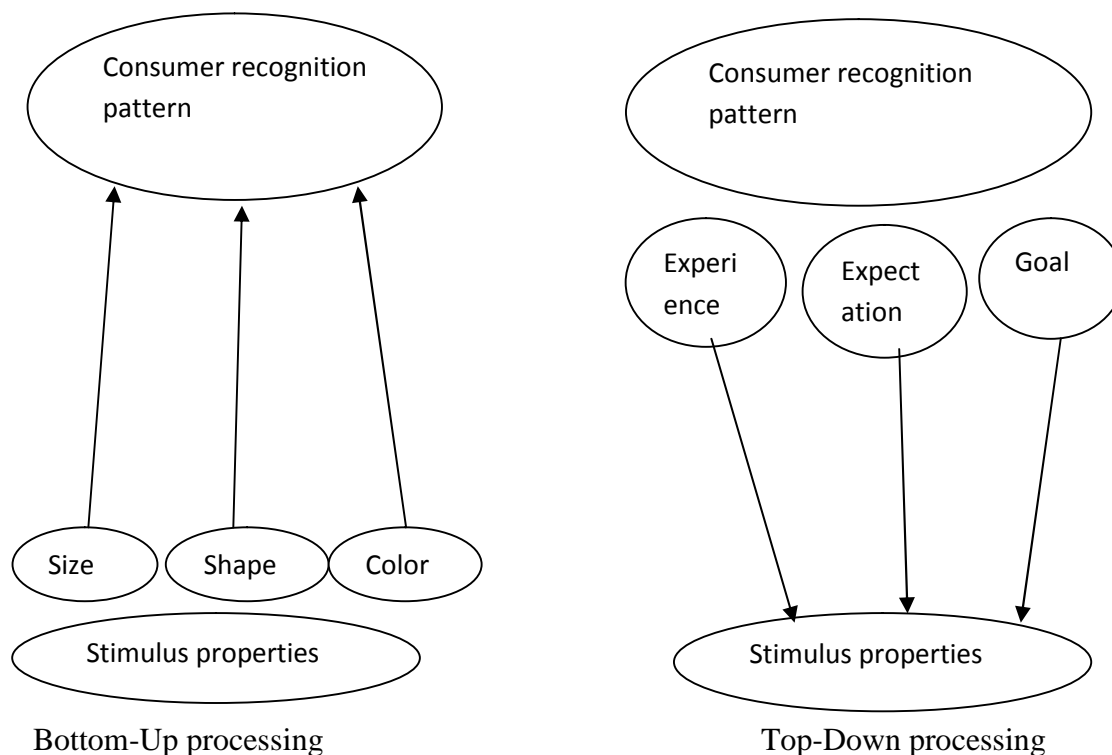


Figure 1.2 Approaches of process of perception.

Source: Richard Gregory, 1970 and E.J Gibson, 1966: processes of perception.

Similarly, another study conducted by Chiranatan (2017), suggests that there are three perceptual processes in marketing namely: exposure, attention and comprehension. According to this study, exposure is receiving the message and occurs when the stimulus is above a certain threshold level like when a person's senses are stimulated by a marketing campaign. After receiving the message, it will be processed in the second phase which is attention. Chiranatan (2017) defined attention as a voluntary, selective or involuntary processing of exposed stimulus. Voluntary attention is the active search for information, while selective attention is the focus on relevant information only. The third and last phase is comprehension which is decoding the message. Comprehension is defined as the interpretation of the processed information. According to his study comprehension can be selective, meaning that, only parts of the message might be accurately decoded.

Chiranatan (2017) further suggested that, after the three processes of perception are completed, acceptance and retention of the message will occur. Acceptance is the evaluation and logging of information in the long-term memory which is based on an individual's background.

2.2.3. Determinants of perception

In nature, understanding and interpreting of information about an object differ among individuals. There are different factors that make a person to perceive information substantially different from the objective reality. As mentioned above, in the study conducted by Alan Saks and Gary Johns(2011), perception is composed of three components: the perceiver, the situation and the target. Similarly, Sree Rama (2000), in his study suggested that the factors affecting perception emanates from the factors affecting the components of perception (the perceiver, the situation and the target).

According to Sree Rama (2000), factors affecting the perceiver include attitudes, motives, interests, experience and expectation. Another component is the situation. There are three factors affecting situation which are time, work setting and social setting. Factors affecting the target include novelty, motion, sounds size, background, proximity and similarity.

The perception process is also affected by internal and external factors. According to the study conducted by Kshitij (2012), perception is affected by internal and external factors. In his study, the internal factors generally include:

- A. Sensory limits and Thresholds: is one of the internal factor by which our sense organs have specialized nerves which respond differently to various forms of energy they receive.
- B. Psychological factors: this factor includes learning meaning that, our past experiences lead to the development of perceptual expectations or perceptual sets which gives us predispositions to perceive and to pay attention to some stimuli and to ignore other information.

The other factor included in the psychological factor is motivation by which people are more likely to perceive as important, and thus to respond to, stimuli that they find to be motivating.

The last factor is personality. A personality trait also disposes an individual to perceive the world in particular ways, to pay attention to some issues and events and human characteristics and not others.

Kshitij (2012), in his study also identified two external factors affecting the process of perception of individuals. The first external factor is the characteristics of the target. As attention is a prerequisite for perception, attention depends upon the target. In his study, he indicated that objects which are large in size, moving, intense, loud, bright, contrasted, novel, repeated and stand out from the background have more tendency to be given more attention. The other external factor is the situation or the context in which we see objects or events is important to shape our perception.

According to Alyosha (2012), the determinants of perception are basically divided into two categories: the structural and the behavioral. Structural determinants refer to those qualities that stem from the stimulus itself such as its size, shape, color, amount, intensity, continuity, distance, and depth, while the behavioral determinants refer to attention, past experiences, needs, values, learning of a person. Besides these two basic categories another important determinant of perception is stimulus organization, that is, object arrangement.

The other factor affecting perception is attitude. As defined by Allport (1935), it is a mental or neural state of readiness, organized through experience, exerting a directive or dynamic influence on the individual's response to all objects and situations to which it is related. Allport (1935), clarified that attitude is a complex combination of personality, beliefs, values, behaviors, and motivations meaning that it includes affect (feeling), cognition (a thought or belief), and behavior (an action). Allport (1935) further suggested that because attitude provides a person with internal cognitions or belief and thoughts about people and object it highly determines how we see situation, as well as define how we behave toward the situation or object.

Perceived risk is also the other factor determining perception. According to National Safety Council (2003), risk is a measure of the probability and severity of adverse effects meaning that it is a calculation of how likely an incident is to occur, and given its occurrence, how dire the consequences would be. Risk perception is the ability of an individual to discern a certain amount of risk, and risk tolerance refers to a person's capacity to accept a certain amount of risk. Many of the theories presented in the literature postulate that inability to accurately perceive risk may lead to a higher risk tolerance level, which can encourage high-risk behavior. Other theories posit that the casual flow could go in the opposite direction, with habitual engagement in high-risk behavior leading to higher risk tolerance levels and slower risk perception ability.

Perception is also affected by socio-economic factors like age, gender, education, income and many different others. According to a study conducted by Namasivayam et al (2006), the socio-economic factors influencing the decision to obtain life insurance policy such as age, education level and gender of the policy holders are insignificant but income level, occupation and family size are significant factors influencing the preference of the policy holders towards various types of life insurance policies.

Convenience also determines the level of perception of customers. According to a study conducted in 2002, convenience orientation- a customer's general preference for convenient goods and services has a major impact on buying decision. The study also found out that the perception of a service's convenience affects the overall evaluation of the service. Stanford's Dr. BJ Fogg argues that simplicity of a service can sometimes be objectively measured. However, the perception of service's simplicity can vary widely based on the individual and context in question meaning that if one customer expects a service will be complex and the other has moderate expectations, it is more likely the one with the higher expectation of complexity will perceive the service as simple or convenient.

According to Lee, Fredrick, and Ariely (2006), perception is directly affected by expectations that people have when presented with a stimulus. This study indicates that the interpretation of an experience- as determined by individuals' sensory organs and the part of the brain that interprets signal from these organs may change without any change in attention to, when information is provided before observation. Under this study, individuals have not overlooked anything when their expectations are drawn toward their expectations; their brains are simply primed to experience the stimulus differently.

Generally, the determinants of perception are classified in to two categories: the primary and secondary determinant.

- Primary determinants are the gestalt laws of perceptual organization. The Law of Figure and Ground and Law of Pragnanz(simplicity) are the governing factors for this determinant. The law of Pragnaz was first introduced by Wertheimer in 1923. According to Wertheimer (1923), the law of simplicity is further divided into other laws like symmetry, closure and similarity etc.
- Secondary determinants: These are further classified as:
 - A) Subjective factors: it shows how a person's personality attributes contribute to perception formation. For example, Motivation, Attitude, Emotions, Perceptual set, personality.

- B) Objective factors: How the traits of the thing/stimulus being perceived contribute to perception formation. for example, shape, size, contrast, color, motion which are all the characteristics of the object/stimulus
- C) Socio-cultural factors: How one's society shapes one's perception. For example, the cultural norms, laws, moral bindings etc.

2.2.4. Thresholds of perception

Wilkie (1990), states that a threshold is a point at which an effect begins to occur. Different literatures indicate that there exist two types of thresholds namely the absolute thresholds and the differential thresholds. According to Vander Walt, 1991 and Walters et al, (1989), there is a third type of threshold named the upper threshold.

Schiffman and Kanuk(1991), explains the absolute thresholds as the lowest level at which an individual can experience a sensation is called his absolute threshold, often referred to as the lower threshold. This means that the point where a difference can be detected between "something" and "nothing" is a person's absolute threshold for that stimulus.

The German scientist and Philosopher Gustav Fechner, defined absolute threshold as the awareness of faint stimuli which is the minimum stimulation necessary to detect a particular light, sound, pressure, taste or odor 50 percent of the time. According to this study, the stimuli that cannot be detected 50 percent of the time are called subliminal perception, which are below the absolute threshold. This type of condition occurs when a person is affected by a stimulus which is so weak that the person cannot consciously detect them.

According to Assael (1992), subliminal perception is the perception of a stimulus below the conscious level. If the stimulus is beneath the threshold of conscious awareness, but above the absolute threshold of perception, it is known as subliminal perception.

The differential threshold, also called the just noticeable difference, is the minimal difference in stimuli that can be reliably detected by an observer when two stimuli are compared (Wade et al, 1987, supported by Assael, 1992, and Schiffman et al, 1991). Further, Schiffman et al (1991), explained that the just noticeable difference between two stimuli is not an absolute amount, but an amount relative to the intensity of the first stimulus. Differential threshold increases with the size of the stimulus.

In the nineteenth century, Ernst Weber introduced the Weber's law which states that for an average person to perceive a difference; two stimuli must differ by a minimum constant percentage (not constant amount) by which the exact proportion varies depending on the stimulus.

According to Vander Walt, 1991 and Walters et al, (1989), the upper threshold is a type of threshold by which an increased stimulation produces no increased response.

2.2.5. The principles of perception

Gestalt psychologists explained that in a perceptual process, an individual selects a particular stimulus with attention and interprets it. In the same way, whenever it is necessary many discrete stimuli in our visual field are organized into a form and perceived more meaningfully than they appear. The principles of perceptual organization are of five types namely:

- The principle of figure-ground relationship- this principle was first discovered by Edgar Rubin in 1915. According Rubin (1915), any stimulus that stands apart from its environment, and contrasts against is more likely to be noticed, and treated as a unified whole. In other words, the figure stands clearly against the background, or in contrast to the background, hence the term figure and ground. The stimulus acts as the figure and gets noticed, as distinct from the ground that gets unnoticeable.
- The principle of grouping of stimulus- Irvin Rock and Steve Palmer are known for this principle by building upon the work of Max Wertheimer in 2003. According to Rock and Palmer (2003), objects can be perceived meaningfully when they are grouped together. This principle consists of proximity which explains that the objects which are nearer to each other can be perceived meaningfully by grouping them, the other is similarity which explains that if there is similarity between the objects even if they are not near to each other, they are grouped together and perceived.
- The principle of closure- this principle of Gestalt psychology lays emphasis on an individual's need for completion. According to Palmer and Rock (1994), the closure principle states that in cases where an object is identified as incomplete by sensation, our perceptual process give it a complete form. Closure is said to occur, when the human mind perceives it as a "complete whole" although the object is incomplete and some

elements are missing. The principle of closure can be applied by a marketer to encourage audience participation, which increases the chance of people will attend to the message.

- The principle of perceptual consistency- It refers to the stableness in perception which depends upon factors like past experience, expectancy, habits, motivations, cognitive styles, learning, imagination.
- The principle of simplification- this principle implies that human beings have a tendency to simplify things to make it more understandable. This principle lays emphasis on the simplification of associations between elements, for better understanding and comprehension. When people are exposed to too much stimuli, they delete the less relevant ones and give importance to the more important ones.

2.2.6. Customer satisfaction

Satisfaction is one of the primary components of the success of a business. The primary strategic objective of a firm is to minimize customer regress and to maximize customer intention rates to buy. Satisfied customers help the firms to reduce marketing costs, and to develop more stable levels of sales when a large number of satisfied buyers are retained to purchase again in the future. (Pleshko, &Heiens 1996)

Kanji and Wallace (2000), in their study they consider customer as one of the economic assets of an organization. When a customer recognizes quality, it is reflected in customer satisfaction, which in return, leads to an increase in revenue. But for a business to be successful in the long run, it must satisfy its customers at a profit.

Kotler (2000) also demarcated customer satisfaction as a feeling which could be pleasure or disappointment resulting from the comparison of what is expected and what is actually delivered by the product.

2.2.7. The theory of customer satisfaction

The theory of customer satisfaction is proposed by Robert F. Lauterborn, the US marketing expert. The theory consists of four components which are the customer, cost, convenience and communication and are usually termed as the 4C's. This theory suggest that companies should give a due attention for the customers first and reduce customer purchase cost then making the product or service available to the customers and finally facilitating the communication process. Even if the theory of customer satisfaction focuses on customers and is consumer oriented, it has several limitations. The first is it focuses only on customers by ignoring and avoiding the competition with other firms which makes the firm unprofitable.

Companies following this theory are unable to analyze their own strength and weakness in the competition as well as to take an appropriate marketing strategy.

According to Baran, Strunk and Galka (2008) and Kuo, AttenDisord and Faber Taylor (2009), there are two types of theories of customer satisfaction: the transaction specific and the cumulative. The transaction specific theory of customer satisfaction shows that customer satisfaction is a result that the customer gets after selecting a product. Cronin and Taylor (1992) also suggested that the transaction specific satisfaction is a customer's evaluation of customer experience and reactions to a particular service encounter. According to Baran et al (2008) and Kuo et al(2009), the cumulative theory includes the accumulated and the overall purchase process as well as the past experience of the customer related to the product. Smith et al (1998) also explained that the cumulative satisfaction is the overall evaluation of the consumption experience. The study further reveals that cumulative satisfaction is the customer's feeling about multiple experiences, encounters or transactions with the service organization.

According to the expectancy disconfirmation model developed by Oliver (1980), customer satisfaction is the difference between the expectation and the actual performance of a product. This theory shows that positive disconfirmation (satisfaction) on a customer occurs when the level of performance of the product exceeds the expectation of a customer. It also suggests that customer expectations emanate from the beliefs that the customer have on the future performance of the product.

Similarly, the study conducted by Khalifa and Lui (2003), indicates that satisfaction is determined by the discrepancy between the perceived performance and cognitive standards such as expectations and desires. Expectations are viewed as predictions made by consumers about what is likely to happen during impending transaction or exchange (Zethaml and Berry, 1988). Perceived performance is a customer's perception of how product performance fulfills their needs, wants and desire (Cadotte, Woodruff and Jenkins, 1987) and perceived quality is the consumer's judgment about an entity overall excellence or superiority (Zeithaml 1988). The expectancy disconfirmation model is the primary foundation for satisfaction models.

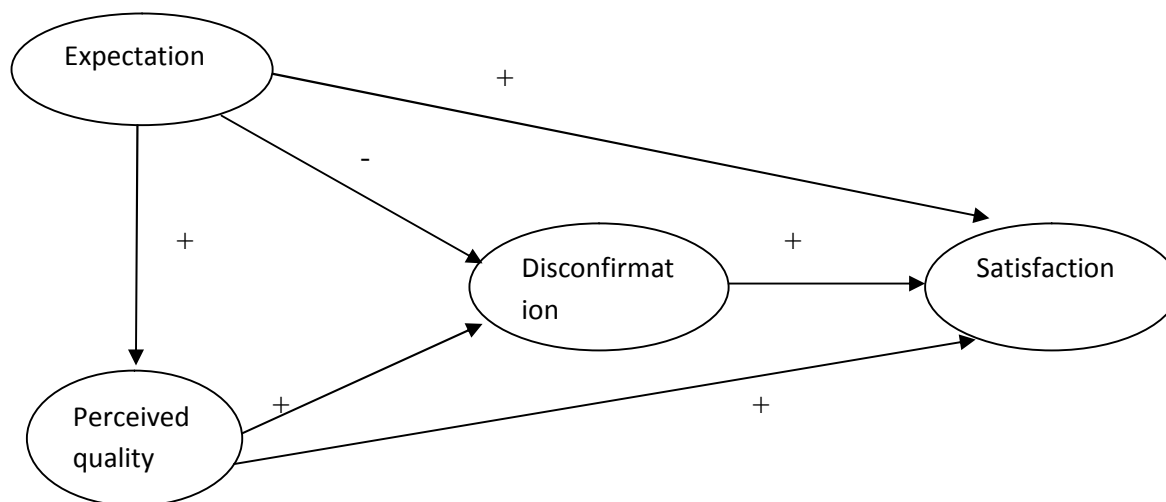


Figure 1.3. Satisfaction Formation

Source: Oliver referred to in Anderson & Sullivan, (1993) p. 127

Figure 1.2 explains that the arrow drawn from expectations to perceived quality indicates perceived quality increases or decreases directly with expectations. Perceived quality may either confirm or disconfirm pre-purchase expectation. Satisfaction is positively affected by expectation and perceived level of disconfirmation. According to Oliver (1980), disconfirmation and perceived quality have a stronger impact on satisfaction.

Another theory is the consistency theory which suggests that when expectations and the actual product performance do not match, the consumer will feel some degree of tension. In order to relieve this tension, the consumer will make adjustments either in expectations or in the perceptions of the products actual performance. Under this theory there are four theoretical approaches namely:

- A. Assimilation theory- this theory is based on Festinger's (1957) dissonance theory. Dissonance theory posits that consumers make some kind of cognitive comparison between expectations about a product and the perceived product performance. This view of the consumer post-usage evaluation was introduced into the satisfaction literature in the form of assimilation theory. According to Anderson (1973), consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with expectations. Consumers can also reduce the tension resulting from a discrepancy between expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced. Peyton et al (2003) criticizes the assimilation theory in that it assumes that there is a relationship between expectation and satisfaction but does not specify how disconfirmation of an expectation leads to satisfaction or dissatisfaction. The other critics is that the assimilation theory assumes that consumers are motivated enough to adjust either their expectation or their perceptions about the performance of the product.
- B. Contrast theory- this theory was first introduced by Hovland, Harvey and Sherif (1987). Dawes et al (1972) defines the contrast theory as the tendency to magnify the discrepancy between one's own attitudes and the attitudes represented by opinion statements. Contrast theory presents an alternative view of the consumer post-usage evaluation process than was presented in assimilation theory in that post-usage evaluations lead to results in opposite predictions for the effects of expectations on satisfaction. While assimilation theory posits that consumers will seek to minimize the discrepancy between expectation and performance, contrast theory holds that a surprise effect occurs leading to the discrepancy being magnified and exaggerated.

According to the contrast theory, any discrepancy of experience from expectations will be exaggerated in the direction of discrepancy. Oliver and Hanming (1994) criticize this theory that it predicts consumer reaction instead of reducing dissonance; the consumer will magnify the difference between expectation and the performance of the product/service.

- C. Assimilation-contrast theory- this theory was developed by Anderson (1973) in the context of post-exposure product performance based on Sherif and Hovland's (1961) discussion of assimilation and contrast effect. The assimilation-contrast theory suggests that if performance is within a customer's range of acceptance, even though it may fall short of expectation, the discrepancy will be disregarded, assimilation will operate and the performance will be deemed as acceptable. If performance falls within the range of rejection, contrast will prevail and the difference will be exaggerated, the product/service deemed unacceptable (Vavra 1997).
- D. Negativity theory- this theory was developed by Carlsmith and Aronson (1963) which has its foundations in the disconfirmation process. According to G. Vavra (1997), the negativity theory suggests that any discrepancy of performance from expectations will disrupt the individual, producing 'negative energy'. Negativity theory states that when expectations are strongly held, consumers will respond negatively to any disconfirmation. Accordingly, dissatisfaction will occur if perceived performance is less than expectations or if perceived performance exceeds expectations. (Carlsmith& Aronson, 1963)

2.2.8. Customer satisfaction measurement

According to different scholars, measuring customer satisfaction is difficult because it deals with the feeling of human behavior. Bhave and Ashish (2002) in their article entitled, "Customer satisfaction Measurement" have found that the success of a product or a service in the market depends upon the perception of a customer. They also argue that a company can satisfy the needs and wants of its customers by having a better understanding of its customer's perception. In this model Bhave and Ashish also argued that customer perception is generally determined by product quality, packaging, delivery, commitments, price, responsiveness and ability to resolve complaints, over all communication, accessibility and attitude.

According to Rondeau, et al (2006), a customer satisfaction survey is a very useful performance measurement format that should help an organization and its staff to understand a customer's viewpoint of a firm's performance on a completed project. Measuring customer satisfaction helps a firm to understand the factors that makes a customer to be satisfied or dissatisfied on the products delivered. It also helps a firm to focus on its customers, and should galvanize service owners, customer-facing staff, policy, strategy and research staff, as well as senior management, around the aim of improving the customer experience.

There are different models used to measure customer satisfaction proposed by different scholars. From the various models described by researchers, two of the models of customer satisfaction are presented as follows:

The first model is the Kano Model which is developed in the 80's by professor Noriaki Kano. Kano et al (1996) model of customer satisfaction classifies attributes based on how they are perceived by customers and their effect on customer satisfaction. The model is based on three types of attributes: the basic or expected attributes which are the attributes without any major significance of worth mentioning, performance or spoken attributes which are the expressed expectation of the customer and surprise and delight attributes are the attributes which are beyond the customer's expectations. Kano model measures satisfaction against customer perception of attribute performance; grades the customer requirements and determines the levels of satisfaction.

The other model used to measure customer satisfaction is the American Customer Satisfaction Index (ACSI) which was launched in 1994. The ACSI model is a cause-and-effect model which includes customer expectations, perceived quality, and perceived value as the drivers of satisfaction and customer complaints and customer loyalty as the outcomes of satisfaction. This model uses two interrelated and complementary methods to measure and analyze customer satisfaction: customer interviewing and econometric modeling.

2.2.9. Factors affecting customer satisfaction

A customer satisfaction is an ambiguous and abstract concept. Actual manifestation of the state of satisfaction will vary from person to person, product to product and service to service. The state of satisfaction depends on a number of factors which consolidate as psychological, economic and physical factors.

A study conducted by Swan and Combs (1976) feel that it is seldom clear which general dimensions of product performance are important to the consumer and how these dimensions are related to satisfaction. The study examines one aspect of relationship between expectation, performance and satisfaction. The main argument in this model is that satisfaction involves the two processes: instrumental performance and expressive performance. The authors predict that instrumental performance is necessary, but not sufficient condition for satisfaction. Dissatisfactory items will involve primarily failures of instrumental performance to meet expectations.

Meirovich and Bahnan (2008), conducted a study on the links between quality and consumer's emotions and eventually with their satisfaction.

This study introduces two components of total quality structure, quality of design and quality of conformance, for analysis of the link between quality and customer emotions. The results show that there is a significant relationship between the possible combinations of two quality dimensions and customer affective responses in terms of both their valence and intensity. An interesting finding of the study suggests that customers value quality of conformance higher than quality of design.

Another study is conducted by Frank and Enkawa (2009), in their study they noted the significant effect of economic process on customer satisfaction. The study examines the significant impact of economic growth and economic expectations on perceived value, quality expectations and customer satisfaction. The study reveals that customer satisfaction is positively influenced by economic growth and negatively by current economic expectations. The result shows a strong correlation between economic expectations and quality expectation.

A study conducted by Gregoire and Fisher (2008), described that it is essentially needed for a firm to communicate and interact with customers on a continuous basis to enhance satisfaction of customers. In these interactions and communications, it is needed to learn and determine all individual needs of customers and answer consequently. Even if the products are same in rival markets, satisfaction offers greater rates of retention.

According to Hokanson (1995), factors like service quality and perceived value are the key constructs affecting the customer's satisfaction by which eventually customer satisfaction results in trust, price tolerance and customer loyalty. Hokanson (1995) in his study pointed out 11 factors that affect customer satisfaction. In order to acquire satisfaction of customers, firms must be able to fulfill their wants and requirements of the customers.

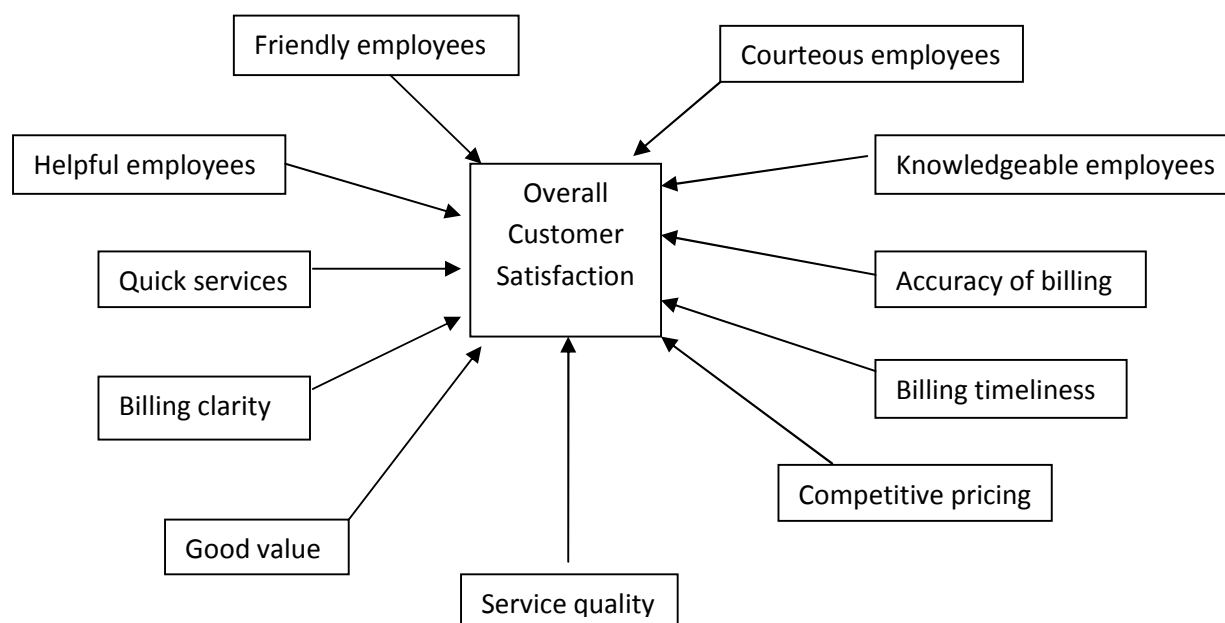


Figure 1.4: Customer Satisfaction Model

Source; Hokanson, Marketing News (1995), p.16

2.2.10. Life insurance

Insurance is a contract between the policy holder and the insurer by which the insurer company guarantees any event in the insurance range and in return, the policy holder continuously pays a fee which is called the premium for the insurance (Daroonch, 2007). While the main objective of insurance companies is to mitigate insurable risks, in tandem they also play an important role in the development of the financial sector.

Trust plays an important role in the insurance industry. Trust can be considered as one's confidence in a partner's reliability, honesty and integrity and the belief that one's partner's actions act in one's best interest, according to Baranet al(2008). Insurance by definition, it is a promise or a contract to be fulfilled when the policy owner is encountered to a certain accident. In nature, the service of insurance is intangible which makes trust to be a very determining factor between the contracting parties (sedighyan, 2000).

Similar to the definition of insurance, life insurance is also an agreement between the policy holder and the insurer, where the insurer agrees to pay a designated sum of money upon the occurrence of the policy owner's disability due to accident or aging, death or other events, and the policy owner agrees to pay a premium at the given time interval.

2.2.11. Types of life insurance policies

Insurance is one method of managing and mitigating risks. According to Hofstede, the major function of life insurance is to protect against financial loss from loss of human life besides covering the risk of death, it also covers the risks of disability, critical illness, and superannuation. Life insurance is along these lines created on the idea of human life value. Life insurance thus becomes the mechanism for one to ensure a continuous stream of income to the beneficiaries.

In such manner, life insurance may be regarded as a shaving medium, financial investment, or a method for managing risks. Life insurance expands some sure warranty of financial protection for the charges in the significance of the insurance policy's purchaser's death. The necessities of the policyholders are given this sum if the protection premium has been paid on time.

A permanent life insurance consists of eight types of life insurance policies based upon the bases of three classifications. Life insurance can be classified as:

- A) Based on the number of individuals the policy insures life insurance is classified as
 - ✓ Individual coverage- which insures one life, and the death proceeds are payable upon the death of the insured.

- ✓ Survivorship coverage- it is also called second-to-die-policy which jointly insures two lives and pay a death benefit at the survivor insured.

B) Based on the policy structure it is classifies as

- ✓ Term life insurance- this type of insurance provides death benefit coverage for a specified period of time. It provides the lowest initial cost and the highest long term cost of coverage. Term life insurance is of two types: the first is the decreasing term insurance by which the death benefit does down over time even though the policy premium stays the same. The other type of term insurance is the level term insurance which offers fixed death benefit and fixed premium for the term of the coverage. There is also other type of level term insurance policy which offers fixed death benefit while the premium goes up every five years.
- ✓ Whole life insurance- this is a type of life insurance which offers a death benefit for life time. In this life insurance policy, the premium payment remains the same over the life of the policy. The interest of this policy is fixed as a result it is easy to predict the growth of the policies cash value over time period.
- ✓ Universal life insurance- in this type of life insurance policy, the interest, cost of insurance, and expense elements that create cash value are separately identified and easily measured.

C) Based on the method the cash values are invested life insurance is classified as

- ✓ General account- The cash values of traditional permanent insurance, whether it is whole life or universal life, are invested in the insurance carrier's general account portfolio. The general account portfolios of all insurance carriers consist mostly of investment-grade bonds and mortgages.
- ✓ Indexed universal life insurance- it is also known as equity indexed universal life which is a comparatively new type of universal life insurance. It allows policyholders to direct a portion of their cash values to an account providing a crediting rate tied to the growth of an equity index.

- ✓ Variable life insurance- it is other type of life insurance policy by which the cash values are invested in a separate account. From the above types of life insurance policies, variable life insurance provides a better long term performance potential and a greater protection against potential carrier financial problems.

2.3. Empirical Review

2.3.1. Attitude and customer satisfaction

Attitude and satisfaction are two distinct concepts that often relate to and influence consumer behaviors similarly. Both are the key predictors of customer loyalty. Just as favorable attitude may lead to customer loyalty (Yi and Jeon, 2003), satisfaction may relate positively to customer loyalty (Olsen, 2002). Likewise, unfavorable attitude (Bansal and Taylor, 1999) or dissatisfaction (Cheng, Lam and Hsu, 2005) may result in customer defections. As a result, there is a positive relationship between attitude, customer satisfaction and loyalty.

According to the expectancy-value theory (Fishbein, 1975), explains that attitude is one part of belief which determines a person's positive or negative feelings about a product. Kordnaeij, A., H. Askaripour, A. Bakhshizadeh, (2013), conducted a study that considers belief as causes of the attitude. In this study, attitude indicates the assessment of sustainable emotions and the tendencies toward a product or an idea.

According to Bitner, (1990) and Bolton and Drew, (1991), attitude towards a product initiates from expectations and satisfaction results upon using a product. Attitude would continually evolve from subsequent satisfaction acting on the prevailing attitude.

H1: Attitude positively affects customer satisfaction of corporate life insurance customers of EIC.

2.3.2. Perceived risk and customer satisfaction

According to a study conducted by Hill et al (2003), factors determining the corporate financial performance are not the traditional indicators like size, economies of scale, or market share but corporate ability to continually improve the customer's satisfaction and retention of their

customers. Thus it is important for the companies to increase their customer satisfaction in order to increase the customer's future purchasing intention and gaining more profit for the company.

With regard to the study conducted above, (An et al, 2010; Cunningham et al, 2002; Yoon & Lee, 2014), also conducted a study regarding factors affecting customer satisfaction level which directly affects the company's reputation and profitability. The result of the study showed that customer perceived risk is one of the threats for firms that reduce customer satisfaction.

Furthermore, numerous researchers found that customer's perceived risk significantly affects the decision making and evaluation process (Conchar et al, 2004). While the customer's satisfaction is the positive evaluation of performance, perceived risk is the negative evaluation that will lead to transaction avoidance of a product or service. Customer perceived risk is important in the evaluation process of decision making and taking the risk of choosing a particular brand or paying for a product or service (Conchar et al, 2004). Moreover, previous studies found that perceived risk has high impact on the customer's satisfaction judgment (Habel&Klarmann, 2014; Martin et al, 2015; Yongchang et al, 2011).

H2: Perceived risk negatively affects customer satisfaction of corporate life insurance customers of EIC.

2.3.3.Socio-economic factors and customer satisfaction

According to a study conducted by Namasivayam et al (2006), the socio-economic factors influencing the decision to obtain life insurance policy such as age, education level and gender of the policy holders are insignificant but income level, occupation and family size are significant factors influencing the preference of the policy holders towards various types of life insurance policies.

Global literature suggests that high proportions of those who are better educated are found to engage in purchasing life insurance policies. This sector of population is either relatively young or in the middle age. Mattila, Karjaluo and Pento (2003) indicated that as the level of higher education increases, the likelihood of using life insurance products also increases. This factor increased the likelihood of purchasing life insurance policies.

Another research conducted by Burnett and Chonko (1981), found that customers which are high income earners would be expected to engage in purchasing of life insurance products to a greater extent than the lower earning counterparts.

H3: Socio-economic factors positively affect customer satisfaction of corporate life insurance customers of EIC.

2.3.4. Convenience and customer satisfaction

In a service delivering industry, particularly the insurance company, to retain customers, organizations must satisfy them. Service convenience is complex and is comprised of five convenience types, namely, decision, access, transaction, benefit, and post-benefit. Colwell et al (2008) note that, in homogenous market, where service offerings are similar and therefore not key competitive differentiators, providing greater convenience may enable a competitive advantage.

Different researchers have proposed certain important relationships linked to service convenience meaning that service convenience can directly affect customer satisfaction and lead to customer loyalty. Chang and Polonsky (2012), in their research of service convenience have found that only benefit and post-benefit convenience are associated with improved behavioral intentions and that satisfaction partially mediates the relationship for those two types of convenience.

According to Cronin, 2000; Gremler & Brown, 1996; customer satisfaction is positively related with different types of service convenience. In this study, service quality has been found to directly affect behavioral intention and has also been shown to directly influence behavioral intentions through value and satisfaction. Similarly, a study made by Anderson and Sullivan, 1993; Athanassopoulos, 2000; Cronin, 2000 shows that customer satisfaction mediates the relationship between service quality and behavioral intentions.

H4: Convenience positively affects customer satisfaction of corporate life insurance customers of EIC.

2.3.5. Expectation and customer satisfaction

According to Itamar Simonson and Chezy Ofir (2005), customer expectations are key determinants of their consumption experiences, satisfaction, and loyalty. Asking customers to articulate their expectations can backfire and lead to more negative evaluations of purchasing and consumption experience. Having a pre-purchase expectation leads customers to focus on the negative aspects of the purchasing experience.

According to Ryan (1995), expectations might be partially based on a marketing message that itself a representation of an ideal, whilst the actual experience is one that is based on degrees of tolerance of service that is satisfactory, but which does not quite meet expectation.

A study conducted by Devasenathipathi et al (2007), shows that customers expect multiple benefits than the single benefit from the life insurance policy. Due to this expectation, customers prefer different types of life insurance policies and insurance companies which have more returns from the policy, less premium, an insurance company which creates more awareness about life insurance products, as well as a company which has variety of life insurance policies and advertisements.

H5: Expectations positively affects customer satisfaction of corporate life insurance customers of EIC.

2.4. Conceptual framework

Depending on the empirical review shown above, the following conceptual framework shows the independent variables: attitude, perceived risk, socio-economic factors, convenience, experience and the dependent variable customer satisfaction.

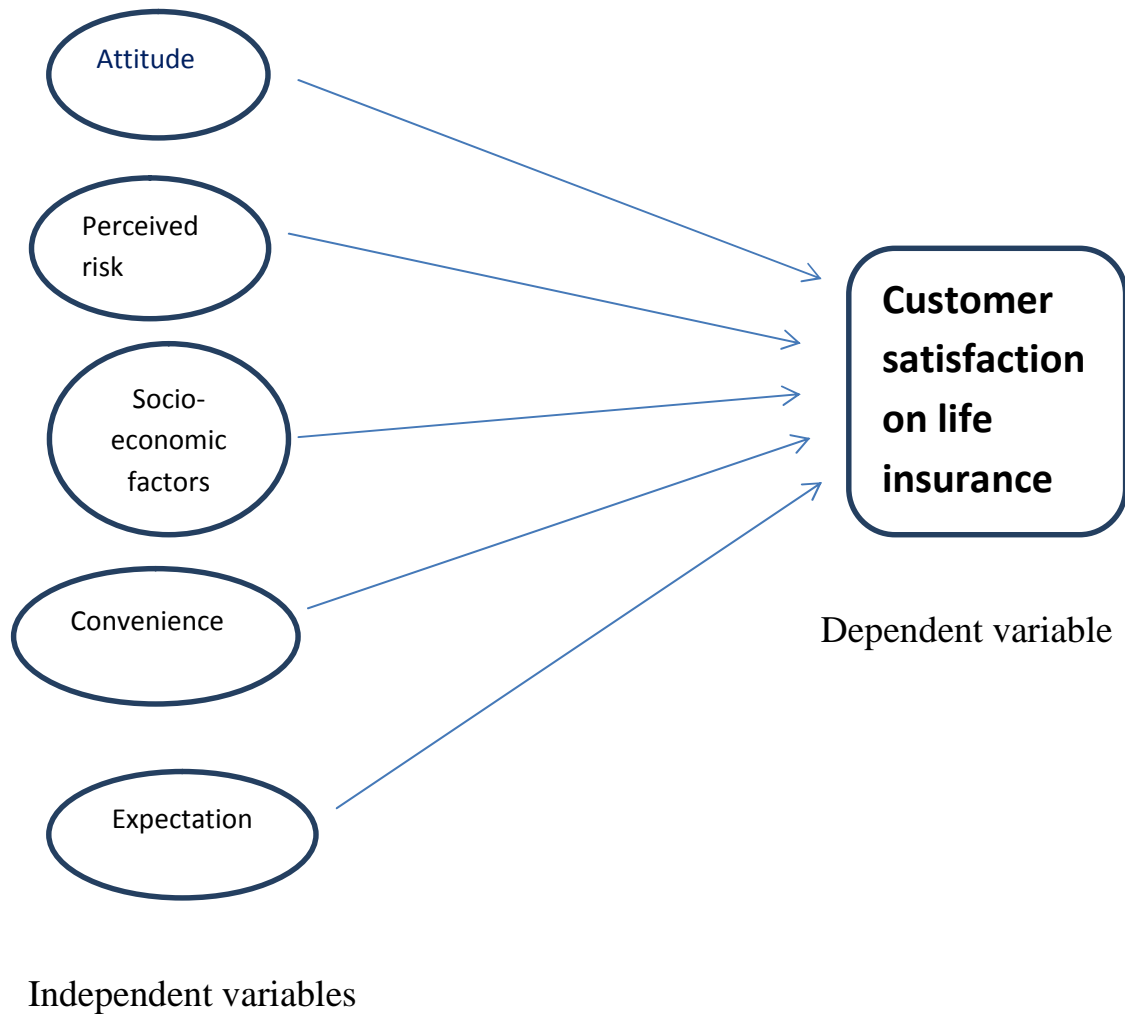


Figure 1.5: Conceptual framework

Adopted from: Bansal and Taylor (1999); Conchar et al, (2004); Ryan (1995); Cronin, 2000; Gremler & Brown, 1996.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter tries to address the topic under research; the effect of determinants of customer perception on customer satisfaction: the case of Ethiopian Insurance Corporation (EIC). This chapter consists of the Research Design, Method and Approach, Data Types and Data Sources, Population of the Study, Sampling Procedure, Sample Size, Sampling Technique, Data Collection Instrument, Data Collection Procedure, Data Analysis and Ethical Considerations of the research.

3.1. Research Design

Burns and Grove (2003) define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings”. Parahoo (1997) describes a research design as “a plan that describes how, when and where data are to be collected and analyzed”. Similarly, Polit et al (2001) define a research design as “the researcher’s overall for answering the research question or testing the research hypothesis”.

This research has used both descriptive and explanatory research. Descriptive research is used to describe characteristics of a population or phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred. Rather it addresses the "what" question. Explanatory research which is grounded in theory is another research purpose type, and the theory is created to answer why and how questions. It focuses on understanding, explaining, predicting and controlling relationships between variables than in detecting causes. (Yin, 1994).

3.2. Research Method

This research adopted primary and secondary data, questionnaire and interview to collect data from respondents as well as from reviewing of different books and journals.

3.3. Research Approach

This research employed both qualitative and quantitative research approaches. Whilst qualitative research is more descriptive, quantitative research more often draws inferences based on statistical procedures and often makes use of graphs and figures in its analysis (Ghauri and Grønhaug, 2005).

3.4. Data types and Data sources

This paper used both primary and secondary data to collect data.

3.4.1 Primary Data

For the purpose of this study, primary data is the main research method used. Primary data is the data which is obtained through the direct efforts of the researcher. In this research, a questionnaire was conducted to corporate life insurance customers of Ethiopian Insurance Corporation and an interview with Ethiopian Insurance Corporation Marketing Manager to collect information. Questionnaires can provide evidence of patterns amongst large populations, and qualitative interview data often gather more in-depth insights on participant attitudes, thoughts, and actions (Kendall, 2008).

3.4.2 Secondary Data

Hakim (2000 p.24), cited by Robson (2011 p.358), defined secondary data as "any re-analysis of data collected by another researcher or organization". Employing secondary data in a research provides a way to access the work of the best scholars all over the world. It also gives a frame of mind to the researcher that in which direction he/she should go for the specific research. Finally, secondary data saves time, efforts and money and add to the value of the research study. (Kadam et al, 2013).

In using secondary data, various articles and journals were reviewed in order to gain insight of the various factors that generally affect perception, satisfaction as well as life insurance.

3.5. Population of the study

Polit and Hungler (1999) refer to population as an aggregate or totality of all objects, subjects or members that conform to a set of specifications. Population refers to the total of items about which information is defined. In this study, the population consists of corporate life insurance customers of EIC that were randomly selected by the researcher in Addis Ababa and one marketing manager of EIC. This research used probability, simple random sampling method; as a result, the researcher approached corporate customers who are included in the random selection as well as who were available when the questionnaire was administered in their respective offices. The eligibility criteria in this study is that the respondents should be a corporate life insurance customer of EIC.

3.6. Sampling procedure

The process of selecting a portion of the population to represent the entire population is known as sampling (LoBiondo-Wood & Haber, 1998; Polit & Hungler, 1999). Sampling can be either probability or non-probability sampling.

3.6.1. Sample size

The target populations of this research are corporate life insurance customers of Ethiopian Insurance Corporation in Addis Ababa city. In order to determine the sample size, this formula was applied to the population size which is finite (Slovin, 1960).

$$n = \frac{N}{1 + N(e)^2}$$

Where,

n= required sample size

e= accepted margin of error(± 5% of precision).

N= total number of population

Table 3.1. Corporate life insurance customers of Ethiopian Insurance Corporation

No.	Name of corporate customers	Number of employees
1.	Ethiopian Management Institute	177
2.	Ethiopian Roads Authority	916
3.	Ethiopian Construction Works Corporation	3,000
	Total	4,093

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{4,093}{1 + 4,093(0.05)^2} = 364 \text{ questionnaires}$$

Table 3.2. Number of questionnaires distributed and collected

No.	Corporate customers	No. of employees	Questionnaires distributed	Questionnaires returned	Questionnaires not collected	Void Questionnaires
1	Ethiopian Management Institute	177	95	92	3	-
2	Ethiopian Roads Authority	916	137	107	30	7
3	Ethiopian Construction Works Corporation	3,000	132	108	14	3
	Total	4,093	364	307	47	10

3.6.2. Sampling techniques

This research adopted a probability, simple random sampling method. According to Burns & Grove (2001) probability sampling is a type of sampling which is based on the fact that every member of the population has a known and equal chance of being selected. Similarly, De Vos (1998), as well as LoBiondo-Wood & Haber (1998) also described simple random sampling as a sampling that creates samples that are highly representative of the population.

As mentioned above, this research employed a probability, simple random sampling method to select corporate life insurance customers of Ethiopian Insurance Corporation. The sampling unit of this research are the corporate customers of Ethiopian Insurance Corporation having life insurance policies in Addis Ababa city.

3.7. Data collection instrument

This research used both interview and questionnaires to collect data from the Ethiopian Insurance Corporation Marketing Managers as well as from the corporate life insurance customers of Ethiopian Insurance Corporation respectively.

A. Interviews

As mentioned above, interviews are used in a research to have a deep insight about the study area (Kendall, 2008). Interviews provide contexts where participants can ask for clarification, elaborate on ideas, and explain perspectives in their own words; the interviewer can use questioning to lead or manipulate interviewee responses. Data collected through interviews are based on personal interactions which lead to negotiated and contextually based results (Fontona & Frey 2000; Silverman, 2000, 2006).

After administering questionnaires to the corporate life insurance customers, the interview, which is standardized and open-ended questions was carried out with the respective marketing manager of Ethiopian Insurance Corporation.

The interviews that was conducted with the respective EIC Marketing Manager is of qualitative type of research, as open-ended and in-depth questions and the questionnaires that was distributed to the corporate life insurance customers of EIC is a quantitative type, as the majority of the questions that was asked have multiple choice formats.

B. Questionnaires

Questionnaires provide evidence of patterns amongst large population (Kendall, 2008). The research was conducted in Addis Ababa city, because it is convenient to the researcher. This research questionnaire was consisted of standardized questions. The type of questions are multiple choice formats. For the purpose of the study, questionnaires were personally and randomly distributed to the company's corporate life insurance customers.

3.8. Data collection procedure

As mentioned above data collecting tools are presented. After selecting and presenting the data collecting tools, the researcher visited Ethiopian Insurance Corporation's office located at Legehar which is the main as well as head office of the company. Besides visiting, the researcher asked permission and entrance letter from the department for collecting the necessary data.

In the first phase questionnaires were administered to EIC's corporate life insurance customers in their respective offices. The questionnaire was initially prepared in English and translated to Amharic. The questionnaire contained items on attitude, perceived risk, convenience, socio-economic factors, and expectations as well as customer satisfaction. When filling the questionnaires, the procedures were made clear to all the respondents. For the questionnaire to be filled free and frankly, honestly and sincerely, the customers were informed that there is no right or wrong answer to the questions and their professional carrier would not be affected in such a way that this questionnaire is conducted for academic purpose only and also their responses will be kept strictly confidential.

After administering of questionnaires to corporate life insurance customers was completed, the second phase, conducting of interviews followed. Interviews was conducted with the respective EIC Marketing Manager to gather data about the subject matter. Having an interview with the EIC Marketing Manager of the company helped the researcher to have a broad understanding about the subject matter and also created a way to question the Marketing Manager about the concepts that are unclear.

The interviews also enabled the researcher to know the existing factors affecting the satisfaction level of the company's corporate life insurance customers. Questions were asked to determine

how the insurance company provides sufficient information to their corporate customers to purchase and use the company's life insurance products.

3.9. Data analysis

After sufficient and appropriate data is collected, the interviews and the questionnaires were analyzed. The researcher used IBM SPSS software to analyze the collected data. Validity tests were conducted to select and assess the final items of the construct that are finally used for statistical testing. The purpose of the pre-testing was to refine the questionnaire and to assess the validity of measures. Moreover, T-test and one-way Analysis of variance (ANOVA) were employed to identify the difference between demographic variables and customer satisfaction.

Before estimating any model, it is a must to check the validity of the model properly. Hence, as necessary, tests for multicollinearity were made. Tests for multicollinearity were done using variance inflation factor (VIF). As a rule of thumb, if the VIF of a variable exceeds 10, there is a serious multicollinearity problem. The VIF indicates whether a predictor has a strong linear relationship with the other predictor(s). Myers (1990) suggests that a value of 10 is a good value at which to worry. Related to the VIF is the tolerance statistic, which is its reciprocal ($1/VIF$). As such, values below 0.1 indicate serious problems although Menard (1995) suggests that values below 0.2 are worthy of concern.

In statistics, reliability is the consistency of a set of measurements or measuring instrument, often used to describe a test. Reliability is inversely related to a random error (Coakes & Steed, 2007). There are several different reliability coefficients. One of the most commonly used is called Cronbach's Alpha. Cronbach's Alpha is based on the average correlation of items within a test if the items are standardized. It has an important use as a measure of the reliability of a psychometric instrument. It was first named as alpha by Cronbach (1951), as he had intended to continue with further instruments. All the variables, attitude, perceived risk, socio-economic factors, convenience, expectation and Customer satisfaction were tested for their reliability.

3.10. Ethical considerations

Ethics refers to a way of life that distinguishes between acceptable and unacceptable behavior (Shah, 2011; Akaranga&Ongong'a, 2013). Research ethics requires that researchers should protect the dignity of their subjects and publish well the information that is researched (Fouka&Mantzorou, 2011). As Schurink (2005) points out, research ethics is a complex matter to which there is unlikely to be clear solutions. Schurink (2005) believes that it is useful for researchers to follow a practical approach in which they ask questions and push themselves hard to reach answers: "the researcher needs to be honest about the purpose of the research".

For the purpose of the study, questionnaires were filled by the respondents only based on their acceptance of participation. No information in this study is falsified. As mentioned above in the data collection procedure, respondents were informed that this research is conducted only for academic purpose and there is no right or wrong answer for the questions to be filled and also their responses will be kept strictly confidential.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS OF THE STUDY

This chapter addresses the presentation, analysis and interpretation of the data collected through questionnaires and interviews. The first section of this chapter presents a demographic description of the sample in terms of age, sex, level of education, position of respondents, duration of being a corporate customer of the insurance, monthly income, policy term and premium amount. The second section summarizes the response of participants of the research when it comes to various attributes of factors affecting customer satisfaction.

4.1. Response rate

A total of 364 questionnaires were distributed and the response rate is indicated as below.

Table 4.1 Response rate

Item	Response rate	
	Number	Percent
Sample size	364	100
Collected	307	84.3
Remain uncollected	47	13
Void	10	2.7

According to table 4.1, out of 364 questionnaires distributed, 307(84.3%) were properly filled and collected, 47(13%) were uncollected and 10(2.7%) of the questionnaire were void. Therefore, analysis of the research was made based on the responses obtained from 297 questionnaires.

4.2. Demographic characteristics of respondents

This research focused on the main demographic characteristics such as sex, age groups, educational levels, position of respondents, duration of being a corporate customer of the insurance, monthly income, policy term and premium amount.

Table 4.2. Demographic characteristics of respondents

No.	Variables	Frequency n=297	Percentage	
1.	Sex	Male	166	55.9
		Female	131	44.1
2.	Age (in years)	Less than 20	-	-
		21-30	136	45.8
		31-40	109	36.7
		More than 40	52	17.5
3.	Education level	Secondary school and below	3	1.0
		Diploma	46	15.5
		Bachelor Degree	175	58.9
		Master or higher	73	24.6
4.	The type of jobs that respondents participated	Full time	166	55.9
		Part time	22	7.4
		Regular	103	34.7
		Temporary	6	2.0

No.	Variables	Frequency	Percentage	
5.	How long have you been customer of this insurance?	< 1 year	57	19.2
		1-4 years	132	44.4
		4-7 years	62	20.9
		>7 years	46	15.5
6.	Could you indicate in which category your monthly income belongs?	Less than 2000 birr	5	1.7
		2001-4000 birr	42	14.1
		4001-7000 birr	145	48.8
		Over 7000 birr	105	35.4
7.	Policy terms (years)	Less than 1 year	53	17.8
		1-5 years	174	58.6
		5-10 years	65	21.9
		10-20 years	1	0.3
		>20 years	4	1.3
8.	Premium amount (in Birr)	Less than 100 birr	12	4.0
		100-5000 birr	180	60.6
		5000-10000 birr	97	32.7
		More than 10000 birr	8	2.7
Total		297	100	

Table 4.2 shows that 166 (55.9%) of the respondents were male and the remaining 131 (44.1%) of the respondents were female. This indicates that out of 297 corporate life insurance customers around 166 customers were male and the remaining 131 customers were female.

According to the data presented in table 4.2, 136 (45.8%) of the respondents were under age group of 21-30 years old; 109 (36.7%) of the respondents were under age group of 31-40 years and the remaining 52 (17.5%) were greater than 40 years old. This implies that the majority of the corporate customers are aged in between 21-30 years which is the most productive age that highly affects the performance of the company and expected to have more loyal and ownership feeling.

The educational level of the respondents in the above table shows that most of the respondents have a good educational background meaning that 175 (58.9%) of the respondents were degree holders, 73 (24.6%) masters and the remaining 3 (1.0%) & 46 (15.5%) of the respondents were secondary school & below and diploma respectively. The analysis for the other demographic characteristics depicted in table 4.2 is the position of the respondents which shows that majority of the respondents are full time employees with a percentage of 166 (55.9%), 103 (34.7%) of the respondents are regular employees, and the remaining 22 (7.4%) & 6 (2.0%) are part-time and temporary employees respectively.

The result of this study indicates that 132 (44.4%) of the respondents have been corporate life insurance customers of Ethiopian Insurance Corporation from 1-4 years, 62 (20.9%) of the respondents are corporate life insurance customers for 4-7 years, and the remaining 46 (15.5%) & 57 (19.2%) of the respondents are corporate life insurance customers for greater than 7 years and less than 1 year respectively. This shows that majority of the respondents are corporate customers of EIC ranging from 1-4 years meaning that they seem to have rational knowledge and experience regarding the life insurances of EIC. Regarding the monthly income, majority of the respondents (48.8%) earn an income lying in between 4,001-7,000 birr, 105 (35.4%) earn an income which is greater than 7,000 birr, and the remaining 42 (14.1%) & 5 (1.7%) of the respondents earn an income lying in between 2,001-4,000 birr and less than 2,000 birr respectively. This implies that as the majority of the corporate customers earn an income ranging from 4001-7000 birr; it is sustainable with the amount of premium that they pay.

The above table shows that 174 (58.6%) of the respondents are policy holders ranging from 1-5 years, 65 (21.9%) of the respondents are policy holders ranging from 5-10 years and 53 (17.8%), 4 (1.3%), 1 (0.3%) of the respondents are policy holders less than 1 year, greater than 20 years & 10 -20 years respectively. This shows that majority of the respondents have rational knowledge and experience regarding the life insurance services of EIC. The result of the last demographic characteristics indicates that 180 (60.6%) of the respondents pay a premium ranging from 100-5,000 birr, 97 (32.7%) pay a premium ranging from 5,000-10,000 birr and 12 (4.0%)&8 (2.7%) of the respondents pay a premium less than 100 and more than 10,000 respectively which shows that majority of the corporate customers pay a premium ranging from 100-5000 birr which is sustainable with their monthly income.

4.3. Reliability Test

Analysis of reliability was conducted to all variables: attitude, perceived risk, socio-economic factors, convenience, expectation and Customer satisfaction. The result of the Cronbach's alpha shows that attitude has a Cronbach's alpha of .758, perceived risk has a Cronbach's alpha of .776, socio-economic factor has a Cronbach's alpha of .798, convenience has a Cronbach's alpha value of .793, expectations has a Cronbach's alpha of .750, and customer satisfaction has a Cronbach's alpha of .783. The Cronbach's alpha values for all the variables considered are greater than 0.6 and this indicates the items in each of the domains are well understood by the respondents. The items have measured what they were designed to measure.

4.4. Validity of the research

Validity refers to whether an instrument measures what it was designed to measure. According to Agresti & Finlay (1986), there are two types of validity tests namely: criterion and content validity. This research used the content validity by which the questionnaire and interviews used are standardized and also used in previous literatures.

4.5. Multiple Regression Analysis

Multiple regression analysis was employed to examine the effect of determinants of customer perception on customer satisfaction. According to Kline (1998), in multiple regression analysis, Multicollinearity refers to the correlation among the independent variables. Multicollinearity is not a threat if the correlation is less than 80%.

Table 4.3. Regress customer satisfaction on customer perception determinants

Variables	Unstandardized coefficients		Standardized coefficients	T	Sig.	VIF
	B	Std. error	Beta			
(Constant)	.814	.133		6.117	.000	
Attitude	-.191	.058	-.236	3.289	.001	4.845
Perceived risk	.694	.032	.793	21.463	.000	1.287
Socio-economic factors	.162	.030	.201	5.471	.000	1.272
Convenience	.055	.032	.074	1.738	.083	1.695
Expectations	-.056	.068	.062	.808	.420	5.538

R Square=.692

P < 0.01

Source, Own Survey, 2018

The result of the multicollinearity test shows the R square is .692. This means that 69.2% of the variation in customer satisfaction is due to the independent factors (Attitude, perceived risk, socio-economic factors, convenience, and expectations) and the remaining 30.8% of the variation in customer satisfaction is due to other factors.

According to Myers (1990), if the VIF of a variable exceeds 10, there is a serious multicollinearity problem. The VIF indicates whether a predictor has a strong linear relationship with the other predictor(s). Table 4.3 shows that the VIF of the independent variables are less than 10 meaning that there is no multicollinearity problem.

4.6. Normality of the research

Table 4.4 depicts the normality test by which the result shows that the skewness and kurtosis for all the variables lies in between -1 and 1.

Table 4.4. Normality test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Attitude	297	-.659	.141	.742	.282
Perceivedrisk	297	.399	.141	.096	.282
Socioeconomicfactors	297	.088	.141	-.268	.282
Convenience	297	-.331	.141	.052	.282
Expectations	297	-.155	.141	-.105	.282
Customersatisfaction	297	.459	.141	.648	.282
Valid N (listwise)	297				

4.7. Assessing the relationship between demographic variables and customer satisfaction

4.7.1. Gender and Customer Satisfaction

To compare and know if there exists any significant difference between the gender of the respondent and customer satisfaction an independent sample t-test was conducted.

Table 4.5. T-test comparison of mean for male and female

Gender	N	Sig	F	Df	Sig (2 tailed)
Male	166	0.169	1.901	295	0.379
Female	131				

As shown in table 4.5 the number of respondents for customer satisfaction of male is 166 and the number of female is 131 with a Df of 295, which shows that $p > 0.05$. As a result, there is no statistically significant difference observed between of gender and customer satisfaction. This implies that customer satisfaction does not differ among male and female.

4.7.2. Age and Customer Satisfaction

To compare if there exists any significant difference between age and customer satisfaction one-way ANOVA was conducted.

Table 4.6. One-way ANOVA test for age and customer satisfaction

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	12.187	15	.812	1.501	.104
Within Groups	152.055	281	.541		
Total	164.242	296			

As shown in table 4.6, the significance level is 0.104 which is greater than 0.05. This indicates that there exists no statistically significant difference between age of the respondent and customer satisfaction. This implies that customer satisfaction does not differ among the age groups.

4.7.3. Education and Customer Satisfaction

One-way ANOVA was conducted to compare if there exists any significant difference between educational level and customer satisfaction. Table 4.7 shows the result of the comparison.

Table 4.7. One-way ANOVA comparison for educational background and customer satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.594	15	.173	.383	.983
Within Groups	126.921	281	.452		
Total	129.515	296			

Table 4.7 shows that the significance level is 0.983 ($P > 0.05$), which indicates that there is no statistically significant difference among respondents with various levels of educational background and customer satisfaction. This implies that customer satisfaction does not differ in educational background.

4.7.4. Type of job of the respondents and Customer Satisfaction

ANOVA was conducted to know if there were any significant differences among the different categories of types of jobs of respondents and customer satisfaction. As shown below in table 4.8, the significance level is 0.001 which is less than 0.05. This indicates that there is statistically significant difference among respondents with various levels of types of jobs and customer satisfaction. This implies that customer satisfaction differs among the types of jobs of respondents.

Table 4.8. One-way ANOVA comparison for types of jobs and customer satisfaction.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	35.391	15	2.359	2.664	.001
Within Groups	248.851	281	.886		
Total	284.242	296			

4.7.5. Time period of being customer and Customer Satisfaction

The result of the table presented below shows that the significance level is 0.081 which is greater than 0.05. The result shows that there is no statistically significant difference among respondents with different time period of being customer and customer satisfaction. This implies that customer satisfaction does not differ among time period of being customer.

Table 4.9. One-way ANOVA test for time period of being a customer and customer satisfaction.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	21.011	15	1.401	1.572	.081
Within Groups	250.309	281	.891		
Total	271.320	296			

4.7.6. Income and Customer Satisfaction

One-way ANOVA was conducted to compare if there exists a significant difference between income and customer satisfaction. The table presented below shows that the significance level is 0.060 which is greater than 0.05, as a result, there is no statistically significant difference among respondents with various level of income and customer satisfaction. This implies that customer satisfaction does not differ among the income of the respondents.

Table 4.10. One-way ANOVA test for income level and customer satisfaction

Monthly income in birr	Mean	Standard Deviation	Mean Square Between Groups	Df (Between Groups)	Mean Square With in groups	Df (With in Groups)	F	Sig
Less than 2000 birr	3.3333	0.35355	0.851	15	0.515	281	1.651	0.060
2001-4000 birr	3.5238	0.40420						
4001-7000 birr	3.3483	0.50801						
Greater than 7000 birr	3.4603	0.53185						

4.7.7. Policy and Customer Satisfaction

The result of One-way ANOVA test for the comparison between policy term and customer satisfaction shows a significance level of 0.027 which is less than 0.05. As a result, there exists a statistically significant difference between policy term and customer satisfaction which implies that customer satisfaction does differ among the policy term that respondents own.

Table 4.11. One-way ANOVA test for policy term and customer satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	14.040	15	.936	1.856	.027
Within Groups	141.683	281	.504		
Total	155.724	296			

4.7.8. Premium and Customer Satisfaction

One-way ANOVA was performed between the premium payment and customer satisfaction and the result shows a significant level of 0.115 which is greater than 0.05. This indicates that there exists no statistically significant difference between premium payment and customer satisfaction. It implies that customer satisfaction does not differ among premium and customer satisfaction.

Table 4.12. One-way ANOVA test for premium payment and customer satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.773	15	.518	1.473	.115
Within Groups	98.880	281	.352		
Total	106.653	296			

4.8. Hypothesis

Hypothesis is based on standardized coefficients beta and p-value test whether the hypotheses are rejected or not. According to Henkel (1976), hypothesis testing is employed to test some assumption (hypothesis) that the researcher has about the given population against the sample from the population. The result of a significance test is a probability by which the researcher attach to a descriptive statistic calculated from a sample. This probability reflects how likely is that the statistic could have come from a sample drawn from the population specified in the hypothesis (Henkel, 1976).

Hypothesis 1

H1: Attitude will not have a positive and significant effect on customer satisfaction.

H2: Attitude will have a positive and significant effect on customer satisfaction.

Attitude and satisfaction are two distinct concepts that often relate to and influence consumer behaviors similarly. Both are the key predictors of customer loyalty. Just as favorable attitude may lead to customer loyalty (Yi and Jeon, 2003), satisfaction may relate positively to customer loyalty (Olsen, 2002). Likewise, unfavorable attitude (Bansal and Taylor, 1999) or dissatisfaction (Cheng, Lam and Hsu, 2005) may result in customer defections. As a result, there is a positive relationship between attitude, customer satisfaction and loyalty.

As portrayed in table 4.3, the result of the multicollinearity test shows that attitude has a positive and significant effect on customer satisfaction with a beta value of (beta= -0.236), at 95% confidence interval ($p < 0.01$). Therefore, the researcher may reject the null hypothesis, and it is accepted that attitude has a positive and significant effect on customer satisfaction of corporate life insurance customers of EIC.

Hypothesis 2

H1: Perceived risk will not have a positive and significant effect on customer satisfaction.

H2: Perceived risk will have a positive and significant effect on customer satisfaction.

Numerous researchers found that customer's perceived risk significantly affects the decision making and evaluation process (Conchar et Al, 2004). While the customer's satisfaction is the positive evaluation of performance, perceived risk is the negative evaluation that will lead to the transaction avoidance of a product or a service. Customer perceived risk is important in the evaluation process of decision making and taking the risk of choosing a particular brand or paying for a product or service (Conchar et Al, 2004). Moreover, previous studies found that perceived has high impact on the customer's satisfaction judgment (Habel&Klarmann, 2014; Martin et al ,2015; Yongchang et al, 2011).

As shown in table 4.3, the result of the multicollinearity test indicates that perceived risk has a positive and significant effect on customer satisfaction with a beta value of (beta= 0.793), at 95% confidence interval ($p < 0.01$). As a result, the researcher may reject the null hypothesis and it is accepted that perceived risk has positive and high significant effect on customer satisfaction of corporate life insurance customers of EIC.

Hypothesis 3

H1: Socio-economic factors will not have a positive and significant effect on customer satisfaction.

H2: Socio-economic factors will have a positive and significant effect on customer satisfaction.

According to a study conducted by Namasivayam et al (2006), the socio-economic factors influencing the decision to obtain life insurance policy such as age, education level and gender of the policy holders are insignificant but income level, occupation and family size are significant factors influencing the preference of the policy holders towards various types of life insurance policies.

As portrayed in table 4.3, the result of the multicollinearity test shows that the P value for socio-economic factor is significant ($P < 0.01$) and has a beta value of (beta= 0.201). As a result, the researcher may reject the null hypothesis and socio-economic factor has a positive and high significant effect on customer satisfaction of corporate life insurance customers of EIC.

Hypothesis 4

H1: Convenience will not have a positive and significant effect on customer satisfaction.

H2: Convenience will have a positive and significant effect on customer satisfaction.

The most important thing for a corporation to keep its customers is to establish more convenience during the service process (Reichheld and Schaffer, 2000). If consumers think the corporate service is convenient, then the repurchase will be higher (Jones et Al, 2003). Therefore, if the industry can provide various convenience to consumers, then it will increase the consumers' purchase will (Brown, 1989), and will also allow the customers to stay in the corporation; consumers will also have inertia application due to the limitation of convenience factors (Wang et al ,2006).

As portrayed in table 4.3, the result of the multicollinearity test shows that convenience has a positive and significant effect on customer satisfaction with a beta value of (beta= 0.074), at 95% confidence interval ($p > 0.01$). As a result, the researcher fails to reject the null hypothesis, and it is accepted that convenience has a negative and insignificant effect on customer satisfaction of corporate life insurance customers of EIC.

Hypothesis 5

H1: Expectations will not have a positive and significant effect on customer satisfaction.

H2: Expectations will have a positive and significant effect on customer satisfaction.

According to ItamarSimonson and ChezyOfir (2005), customer expectations are key determinants of their consumption experiences, satisfaction, and loyalty. Asking customers to articulate their expectations can backfire and lead to more negative evaluations of purchasing and consumption experience. Having a pre-purchase expectation leads customers to focus on the negative aspects of the purchasing experience.

As portrayed in table 4.3, the result of the multicollinearity test shows that expectation has a negative and has insignificant effect on customer satisfaction with a beta value of (beta= 0.062),at 95% confidence interval ($p > 0.01$). As a result, the researcher fails to reject the null hypothesis, and it is accepted that expectations has a negative and insignificant effect on customer satisfaction of corporate life insurance customers of EIC.

4.9. Data interpretation obtained from interview

Besides from using standardized questionnaire, interviews were conducted with the Marketing Manager of Ethiopian Insurance Corporation at the head office. The following questions were asked. The first interview question was how EIC assess the needs of its corporate customers. According to the Marketing manager, Ethiopian Insurance Corporation assess the needs of its corporate customers using the following three methods. The first one is through client seminar by which the corporate customers are able to give feedback about the products and services provided by the company. The second method is through conducting customer satisfaction survey. Customer satisfaction survey of the company is done by Addis Ababa University. The third method is through day to day operation meaning that when there is an occurrence of accident on the corporate customer or when the corporate customer come to the company to renew the policies, there are able to give feedback.

The second interview question raised to the marketing manager was if EIC have means of communicating information to its corporate clients and the manager responded yes and the means are using oral notification (through telephone), electronics media (e-mail), printed media (written notification) and door to door notification for those corporate customers whose operations are vital for the country's economy like Ethiopian Airlines and Ethiopian Telecommunication Corporation.

The other interview question was rating EIC in getting the corporate customers satisfied with your services. According to the Marketing manager, the satisfaction of corporate customers of Ethiopian Insurance Corporation is rated as medium meaning that 56-60% of the corporate customers are satisfied. In addition, the customer satisfaction survey of the company is handled by Addis Ababa University.

The next interview question was how EIC carry out customer survey. The customer satisfaction survey of Ethiopian Insurance Corporation is outsourced and is mainly handled by Addis Ababa University. The other question was the trend in the corporate life insurance business over the past five years. The trend of corporate life insurance business over the past five years is increasing at a decreasing rate. The Marketing manager further explained that, majority of the corporate customers are NGOs (non-governmental organizations) and this NGOs have a 70/30 expense regulatory policy which makes the purchase of life insurance policies low.

Related to the NGOs, the government of Ethiopia declared that every NGOs should have a social health insurance as a result of this the trend of corporate life insurance increased at a decreasing rate. The other factor that makes the trend to increase at a decreasing rate is the liquidation of companies due to termination of a project period.

The last question was factors such as advertising, sales promotion, and affordability of insurance prices are factors affecting the growth of EIC's life insurance business. The Marketing Manager responded that in addition to other factors affecting the growth of life insurance business of the company, advertising and sales promotion play avital role. According to the Marketing manager, affordability of insurance prices is not considered as a factor because the company believes that any person who is a daily laborer is able to purchase life insurance policy.

Apart from advertising and sales promotion, there are different factors affecting the growth of the company's life insurance business like low level of awareness about life insurance product and services, not having a systematic approach to reach customers, low focus of brokers and agents on life insurance products and services.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter presents summary of major findings, conclusion, the significant contribution of the study as well as recommendations for future researchers. The first chapter is summary of major findings followed by conclusion and finally recommendation for future researchers.

5.2. Summary of major findings

The study was targeted at identifying and analyzing the determinants of customer perception affecting customer satisfaction of life insurance business specifically, the corporate life insurance customers of Ethiopian Insurance Corporation and to give recommendations based on the concepts in the literature review, and the empirical findings of the study. For the purpose of the study, 364 questionnaires were distributed, 307 were collected and out of 307 collected questionnaires, 10 were unproperly filled, 47 questionnaires were uncollected. Analysis was made based on 297 questionnaires.

The result of the study indicates that 55.9% of the respondents were male and 44.1% of the respondents were female. Majority of the respondents are full time employees with a percentage of 55.6%, 35.0% of the respondents are regular employees, and the remaining 7.4% & 2.0% are part-time and temporary employees respectively. The study also shows that 58.9% of the respondents were degree holders, 24.6% masters and the remaining 1.0% & 15.5% of the respondents were secondary school & below and diploma respectively. This implies that the respondents have good educational background.

Regarding time period of being a corporate customer, 44.4% of the respondents have been corporate life insurance customers of Ethiopian Insurance Corporation from 1-4 years, 20.9% of the respondents are corporate life insurance customers for 4-7 years, and the remaining 15.5% & 19.2% of the respondents are corporate life insurance customers for greater than 7 years and less than 1 year respectively. The study also shows that 58.6% of the respondents are policy holders ranging from 1-5 years, 21.9% of the respondents are policy holders ranging from 5-10 years and 17.8%, 1.3%, 0.3% of the respondents are policy holders less than 1 year, greater than 20 years & 10 -20 years respectively.

The study also indicates that 60.6% of the respondents pay a premium ranging from 100-5,000 birr, 32.7% pay a premium ranging from 5,000-10,000 birr and 4.0% & 2.7% of the respondents pay a premium less than 100 and more than 10,000 respectively. This implies that majority of the respondents have a good perception about life insurance.

The result of the reliability test shows that all the values of the Cronbach's alpha are greater than 0.6 which shows that the items in each of the domains are well understood by the respondents and the normality test for both the dependent and independent variables shows a kurtosis and skewness lying in between -1 and 1 which implies that it is normal.

The other result of the study is the t-test and ANOVA test for the demographic variables. The t-test for gender of the respondent and customer satisfaction shows a significance level of 0.379 which is > 0.05 which results in no significant difference between the factors. Similarly, while the result of the ANOVA test for age, educational level, time period of being a customer, income of the respondent and the amount of premium shows 0.104, 0.983, 0.081, 0.060 and 0.115 respectively which indicates that there is no statistically significant difference between the factors and customer satisfaction, position of the respondent and premium amount has a significant level of 0.01 and 0.027 respectively which is < 0.05 . As a result, these two factors have statistically significant difference with customer satisfaction.

The study depicts that the VIF of the independent variables of multicollinearity test is less than 10 which implies that there is no multicollinearity problem. The value for Rsquare is 0.692, meaning that customer satisfaction is 69.2% affected by the independent variables.

5.3. Conclusion of the study

The achievement of the quality of insurance services is a goal and a marketing tool at the same time, because achieving high quality insurance services leads to achieving the customer's satisfaction, so companies must measure the quality of services. Besides from delivering quality insurance services, it is also very important to note how customers perceive and understand life insurance products as well as services.

The purpose of the study is to identify the determinants of customer perceptions affecting customer satisfaction of corporate life insurance customers of Ethiopian Insurance Corporation. The first objective of the study was to determine the effect of attitude on customer satisfaction. The result of the study shows that, attitude has a positive and significant effect on customer satisfaction.

The second objective of the study was to determine the effect of perceived risk on customer satisfaction. The result of the study indicates that perceived risk has a positive and significant effect on customer satisfaction. The third objective of the study was to determine the effect of socio-economic factor on customer satisfaction and the result of the study shows that socio-economic factor has a positive and significant effect on customer satisfaction.

The fourth objective of the study was to determine the effect of convenience on customer satisfaction and the result of the study implies that convenience has a negative and insignificant effect on customer satisfaction. The last objective of this research was to determine the effect of expectations on customer satisfaction and the result shows that expectation has negative and insignificant effect on customer satisfaction.

From the result of the study the researcher concludes that, attitude, perceived risk and socio-economic factors have positive and significant effect on customer satisfaction on corporate life insurance customers of Ethiopian Insurance Corporation and convenience and expectations have a negative and insignificant effect on customer satisfaction on corporate life insurance customers of Ethiopian Insurance Corporation.

5.4. Recommendation

Customer is one of the vital assets for business regardless of its nature and size. Business lacking this important asset may face difficulty in such a way that operational income is less than operational cost; business losing customers may confront the problem of profit deterioration. Several studies have shown that understanding the needs as well as improving the service quality, and customer satisfaction results in better financial performance for business.

On the basis of the findings and conclusions reached, the following recommendations are forwarded to the management of EIC to possibly improve the way of perception and service delivery in a way that boosts customers' satisfaction.

Ethiopian Insurance Corporation should exert its utmost effort to meet customers' expectation up to the standard. In order to satisfy its corporate customers, the insurance company should emphasize on attributes of customer perception like attitude, perceived risk and socio-economic factors. The study showed that attitude, perceived risk and socio-economic factors are the most important factors to form corporate customer satisfaction. The finding of the study also indicates the satisfaction level of corporate life insurance customers of the company, as a result, there is a need for management bodies to evaluate their status constantly and work for continuous improvements.

This study was conducted to assess the determinants of customer perception that affect customer satisfaction of corporate life insurance customers in the selected corporate customers of EIC, Addis Ababa. The sample was drawn from only three corporate life insurance customers, thus this study may be limited in its generalizability of the findings to others corporate customers of the company and the private insurance companies found. As a result, future research should draw sample of respondents on a number of corporate life insurance customers of the insurance company found in the city. The researcher also wants to put forward the need to carry out further study on private insurance companies.

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QUESTIONNAIRE
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MARKETING MANAGEMENT
MA PROGRAM

Appendix 1: QUESTIONNAIRE

INTRODUCTION: I am currently doing thesis on “The Effect of Determinant of Customer Perception on Customer Satisfaction in Ethiopian Insurance Corporation (EIC) Life Insurance Customers at Addis Ababa.

The purpose of the questionnaire is to gather adequate information about the perception and satisfaction of Life Insurance Customers of Ethiopian Insurance Corporation (EIC) in Addis Ababa. In order to make the study more fruitful, your response to the given question would be necessarily. All of your response to the given question would be used for the research and will be kept confidential work.

To the end, I would like to forward my deepest gratitude for your unreserved co-cooperation in filling the questionnaire.

Note

- No need of writing your name
- Please respond to your choice by putting a mark ()
- Your responses are confidential and used for research purposes only.

Instruction for filling the questionnaire

Please read each statement carefully and put a tick () mark for your choice of the questions indicated in the table.

Part I: Demographic or personal information

Question		Response
1	Sex	1. Male <input type="checkbox"/> 2. Female <input type="checkbox"/>
2	Age	1. Less than 20 <input type="checkbox"/> 2. 21-30 <input type="checkbox"/> 3. 31-40 <input type="checkbox"/> 4. More than 40 <input type="checkbox"/>
3	Educational level	1. secondary school & below <input type="checkbox"/> 2. Diploma <input type="checkbox"/> 3. Bachelor degree <input type="checkbox"/> 4. Master or higher <input type="checkbox"/>
4	The type of jobs that respondents participated	1. Student <input type="checkbox"/> 2. Employee <input type="checkbox"/> 3. Business owner <input type="checkbox"/> 4. Agriculture and related <input type="checkbox"/> 5. Other <input type="checkbox"/>
5	How long have you been customer of this insurance?	1. <1 year <input type="checkbox"/> 2. 1-4 years <input type="checkbox"/> 3. 4-7 years <input type="checkbox"/> 4. >7 years <input type="checkbox"/>
6	Could you indicate in which category your monthly income belongs?	1. Less than 2,000 Birr <input type="checkbox"/> 2. 2,001-4 000 Birr <input type="checkbox"/> 3. Br. 4,001- 7,000 Birr <input type="checkbox"/> 4. Over 7,000 Birr <input type="checkbox"/>
7	Policy term (in years)	1. Less than 1 <input type="checkbox"/> 2. 1-5 years <input type="checkbox"/> 3. 5-10 years <input type="checkbox"/> 4. 10-20 years <input type="checkbox"/> 5. >20 years <input type="checkbox"/>
8	Premium amount (in Birr)	1. Less than 100 <input type="checkbox"/> 2. 100-5000 Birr <input type="checkbox"/> 3. 5000-10,000 Birr <input type="checkbox"/> 4. More than 10,000 <input type="checkbox"/>

PART II: Assessment of the degree of customer perception of services offered by EIC.

The following question aims to assess customer perception of service offered by the Ethiopian Insurance Corporation. Please tick () the number that you feel most appropriate number using the scale below (from 1 to 5 alternatives in the Likert scale).

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

No	Customer perception	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
	Attitude					
1	Life insurance is good for the future.					
2	Life insurance gives financial support					
3	Life insurance provides social benefit					
4	Life insurance provides cash when it is needed most					
5	Should I die, the proceeds will help me keep the promises I have made to those people who are important to me.					
	Perceived Risk					
6	Considering the investment involved, purchasing a life insurance would be risky.					
7	You need to be careful when buying life insurance since a lot can go wrong.					
8	I generally see myself as a risk taker rather than being conservative on the decisions I take.					
9	I am confident on the security aspects of EIC.					

10	Given the financial expenses associated with purchasing a life insurance, there is substantial financial risk.					
	Socio-economic factors					
11	The amount of salary I get highly affects the amount of return I get from the insurance company.					
12	As the cost of living increases, my expense for life insurance premium decreases.					
13	I bought life insurance as per my education and awareness level.					
14	I bought life insurance due to the carrier I have in my work place.					
15	As the number of my family size increases, the number of life insurance policies I will buy also increases.					
	Convenience					
16	The insurance location is convenient to the company I am working.					
17	The insurance company has operating hours convenient to all its corporate customers					
18	Availability of adequate staff of the insurance on time.					
19	My interaction with the insurance company is clear and understandable.					
20	Customers do not have to wait for services.					

	Expectations					
21	I expected that the insurance company provides cash when I needed most.					
22	I expected that there will be less premium payment to the insurance company.					
23	It requires a continuous outflow of money which I do not have.					
24	Mode of premium in life insurance is confusing, which one to choose- Annually, Half Yearly, Quarterly or Monthly.					
25	The insurance company meets my expectations.					

PART III: CUSTOMER SATISFACTION QUESTIONNAIRE(CSQ)

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
Customer satisfaction					
I feel absolutely delighted with the insurances’ services.					
The information presented by this insurance is accurate.					
This insurance is exactly what I need.					
There are guarantees of this insurance.					
Overall, the insurance is able to satisfy my wants and needs.					
I am satisfied with the performance of employees of this insurance.					

Thank you for your cooperation!!

Appendix 2: Interviews for Ethiopian Insurance Corporation Marketing Manager

- 1) How does your organization assess needs of its corporate customers?
- 2) Does your organization have means of communicating information to its corporate clients?
- 3) What are they?
- 4) How do you rate your company in getting the corporate customers satisfied with your services?
- 5) How do you carry out customer survey?
- 6) How do you see the trend in the corporate life insurance business over the past five years?
- 7) Do you think that factors such as advertising, sales promotion, and affordability of insurance prices are factors affecting the growth of EIC's life insurance business?

Appendix 3: Reliability Test

Reliability Statistics

Cronbach's Alpha	N of Items
.807	6

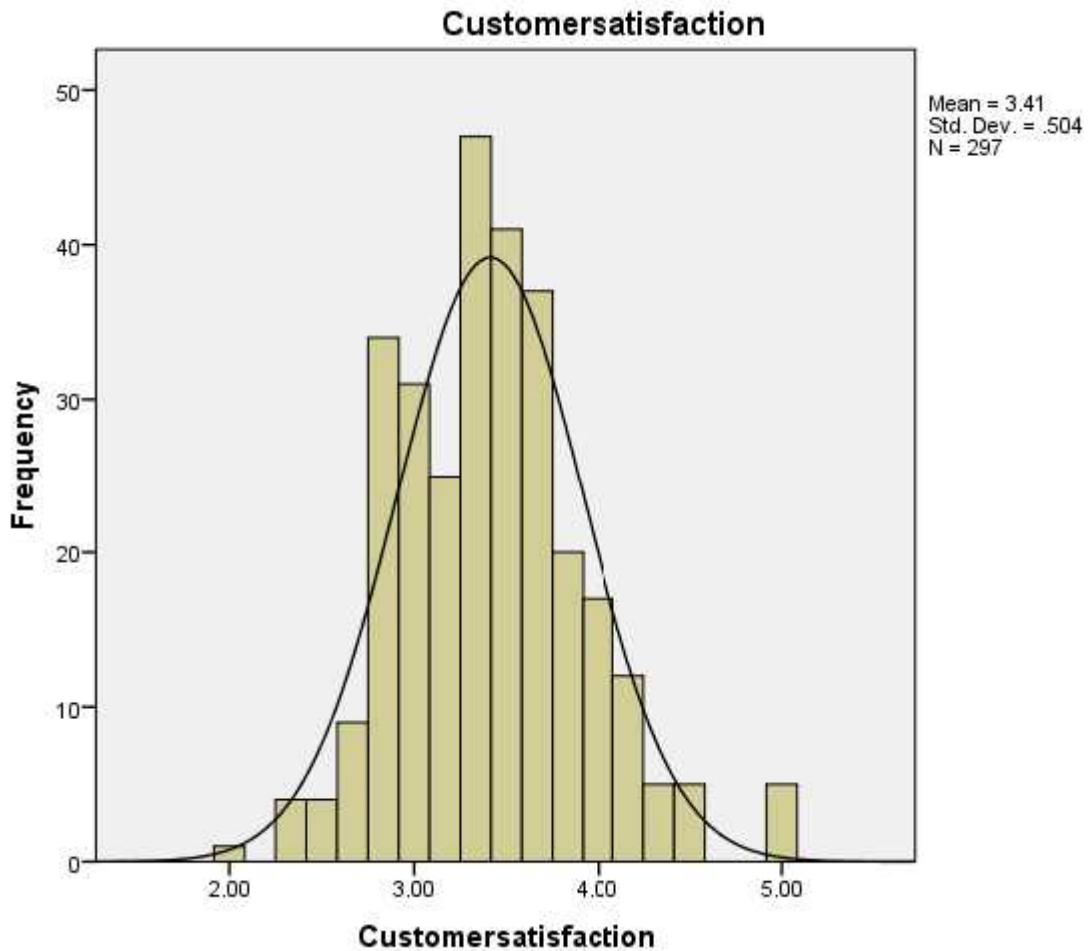
Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Attitude	17.3641	4.458	.644	.758
Perceivedrisk	17.6823	4.767	.570	.776
Socioeconomicfactors	17.7439	4.836	.472	.798
Convenience	17.6322	4.615	.506	.793
Expectations	17.4175	4.534	.688	.750
Customersatisfaction	17.6944	5.049	.542	.783

Appendix 4: Normality Test

		Attitude	Perceived risk	Socioeconomic factors	Convenience	Expectations	Customer satisfaction
N	Valid	297	297	297	297	297	297
	Missing	0	0	0	0	0	0
Skewness		-.659	.399	.088	-.331	-.155	.459
Std. Error of Skewness		.141	.141	.141	.141	.141	.141
Kurtosis		.742	.096	-.268	.052	-.105	.648
Std. Error of Kurtosis		.282	.282	.282	.282	.282	.282

Appendix 5: Histogram



Appendix 6: Regression Analysis**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832 ^a	.692	.686	.28217