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FACULTY OF BUSINESS & ECONOMICS
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INVESTIGATING THE CHALLENGES OF CUSTOMER RETENTION BY ETHIOPIAN INSURANCE CORPORATION, ETHIOPIA

A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY FACULITY OF BUSINESS AND ECOMONICS IN PARTIAL FULFILLMENT THE REQUIREMENT OF MASTER OF BUSINESS ADMINISTRATION IN FINANCIAL SERVICES

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Addis Ababa

Declaration

I, the undersigned declare that this thesisentitled "Investigating the Challenges Of Customer Retention By Ethiopian Insurance Corporation, Ethiopia." Is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not been submitted for a degree in anyother universities.

Muluneh Bullo ____________ ____________

Signature Date

Statement of Certificate

This is to certify that **Muluneh Bullo** has completed her thesis entitled "Investigating the Challenges Of Customer Retention By Ethiopian Insurance Corporation, Ethiopia" is his original work and is submitted for examination with my approval as thesis.

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Acronyms and Abbreviations

EIC:	Ethiopian Insurance Corporation
QSAT:	Questions regarding Customer satisfaction
QSERVQUAL:	Questions regarding service quality
SERVREC:	Questions regarding service recovery
QCOMMIT:	Questions regarding employees' commitment
QTRUST:	Questions regarding Customer Trust
S.N.:	Serial Number
SPSS:	Statistical Package for the Social Science

Abstract

The Ethiopian Insurance Corporation plays a crucial role in Ethiopian Insurance Industry by contributing more in the economy of the country. As the financial institution and service sector the activities of Ethiopian Insurance Corporation mainly depend on customers. By delivering quality service customer retention has become the issue of success for the insurance industry. This research has considered critical literature reviews of studies which were done with related to customer retention with the objective of examining customer retention factors and the impact on customer retention. And this study used a quantitative research approach with purposive sampling technique to select target respondents that is the managerial members of the Ethiopian insurance Corporation those directly involved customer handling. Primary data source (questionnaire) was used with a total sample size of 112 respondents. For this study the dependent variable is customer retention whereas the independent variables are; customer satisfaction, customer trust, employees' commitment, service recovery and service quality. And the questionnaire data which was collected by using likert scale was analyzed by using descriptive and inferential statistics (ANOVA, correlation and multiple linear regression models). ANOVA was used to test the relationship between factors of customer retention and customer retention Ethiopian Insurance Corporation and the result showed that there customer satisfaction, customer trust, employees' commitment, service recovery, and service quality and dependent customer retention. And based on the regression analysis, there is significant relationship between the identified customer retention factors: customer satisfaction, customer trust, employees' commitment, service recovery, and service quality and dependent customer retention. And there is significant impact between these five explanatory variables (customer satisfaction, customer trust, Employees commitment, service recovery, and service quality) and customer retention in Ethiopian Insurance Corporation. Thus to satisfy and to retain existing customers Ethiopian Insurance Corporation should improve service quality, employees commitment, service recovery system. Lack of competent employees and gaps in awareness creation for the insurance service to the customers in easy and understandable manner are the causes for poor service quality. Therefore, to achieve the objectives and goals the corporation should give appropriate solutions for the identified problems to overcome customer dissatisfaction so as retain them.

Keywords: Quality of Service, Customer Satisfaction, Service recovery, customer trust, employees' commitment and customer retention

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INVESTIGATING CHALLENGES OF CUSTOMER RETENTION BY ETHIOPIAN INSURANCE CORPORATION, ETHIOPIA

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

A business can pursue several other objectives, but the very survival of any business depends on how best it can capture and retain its market in order to improve its revenues. The topic of customer retention is well covered in the extant literature due to its important in influencing the organization's financial profitability. Various factors have contributed to the customer retention, such as customer trust, customer satisfaction and switching barriers (Ranaweera and Prabhu, 2003). The current literature only evaluates the indirect impacts of customer trust, employees' commitment, service quality, service recovery through customer satisfaction on customer retention. Satisfaction of customers is used for the indication of future possible revenue (Hauser, Semester & Werner felt, 1994). It has been noted that customer satisfaction is the necessary foundation for the company to retain the existing customers. A market is the set of actual and potential buyers (Armsrong, G. and Kotler, 1999). The customers are the driving force behind the success of any company and their management will ensure the company succeeds in its objective of making profits. Customer retention is therefore a major concern for any business in the competitive environment of today.

The insurance industry is a very unique industry with challenging services that need to be managed effectively to ensure that the customers that have been hard won should not leave the business to go elsewhere. Customer retention for insurance companies is therefore a matter of critical concern for any manager in an insurance company. The loss of key customers to an insurance company can be devastating as they can walk away with huge premiums and impact on the production of a particular period. With little differentiation between product offerings, it is extremely challenging for insurance companies to retain customers, resulting in poor service levels and customer loyalty problem. Retention of the right policyholder is essential for profitability. The cost of acquiring new customers is higher than the cost of retaining an existing customer. In the face of challenging economic times, pressing regulatory changes, growing customer dissatisfaction in the unique industry and increased competition for market share, insurance companies are struggling to maintain their balance in the unstable environment.

1.1.1 CUSTOMER RETENTION

A customer is the user or the consumer of a company's products or services. A customer is the most important person or organization to any business. A customer is not dependent on the business. Instead, the business is dependent on the customer. In the terms of the marketing concept, the customer is central and organizations meet their objectives by discovering and staying in touch with their potential customer's needs and wants and then satisfying them by producing an appropriate product or services.

Insurance companies are service organizations exchanging premiums for a return of bearing the risks that may be suffered by the policyholders. The policyholders form the customers of the insurance companies. Given the uncertainty in the nature of business run by the insurance companies, customers choose the companies mostly based on price. Insurance companies have to work extra hard to retain their customers.

According to Armstrong and Kotler (2008), it is important for firms to implement the right marketing strategies in order to succeed. Traditionally, firms have focused their marketing strategies around attracting new customers and increasing their market share. However, due to globalization, most industries and markets are becoming more and more competitive forcing significant changes in the way firms do business. In order to retain customers in industries characterized by high competition like insurance, firms need to meet each individual customer's needs and expectations. Gumesson (2002) argues that it is the value of the customers' experiences with the product or service that is important, therefore, customers' needs are important to consider when developing products and services.

1.1.2 CONCEPT OF INSURANCE

Insurance is a protection against economical loss arising due to an unexpected event. In any type of insurance coverage claim settlement plays very important part. Claims settlement is an integral part of the insurance business. Growth in insurance business is depended on the people, the customers and consumers of service. Insurance is an arrangement by which the losses incurred by a small number of insured are divided over many exposed to same type of risks. Insurance contract is a contract by which one party called the insurer promises to save the other party, the insured on payment of consideration known as the premium. A right of insured to receive the amount compensation secured under the policy of insurance contract promised by insurer is called claim Insurance is a mechanism by which an organization can exchange its uncertainty for greater certainty. The uncertainty experienced includes whether a loss will occur, when it will take place, how severe it will be and how many there might be in a year (Parsons: 2005).

Insurance contracts have unique features which make them different from other contracts (unique character) The particularity of insurance contracts can be gotten from its definition by Professor E.R.H. Ivamy, who intimates a contract of insurance in the widest sense of the term may be defined as a contract whereby one person, called the insurer' undertakes in return for the agreed consideration called the premium to pay to another person, called the 'assured a sum of money or equivalent, on the happening of a specified event. (Kiana, Mercy Wairimu: 2010)

Insurance represents an important method of meeting the financial consequences of risk. It has been traditionally defined as the business of transforming event (insurable) risks by means of two-party contract. Insurance provides a mechanism for the transfer of the cost of risk rather than the transfer of risk. Insurance contract is a contract in which a party purchases the right to be indemnified by another party for insured losses. Insurance companies are risk transformers. Insurance companies supply financial innovations to their customers that allow the insured's to transform their risks (Culp, 2001).

Insurance is vital to a free enterprise economy. It protects society from the consequences of financial loss resulting from mishaps to life and property. The person seeking to transfer risk, the insured, pays a relatively small amount, called premium, to the insurer, which issues an insurance policy in which the insurer agrees to reimburse the insured for any losses covered by the policy. It is the process of spreading the risk of economic loss among as many as possible subject to the same kind of risk and is based on the laws of probability and large numbers. There are many perils that society faces, these are: earthquakes, hurricanes, tornados, flood, drought, arson, theft, fraud, vandalism, contamination, pollution, terrorism. Insurers are able to provide coverage for virtually any predictable loss. One of the smartest moves any business owner can make is having the appropriate kinds of insurance. Not only does this protect cost of business assets from risks that could very well reduce them to nothing if a catastrophe struck, it also safeguards cost of personal assets, which are often on the line, from a liability point of view (Siegel & Yacht, 2010)

1.1.3 INSURANCE INDUSTRY IN ETHIOPIA

The emergence of modern insurance in Ethiopia is traced back to the Bank of Abyssinia (a branch of the Bank of Egypt) which was established in 1905 as the first Ethiopian Bank (Zeleke, 2007). The Bank had been acting as an agent for a foreign insurance company to underwrite fire and marine policies (Zafu, 2007). Initially, the insurance industry in Ethiopia was dominated by foreign insurance companies doing insurance business through agents. According to the first survey of the Ethiopian insurance market in 1954 by the then Ministry of Commerce and Industry, there were 19 offices which were providing insurance services in the country. Except Imperial Insurance Company of Ethiopia, Limited, which was the first domestic insurance company established in 1951, the remaining 18 represented local offices, branches and/or agents of foreign insurance companies (Zafu, 2007).

The insurance industry in Ethiopia was under intense pressure to change for the last few years. This is due to several reasons. In addition to profound, regulatory changes, the Industry had to deal with noticeable changes in client behavior which has not only started with emerging of competitors in the insurance industry. The changing framework conditions confront insurers with increasing strategic challenges and require a conceptual strength of strategy. Successful insurers find answers to the current strategic issues in order to make their business fit for the future and above all to differentiate it from competitors. Thus to make it different in a conservative industry like insurance, there will be more survivors and fewer fast followers, expansionists and innovators. However, having a clear strategic direction about what you want will be critical in determining how you design your business to manage the risks and exploit the opportunities that come your way (Pwc, insurance 2020).

According to Zeleke (2007), the survey of the insurance industry was showed that there were a total of 33 offices operating in Ethiopia of which only Imperial Insurance Company of Ethiopia, Limited continued to be the only domestic company). But, later on, more domestic insurance companies joined the industry. Though not fully owned by Ethiopians, there were 15 domestic insurance companies operating in Ethiopia during the 1960s. Foreigners had ownership interest in those insurance companies and were participating in the boards of management and company management positions.

The minimum capital required to establish an insurance company during 1960s was as little as 50,000 Ethiopian birr of which only 12,500 Ethiopian birr was required to be paid up before starting operations (Zafu, 2007). The smaller capital requirement might let to the proliferation of local insurance companies during the period. However, the capital requirement to establish an insurance company in Ethiopia was raised in the subsequent proclamations (The Transitional Government of Ethiopia proclamation, 1994).

In 1974, the military junta confiscated all the 13 insurance companies operating in the market at that time and formed the Ethiopian Insurance Corporation (EIC) as the sole insurance service provider in the country (The Provisional Military Government of Ethiopia, 1975). This aborted the growth opportunity of the Ethiopian insurance industry. The Ethiopian insurance market thus became a state monopoly under Ethiopian Insurance Corporation until 1994 G.C

Proclamation No. 86 of 1994 Licensing and Supervision of Insurance Business heralded the beginning of a new era. It opened up the market for competition and thus ended the monopoly of the business. Today, there are 18 insurance companies in Ethiopia, 17 private and 1 state-owned and also 1 Re insurance company. Despite the liberalization, the state-owned Ethiopian Insurance Corporation still dominates the market (Zafu, 2007).

Currently, the practice of insurance companies in Ethiopia has been largely based on pricing rather than customer service and claims management. Insurance companies have been offering discounts on premiums, discounts on no claim (NCD), and prompt claims settlement as some of the strategies used to retain customers. However, as the customers become more informed and competition intensifies, insurance companies have to go an extra mile to do more than the traditional methods of retaining customers.

1.1.4. ETHIOPIAN INSURANCE CORPORATION

In 1974, the military junta confiscated all the 13 insurance companies operating in the Ethiopian insurance market at that time and formed the Ethiopian Insurance Corporation (EIC) as the sole insurance service provider in the country (The Provisional Military Government of Ethiopia, 1975). The Ethiopian insurance market thus became under state monopoly until 1994.

Using this opportunities, EIC has long been a leader in insurance business in a market even though there where the significant portion of the potential is not yet fully exploited. Effective tapping of this potential requires intensive promotion of the concept of insurance aimed at creating public awareness. The nature of market needs proper diversification, risk selection and management through various risk management tools.

1.2 STATEMENT OF PROBLEM

As noted by Lawrence and Buttle (2004), customer retention is a common concern for many industries and a crucial issue for sustainability or bottom lines in today's compressed market place as it increases sales and a significant saving in market. This is due to the fact that acquiring a new customer is more costly than retaining an existing one, long- time customers tend to be less price sensitive, permitting higher prices to be charged and loyal customers are more likely to provide free, word of mouth advertising referrals.

Lawrence and Buttle (2004) worked on Customer retention management processes and concluded that first excellence in customer retention is strongly associated with the presence of a documented complaints handling process. Second, the standard management practices of planning, budgeting and assigning accountability for customer retention are not associated with excellent customer retention performance.

Ranaweera et al (2003) also did a research on service quality and customer retention and found that there is a positive link between service quality and customer retention. However, high quality with high prices was not acceptable among price sensitive customers. Competition for the market by many companies has led to price undercutting with some insurers charging unsustainable premiums. This has compromised underwriting qualities as the insurers are not able to fund operations and growth for efficient delivery of services and claims settlement.

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In this regard EIC faces serious challenge from its competitors since the situation demands continuous reviewing and updating of its price so as not to lose its grip on the market. The Corporation, therefore, has to design an effective system to enable it outperform its competitors in attracting new customers, as well as retaining existing ones by shifting the focus of insurance purchasing decision from price to value.

Customer retention is one of the challenges facing the Ethiopian insurance corporation in terms of market share, product diversification among other measures. According to the company's annual report at August, 2019, even though the corporation's total underwritten risk and annual profit are became increasing, the market share of the company is declining from time to time and reached only 35.1% of the total industry market and the company is losing its existing customers especially private clients. The private insurance companies shared the remaining percentage. As per the corporations six year market share summery in the year of 2014, the market share of the corporation was 39.95%. However, after six years at the end of 2019 budget year the market share of the company was 35.1%. When the trend was observed, there was decreasing trend from one year to another.

Year	2014	2015	2016	2017	2018	2019	2020
EIC gross premium ,(000)	*1,982,536*	*2,095,964*	*2,721,468*	*2,296,788*	*2,974,764*	*3,156,874*	*4,156,874*
Industry gross premium(,000)	*4,961,528*	*5,557,129*	*7,493,571*	*6,426,685*	*8,380,296*	*8,993,943*	
Market share (%)	*39.96%*	*37.72%*	*36.32%*	*35.74%*	*35.49%*	*35.1%*	*37%*

Source;- ***The summary table is from the corporation's respective annual reports***.

The review of existing literature reveals that number of studies have been done focusing on customer retention and related topics in different sectors. The reviewed works have concentrated more on other challenges facing the insurance industry. However, no specific study has been carried out focusing on the challenges of customer retention by the Ethiopian Insurance Corporation (EIC). This study therefore aims to fill this gap by trying to investigate the existing customer retention practices and the factors contributed to the challenges faced by Ethiopian Insurance Corporation to retain its customers. The research therefore seeks to answer the question, what look like the customer retention practices and the challenges faced by Ethiopian Insurance Corporation in retaining its customers.

1.3 RESEARCH QUESTIONS

The research result will answer the following questions:

1. What Ethiopian Insurance corporation looks like by its customer retention practices?
2. What are the main challenges to retain customer in Ethiopian Insurance Corporation?
3. What is the relationship between the identified challenges of customer retention and the Ethiopian Insurance Corporation's practices in respect of customer retention?

1.4 RESEARCH OBJECTIVES

The purpose of this study is to investigate the challenges of customer retention in the Ethiopian Insurance Corporation. This will in turn redeem the image of the insurance corporation in the eyes of the insuring public, pave way for better performance in their sales and hence contribute to the economic development of the country.

More specifically, the study

- Identifying the challenges of customer retention in Ethiopian Insurance Corporation.
- Analyzing the challenges of customer retention in Ethiopian Insurance Corporation.
- Analyzing the relationship between the identified challenges and customer retention practices in Ethiopian Insurance Corporation.

1.5 SCOPE OF THE STUDY

The study was on Ethiopian Insurance Corporation as a case study. The research specifically investigated the corporation's customer retention practices and challenges. That is examined the challenges of customers' retention in the Ethiopian Insurance Corporation.

1.6 SIGNIFICANCE OF THE STUDY

Customer retention is a worry for any business operating in the competitive environment of today. The Ethiopian Insurance Corporation is one of the companies to be keen on retaining their customers to boost their business performance. This research will therefore be of a great value to the management in implement.

This study will help EIC to identify the challenges of retaining the existing customers and adopt the best ways of customer retention, which will have the positive effect of improving the image of the corporation. The improved image will, in turn, increase demand for its insurance products and increase premium income generation/sales and marketing figures, capital formation, market share and contribution to the economy of the country.

1.7 LIMITATION OF THE STUDY

A major constraint was budget available for the study, which is limiting. This forced the researcher to limit the study to collect the data from the management members of the Ethiopian Insurance Corporation and the researcher only focus one insurance company from eighteen insurance companies in Ethiopian insurance Industry. And the other limiting factor is also COVID -19 which limited the researcher to collect the data from the insurer despite of the insured feelings.

1.8. Organization of the Study

This research paper consists five chapters. The first chapter includes background of the study, statement of the problem, research questions, objective of the study, significant of the study, scope of the study, and organization of the study. The second chapter covers the review of related literatures. The third chapter is all about research design and methodology of the study. Results and discussion are discussed under chapter four. The last chapter is about summary of major findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2. INTRODUCTION

This chapter summarizes the existing literature on customer retention. The chapter begins with analyzing the relevant theoretical aspects of insurance under the topic and then proceeds to discuss the concepts of customer retention and the challenges of customer retention.
Theoretical foundations

2.1 THE CONCEPT OF INSURANCE

Insurance is a protection against economical loss arising due to an unexpected event. In any type of insurance coverage claim settlement plays very important part. Claims settlement is an integral part of the insurance business. Growth in insurance business is depended on the people, the customers and consumers of service. Insurance is an arrangement by which the losses incurred by a small number of insured are divided over many exposed to same type of risks. Insurance contract is a contract by which one party called the insurer promises to save the other party, the insured on payment of consideration known as the premium. A right of insured to receive the amount compensation secured under the policy of insurance contract promised by insurer is called claim (Parsons: 2005).
Insurance contracts have unique features which make them different from other contracts (unique character) The particularity of insurance contracts can be gotten from its definition by Professor E.R.H. Ivamy, who intimates a contract of insurance in the widest sense of the term may be defined as a contract whereby one person, called the insurer' undertakes in return for the agreed consideration called the premium to pay to anotherperson, called the 'assured a sum of money or equivalent, on the happening of a specified event. (Kiana, Mercy Wairimu: 2010)
Insurance represents an important method of meeting the financial consequences of risk. It has been traditionally defined as the business of transforming event (insurable) risks by means of two-party contract. Insurance provides a mechanism for the transfer of the cost of risk rather than the transfer of risk. Insurance contract is a contract in which a party purchases the right to be indemnified by another party for insured losses. Insurance companies are risk transformers. Insurance companies supply financial innovations to their customers that allow the insured's to transform their risks (Culp, 2001).

2.2 CUSTOMER RETENTION

Mostert et al, (2009) defines customer retention as the marketing goal of preventing customers from going to the competitor. According to Mostert et al, (2009) Customer retention is the way in which organizations focus their efforts on existing customers in an effort to continue doing business with them. Getz and Thomas, (2001) stated that customer retention occurs when a customer purchases a product or services again and again. Many researchers state that customer retention is very important for the company and they explain that to attract the customer and then retain that customer is important for the company. Reichheld and Sasser (1990) concluded that cutting defections in half could more than double the growth rate of the average company. Tom Moorman (1993) explored how the life insurance industry is addressing the issue of measuring customer satisfaction, as satisfied customers are vitally important to life insurance companies, where retention plays a large role in determining a company's revenue stream, and ultimately its profitability. When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up and the cost of acquiring and serving customers goes down (Rechheld 1990). This means market share and revenues increase as a result of loyal customers who make repeat purchases and make referrals. The company's costs also decrease because less money is spent trying to lure in new customers. Nationwide Insurance study found that a 1% increase in customer retention increased annual premiums by $1 million (Insurance Technology, 2008). Ernst & Young (2012) conducted research on insurance sector of Japan and the findings showed that cross selling is the key to boosting profitability of insurance company. According to this survey Trust in the provider is the main factor driving for repeat purchases.

Customer Retention Customer retention is one of the most important indicators of the customer satisfaction. From the literature review, it is discovered that customer satisfaction has traditionally been regarded as a fundamental determinant of long-term customer behaviour (The more satisfied customers are, the greater is their customer retention (Anderson and Sullivam, 1993; Fornell, 1992; Lee et al., 2001; Ranaweera and Prabhu, 2003).

Cronin and Taylor (1992) and Patterson et al. (1997) found that customer satisfaction has a significant positive effect on repurchase intention in a range of services. Day et al., (1988) stated that client customer satisfaction is unquestionably the key determinant in retaining current clients in professional services. Kotler (1994) stated that the key to customer retention is customer satisfaction. Customer retention is defined as the future propensity of a customer to stay with the service provider (Ranaweera and Prabhu, 2003). In the past, the key to understand the power of a corporation to retain customers was thought to lie in the measurement of customer satisfaction. However, customer satisfaction is not the only required factor to retain customer with the firms and cannot insure customer support for long time (Jones and Sasser, 1995). While customer satisfaction is one of the most important factors, customer trust and switching barriers both independently and in relation to each other have influence to the level of the customer retention.

2.3 ADVANTAGES OF CUSTOMER RETENTION

2.3.1 Customer Advocates

Repeat customers with a strong relationship with the business are more likely to recommend to others in comparison to new customers and are considered valuable advocates of the brand or company. As a result, they are more forgiving when they have a less than satisfactory experience and are more likely to provide constructive feedback on areas that the company can improve on (Oh, 2009). They are also more engaged with the brand and the company and are more likely to respond to promotions positively. Miller (1993) warns that the abuse of a customer's loyalty reduces the impact on their intention to repurchase.

2.3.2 Profitability and Cost Efficiency

It is widely agreed by researchers that the investment required for customer acquisition is significantly higher than for customer retention (Miller, 1993; Ahmad & Buttle, 2002). Furthermore, Gronroos (1994) and Jobber (2004) reported that acquisition marketing is six times more expensive than that of retention. According to DeSouza (1992), customer retention has gained more attention among firms as a result of CRM activities being more cost effective and predictably profitable. Many authors have vouched for the significant effects on profits quoting that when retention rates are improved by 5%, company profits are increased by between 25% and 85% (Gallo et al 2014). Hwang et al. (2004) states that retention is an efficient practice due to the organisation's knowledge of their customers and the ability for customised market targeting. Kiff (2000) highlights that dealership customers generate increased profits for each year that they are retained, enhanced by customer loyalty which in turn reduces the cost of acquisition. As a result, businesses in the automotive industry are shifting the priority to retaining customers (Mandina, 2014). While customer acquisition remains an important marketing strategy in business, its short-term, transactional-based approach is ineffective in building loyalty.

2.3.3 Customer Lifetime Value (CLV)

The Pareto principle refers to a general pattern of sales concentration in which 20% of a firm's customers account for 80% of the firm's profits (Storbacka, 1997). It suggests that a firm's most valuable and loyal customers are the 20%. Understanding why they are the most valuable will help to shape strategies that maximise the value of less profitable customers. CRM systems allow businesses to determine which customers hold the greatest opportunity to be retained (Miller, 1993; Gronroos, 1994; Ahmad & Buttle, 2002; Jobber, 2004; Mandina, 2014). Analyzing the customer lifecycle involves identifying customer touch points that have the potential to increase the value of the customer to the firm (Rigby, 2004). Researchers claim that tactical activities including up-selling and cross-selling increase CLV (Verhoef (2003). However, it could be argued that these activities take a short-term perspective on obtaining revenue and could potentially cannibalize long-term revenue.

2.4 MEETING CUSTOMER EXPECTATION

Customer Orientation can be seen as the set of beliefs in sales that says that customer needs and satisfaction are the priority of an organization. It focuses on dynamic interactions between the organization and customers as well as competitors in the market and its internal stakeholders. (www.wilkipedia.org)

A customer orientation reflects an organization's ability to understand customer needs vis-à-vis competitive offerings and translate this knowledge into superior products and services. This orientation is a key to leveraging organizational creativity, satisfying customer needs and improving long-run business performance. Customer satisfaction has little meaning or effect unless it is embraced by and embedded within an organization Without an understanding of the process inhibitors or "choke points" that limit an organization's ability to focus on customers, quality improvements are inherently limited to those achievable under existing strategic plans, measurement and quality improvement systems, and implementation processes. (Anders et al, 2004**).**

2.5 CHALLENGES OF CUSTOMER RETENTION

According to Association of British Insurers, no insurer sets out to build a system with poor customer service, yet at a time when consumer expectations of product delivery and service are undoubtedly increasing and the digital revolution makes the insurer-customer relationship more public when things go wrong, insurers face the challenges of matching other sectors with higher satisfaction ratings and adapting to a new dynamic where customer communication is even more important. (ABI, Identifying the Challenges of a changing world, **the trend facing insurers** towards 2020**),** Ranaweera and Prabhu (2003) as well as Fornell (1992), talks about customer satisfaction as the main challenge for retention. They argue that the more the customer is satisfied, the higher is customer retention and therefore many firms devote lots of efforts on creating and maintaining customer satisfaction. Given that customer satisfaction parameters are varied, the challenge gets tougher to retain the customers.

Claims settlement is fronted as one of the major determinants of customer retention. There is a general agreement even amongst insurance practitioners in Africa, that the insurance industry today does not enjoy a favorable public image unlike in other parts of the world. Insurance men and women are regarded in some areas as mere parasites who exploit society without giving much in return except for the occasional claims which they are compelled to pay either out of fear of being taken to court and discredited or exposed, or out of fear of losing their customers to another company (Irukwu, 1977).

To all intents and purposes, the claims department can be seen as the "shop window" of the insurance company. It does not matter how cheap an insurance company's premiums are, or how efficiently they conduct their underwriting administration. If a claim is not properly and fairly dealt with, this is where an insurer will be judged (Roff, 2004). Insurers need to take their claim handling function more seriously because if a claim is handle well, it results to higher customer retention but if handled poorly, policyholders will lose confidence in the insurer and this may damage its most cherished reputation (Banjo, 199).

Another challenge is the lack of sufficient switching costs for the consumer with sufficient information. Richards (1996) argues that the more the alternatives attract, the more dissatisfied customers will switch service providers and vice versa. Even satisfied customers may switch if the alternatives attract. Ranaweera and Prabhu (2003) argue that the higher is the level of perceived switching cost, the higher is the probability of the customer to remain loyal and suggested that when perceived switching costs are lower, unsatisfied customers are less willing to stay than satisfied customers.

In the insurance industry especially in Ethiopia where the switching costs is almost nil, with developments in information media at the customer's disposal, and agents and competitors out to gain customers with little effort from the customer, retention can prove challenge (Zafu, 2007). The poverty literature also describes additional concepts that influence decision-making by the insurance consumer, namely time preferences and poor households‟ risk aversion against risky investments. The literature suggests that households are expected to become increasingly risk averse as they move closer to poverty, as any further drop in income can push them below the survival point (Wagstaff 2000; World Bank 2000). However, this can only be evident in classes of insurance that are necessities for instance, health insurance. For general insurances, where most policies are not a necessity as food or health may be, as the consumers become poorer, they are likely to give up their insurance coverage in preference to other pressing necessities. Retaining such customers is therefore a challenge to the insurers.

Another aspect of consumer behavior towards insurance is trust. The potential importance of trust has been discussed by various researchers, (Arrow 1963; Mechanic and Rosenthal 1999). Trust has been defined as the expectation that arises among citizens of regular, honest and cooperative behavior, based on commonly shared ethical norms and values, including reliability, loyalty and solidarity (Fukuyama 1995). Mechanic (1998) describes trust in insurance as trust in insurers, based on the insurer's reputation of improving access to care. He concludes that insurers can build a reputation of trustworthiness by demonstrating expertise, responsiveness to consumers, and by ensuring quality care in contracting health insurance facilities. This can be extended to General and life insurance, where if the trust in the insurance provider is lost, then the customer is unlikely to renew his policy with the provider leading to lower retention. Ranaweera and Prabhu (2003) argue that once trust has been built in a relationship, the probability of each party ending the relationship diminishes.

Wagstaff(2000) notes that competition also forms one of the worst challenges for insurers in customer retention. He argues that competitors are always on the lookout to steal customers through better deals. Wagstaff has observed that annual customer attrition rates range from 7% in industries that have high exit barriers such as banking, to almost 40% in the mobile phone industry. Customer retention has a direct impact on long term customer lifetime value, which is a more profitable avenue for firms that seek to pursue growth and sustainability or those that seek to protect themselves from market shrinkage resulting from a contracting economy (Gee et al., 2008).

Schultz pointed out that the availability of information at the click of a button has shifted most of the power from marketers to the consumers (Schultz, 1999). It is now estimated that only one out of ten visitors to information-heavy sites such as Amazon.com and Expedia.com eventually becomes a customer; the rest simply gather information. The power of the consumer, while on one hand being an opportunity for companies to sell their products online, also poses challenges to the sellers of insurance services given that the consumer is in a position to evaluate the alternative using the information tools like the internet sites. Convincing consumers to remain with a company remains uncertain as a consumer may decide to leave without according the company a chance to negotiate renewal terms, but simply moves to another company based on the information gathered from the information media.

Previous studies have recognized that level of knowledge about competitors plays a role in defection. Fornell's (1992) characterizations of a lack of knowledge about competitors as a switching barrier seem to recognize that level of knowledge about alternatives plays a role in defection.

2.6 MEASURES OF CUSTOMER RETENTION

As it has been elucidated that the organization's first priority should be to retain the customers, it is also important for the organizations to build a strong relationship with the loyal customers as well as new upcoming customers in order to retain the customers in addition to increasing financial gains of the industry. When compared to new customers, the retained customers are always ready to pay for premium prices and they do not necessarily claim for discount offers because they believe that if they are paying high prices for the products and services than in return, they are buying or purchasing the best quality of products and services according to their demands. These are the customers who are totally satisfied and always make purchases whether the organizations offer the discounted schemes or not (Ahmad, 2002).

The customers who stay in touch with the organization for a longer period are called retained customers. Consequently, the researchers have identified three methods to evaluate the retention rate of the customers; these three methods are compound method behavioral method and attitudinal method. The behavioral method of retention rate shows the repetitive and constant buying behavior of the customers. Actually, the customers who are loyal to the brand or the product are the retained customers (Anderson, 1994).

However, it has been researched that this buying behavior of the customer shows that the commitment of the retained customer towards the organization never create hurdles for the firms at the time of measuring the customer retention rate. Further, it has also been described by the researcher that if the organizations provide more distinctive benefits to their customers then the loyal customers never switch to any other brand. Another method to measure the retention rate of the customer is attitudinal method that describes the emotional attachment of the customer towards the product or the brand .These customers are considered to be the authentic customers; in other words, authentic customers are loyal customers. These are the customers who always show a positive attitude towards the brand or the product and are considered to be evangelist customers. Evangelist customers are essentially "word of mouth" marketers .These customers convince others to buy the product or the brand for which the new customers are not ready to purchase because of the higher prices (Anderson, 1994).

The last method to evaluate or measure the retention rate of the customer is the composite method, as the composite method is the combination of both behavioral method as well as the attitudinal method. These customers are loyal and retain customers towards the organization. They continue to make purchases and always hold favorable and auspicious attitudes towards the organization. Composite method is considered to be the greatest tool for implementing the retention rate of the customer The loyal customers also have an ability to compromise with the new prices in order to receive the best quality of services from the organization (Reichheld, 1990).

The researchers have explained that the evangelist customers have become a reference group for the potential customers. This relationship between these customers and the organization is strong and long lasting. Mostly the new customers have so many complaints regarding the organization or the products provided by those organizations, but the usually retained customers have fewer complaints regarding the products or services provided by the organizations (Bowen J. a., 2001).

2.7 DETERMINANTS OF CUSTOMER RETENTION

Berry and Parasuraman (1991) identified strategies for retaining customers in three ways: conceptual strategies based on extant theories, best practices strategies as reported by specialists and pragmatic strategies as observed in companies. In terms of extant theories, they considered lessons from services marketing industrial marketing, and business-to-business marketing perspectives. From the service marketing perspective, customer retention has been conceptualized as a consequence of customer perceived service quality and customer satisfaction. A provider of services, based on such a cause and effect model, could therefore focus on progressively closing the gaps between customer expectations and experiences of service quality. Based on a survey of service providers, Payne and Frow (2008) offered a four-step framework: the market structure, segment the customer base and determine segment value, identify segments' service needs and implement a segmented service strategy. They claimed that the framework enables firms to allocate appropriate budgets to various segments of customers according to their projected lifetime stability. Furthermore, Ganesh (2010) adds that companies that retain a high percentage of customers can improve their reputation, and easily attract new customers in the future. Customer retention is one of most important factors leading a company to increased profitability and revenue. They stated that an increase in customer retention usually is associated with a higher level of customer satisfaction.

2.7.1 Service Recovery

The service recovery means the ability of the service provider to solve the problem such as the customer dissatisfaction and the service failure. This study adopts the definition of the service recovery as described. The active effort of the company to solve the problem helps customer have credit on the service provider. And appropriate effort for the service recovery can protect customers from switching the service provider (Colgate & Lang, 2001). The service recovery at the service encounter is a foundation to develop the customer relationship into a long-term friendship. Therefore the service recovery can be a component for the switching barrier. Service recovery can be regarded as a passive strategy for the improvement of customer satisfaction. Service recovery refers to the actions taken by a firm in response to a service failure. Service failure often occurs when the customer's perceived service quality falls below customer expectations. For example, delivery and Web site design problems are two major types of service failure in online retailing (Healy, 2009). Such failures may cause significant costs to the firm, such as lost customers and negative word of mouth.

2.7.2 Service Quality

In order to survive in today's business environment, most recent research suggests placing an emphasis on service quality. Service quality is defined as the foundation of a comparison between customers' expectations and the perceived performance of service providers. Customers' expectations are defined as what customers want or desire based on their antecedent experiences with the firm. Customer expectations compared with actual service performance results in the assessment of quality that customers obtain from particular service providers (Mendzela, 2009). In their research, Parasuraman et al (1991) described the inconsistency between customers' expectations and their perceived service performance in specific services. The dimensions of service quality focus on tangibles, reliability, responsiveness, assurance, and empathy. Outstanding service quality can lead to favorable behavioral intentions, which may result in improved customer retention.

2.7.3 Interpersonal relationship

The long term interpersonal relationship between the company and customers offers a lot of benefits to the customers: social benefits such as fellowship and personal recognition, psychological benefits such as reducing anxiety and credit, economic benefits such as discount and time-saving, and finally customization benefits such as customer management and etc (Berry and Parasuraman, 1991). Therefore the interpersonal relationship between the company and the customers can be an important factor as a switching barrier. The continuous interpersonal relationship becomes a relationship-specific asset which acquires customer to pay cost to be out of the relationship and therefore protects customer from being apart from the relationship with the company.

2.7.4 Customer satisfaction

The customer satisfaction is an important factor for the customer retention but not a sufficient (Jones et al., 2010). There are many studies on the relationship between the customer satisfaction and the customer retention. Precedent studies say that the customer satisfaction is the factor affecting the customer retention in some different level. The customer satisfaction has positive effect on the customer retention. A firm's future profitability depends on satisfying customers in the present retained customers should be viewed as revenue producing assets for the firm. Empirical studies have found evidence that improved customer satisfaction need not entail higher costs, in fact, improved customer satisfaction may lower costs due to a reduction in defective goods, product re-work, etc. However, the key to building long term customer satisfaction and retention and reaping the benefits these efforts can offer is to focus on the development of high quality products and services. Customer satisfaction and retention that are bought through price promotions, rebates, switching barriers, and other such means are unlikely to have the same long-run impact on profitability as when such attitudes and behaviors are won through superior products and services (Abratt and Russell, 2009).

2.7.5 Product mix

Financial product marketers need to manage their product portfolio in response to the changing environment and consumer needs, in addition to managing customer relationships effectively for achieving long-term profitability. The concept of a product can be understood in terms of the following four terms – actual product, expected product, augmented product, and potential product. For a financial product, the product strategy is greatly influenced by customers, competitors, technology, and government and legislation. Depending on these factors, the product mix strategy could be product mix expansion, product mix contraction, and product modification (Cannon and Cannon, 2005). Branding in financial services is done more at the corporate level than at the product level. Branding should start with a clear strategy for targeting and positioning. The brand image should be consistent with the marketing strategy (Reichheld and Sasser, 1996). Advertising can be successful in building the brand only if the financial product caters to the requirements of the consumer and the entire service experience is consistent with the brand image that is communicated.

2.7.6 Perceived Price Fairness

From the consumer's perspective, the monetary cost of something is what is given up or sacrificed to obtain a product. Thus, in studies on related topics, price has often been conceptualized and defined as a sacrifice. There are three components to the 18 concept of price: objective price, perceived non-monetary price, and sacrifice. The objective monetary price (simply put, the amount of money paid for product) is not equivalent to the perceived price (that is, the price as understood and recorded in the mind of consumer) since consumers do not always know or remember the actual price paid for a product. Instead, they encode the price in a way that it is meaningful to them (Zeithaml et al, 2009). As to the relationship between price and satisfaction, research has shown that price is one of the determinants of customer satisfaction (Story, 2007). When customers were asked about the value of services rendered, they consistently considered the price charged for the service. In those cases in which consumers did not consider price in forming their judgments about the quality of service, it was generally because they lacked a reference price. Still, though, this group ranked price as an important factor when it came to their overall satisfaction. The theoretical formation of price perception in services remains largely unexplored (Varki and Colgate, 2001). This study suggests that the perception of price fairness plays an important role in any exchange transaction. The feeling of fairness depends on the gain-loss ratio felt by both partners in the exchange. From the consumer's perspective, the gain is the product to be received, whereas the loss is the money to be paid. When a consumer pays a higher price than others do, or when a consumer receives a lesser product than anticipated (either in terms of quantity or quality), perceived negative price inequity occurs. Price fairness should have an influence on customer satisfaction as well as on behavioral intentions. This study, then, proposes that the perceived fairness of price should directly affect customer loyalty, and should also affect it indirectly via customer satisfaction

2.8. CUSTOMER SATISFACTION AND CUSTOMER RETENTION

Ranaweera (2003) in his study claimed that customer satisfaction is one of the important factors that could lead to customer retention, trust, and a switching barrier. Besides trust and switching barrier has a significant influence on customer retention. Another study conducted by Lee et al. (2001) also showed that switching barrier has a significant influence on customer retention

Customer satisfaction has been one of the top tools for a successful business. Customer satisfaction is defined as an overall evaluation based on the total purchase and consumption experience with the good or service over time (Fornell, et al 1996). With marketing, customer satisfaction also comes along with it which means it ascertains the expectation of the customer on how the goods and services are being facilitated by the companies. Actionable information on how to make customers further satisfied is therefore, a crucial outcome (Oliver 1997).

At a glance, customer satisfaction is a crucial component of a business strategy as well as customer retention and product repurchase. To maximize the customer satisfaction companies should sell ideas and methods after the completion with all the necessary documents. As for example, customers will buy a car after taking a closer look at it such as how is the engine, what is its model, how many kilometers it has been traveling, and is there any cracks or not. Therefore, they do not feel disappointed after purchasing it. Otherwise, if the company uses only their sell and build method customers might expect that the car is exactly the same as what they see in the pictures or during the exhibition and later on the company might receive complaint if anything is wrong. Customer satisfaction is a barometer that predicts the future customer behavior (Hill, Roche & Allen 2007).

Customer satisfaction can be considered as a psychological concept that includes the feeling of wellbeing and pleasure that results from obtaining what one hopes for and expects (Pizam, A. & Ellis, T., 1999). The author emphasizes that it is not a universal miracle, which means that not everyone gets the same satisfaction by getting the same experience. This is because though it is the same industry, different customers could have different needs, objectives and experiences that influence their own expectations. As per the clarification on (Frederick F. Reichheld, Thomas Teal, 2001) customer satisfaction can be a major cause for customer retention.

Customer Satisfaction means feeling or attitude of customer towards the goods or services that could affect consumer buying behavior. Customer satisfaction is measured with factors such as completely happy, customer pleasure to the provided services, good customer experience and reelection bank. Customer satisfaction is a major goal of business organizations, since it affects customer retention and companies' market share (Hansemark and Albinsson, 2004). The quality of the services provided determines in great extent the level of customer satisfaction and analyzing the latter can help banks identify their weak points and act as a wake-up call for management and employees alike. If the ultimate goal is to maximize customer satisfaction, it is essential to understand what it is that customers want from a bank. This new focus on understanding and meeting the needs of each customer has come to be known as one- to-one marketing. Research has shown that customer expectations for quality service can be categorized into five areas: responsiveness, assurance, empathy, reliability, and tangibles. (Almossawi (2014).

According to Almossawi (2014), the relationship between customer satisfaction and retention has been widely researched. Several authors (Ranaweera & Prabhu, 2003) suggest that customers can be retained by offering increased levels of satisfaction. According to Reichheld (1996), customer satisfaction prevents turnover and consolidates retention. Likewise, Jones, et al (2002) argue that customer satisfaction is an important factor influencing customer retention; hence, customer satisfaction can be considered as an antecedent to customer retention. Based on these arguments, they propose there is a positive significant relationship between customer satisfaction and customer retention in the mobile telecommunications industry in Ghana.

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2.9. SERVICE QUALITY AND CUSTOMER RETENTION

Although the cognitive evaluations emotional responses behavioral intentions link is conceptually the strongest in explaining how customers form their behavioral intentions, many studies have also found a direct positive link between service quality perceptions (arguably a cognitive evaluation) and customer behavioral intentions Zeithaml et al., 1996). Methodologically, a key advantage in this approach is the ability to separately manipulate the effect of price perceptions on retention. In a recent study, Cronin et al. (2000) conducted a large-scale survey of six industries and confirmed the direct linear effect of service quality perceptions, customer satisfaction, and value, on behavioral intentions. A surprising result in their study was that service quality perceptions had a much greater impact than price in determining value. Cronin and his colleagues concluded that service customers might place greater importance on the quality of service than on the cost of acquiring that service. These results were generally consistent with the earlier studies reported above. Using alternative measures of service quality they found that often only satisfaction and not perceptions of service quality determined repurchase intentions.

Furthermore, some past studies that attempted to link customer satisfaction (a similar construct to service quality perceptions) to customer retention in the retail sector with little or no switching barriers, found a significant non-linear relationship between the two constructs (e.g. Jones and Sasser, 1995; Mittal and Kamakura, 2001). Therefore, in the absence of switching barriers, a non-linear association between service quality perceptions and customer retention too could be a plausible proposition. However, being consistent with past research, the current study hypothesizes a linear association between Service quality perceptions and customer retention.

Service quality has numerous dimensions depending on the service industry in question.

However, five dimensions are considered the most important and encompass the rest; these include reliability, responsiveness, assurance, empathy and tangibles (Parasuraman et al., 1988). Reliability refers to consistency of performance and dependability that is the capacity to play out the guaranteed benefit constantly and precisely (Wong & Sohal, 2003). Responsiveness then again is characterized as the ability or readiness to provide a service in a timely manner .i.e. ability to help clients and give provoke benefit (Johnston, 2006). Assurance alludes to the information and affability of representatives and their capacity to pass on trust and certainty (Johnston, 2006). Empathy on the other hand refers to the caring individual attention provided to customers. Tangibles refer to the physical facilities, equipment, and appearance of personnel. This supported by Parasuraman *et al*. (1985) observations who documented that, the quality of service is judged low or high depending on the customer expectations(Zeithaml et al. (1990), Heskett et al. (1990) found that customer satisfaction is as a results of good service delivery. They revealed that, motivating employees to response quickly to a frustrated customer can turn the customer into a satisfied one, hence, ensure customer retention. This supports the observation by Ioanna (2002) on The Role of Employee Development in Customer Relations, in UK Retail Banks. Ioanna further proposed that we cannot use product differentiation in a competing environment. Industry like banks deliver same products, bank management differentiate themselves from competitors through service quality. This observation is relevant to one of this study's hypothesis because, implicitly, one of the objectives is, partly, to know the extent to which competence of bank employees influences bank customer retention.

2.10 MANAGING SERVICE QUALITY

A service provider can principally distinguish itself from its competitors by improving service quality, which will eventually increase customer satisfaction leading to sales and profits. "In the UK, local councils are facing increasing pressure to deliver higher quality services to the local communities they serve. (Jobber, 2004)

Jobber (2004) argues that most companies have been eluded on the issue of high standard of service quality because of the four causes of poor perceived quality. He further says that these barriers separate the perception of service quality from what customers expect, and to manage services well, they must be overcome. These four causes are; Misconception barrier talks about the disparity in understanding from management and what the customer expects. This can only be resolved by marketing research. Inadequate resources barrier highlights on the fact that managers may understand what customers expect but might be unwilling to provide the resources to meet that because of cost reduction policies. Inadequate delivery barrier positions the manager understands of what the customers expect and provide adequate resources to meet that but fail to select, train and reward staff adequately resulting in poor and inconsistent service. Exaggerated promises barrier emphasizes that even though all the above barriers are overcome, a gap between customer expectation and perceptions still remain through exaggerated promises

Service quality has gained a great deal of attention from researchers, managers, and practitioners during the past few decades. Many scholars have studied the effect of service quality on customer retention (Oliver, 1980). Their findings reveal that there is a direct correlation between service quality and customer behavioral intentions and retention. Service has many dimensions, definitions, and techniques which may affect its way of production, consumption, and delivery. Kotler & Armstrong (2008), defined service as "any activity or benefit that one party can offer to another that is essentially intangible and doesn‟t result in the ownership of anything". In order to facilitate service quality evaluation, and divided service into five components: the core services, facilitating services, supporting services, complementary services, and the user interface, through which the customer accesses the services. Also, there is no unified definition of quality and researchers are continuing to study a variety of quality dimensions in the service context. Gronroos (1984) defines service quality as: "A perceived judgment, resulting from an evaluation process where customers compare their expectation with the service they have received" The popular service quality definition is obtained by differentiating between the expectation and perception of service quality of the service perceived (Lewis & Booms, 1983; Grönroos, 1984). Early researchers attempted to define service quality in the service sector on the basis of tangible elements of products, such as technical specifications and physical appearance. Bebko (2000) mentioned that, because of intangible differences between product and service, marketers are unable to define the exact nature of the problem of purchasing and producing services that enable the creation of a standard set of guidelines and instructions on the delivery of service quality. This report divided the outcomes of tangibility into four categories: a purely intangible service outcome, an intangible service outcome which is bundled with a product, a tangible service outcome, and a tangible service outcome bundled with a product. Consumers usually consider these tangible elements to assess quality, which is easy to do with products or tangible parts of the service Kassim, 2006). studied the link between relationship marketing and service quality and the effect of this link on customer retention. The authors developed a model to capture the relationship between the two concepts and found that service quality indeed contributes to the extension of long-term relationships. Accordingly, several researchers have highlighted the importance of managing service quality; a firm could thus differentiate its service offerings to deliver better quality than its competitors (Geyskens et al. (1996). This would give firms competitive advantages leading to more sales and profits by motivating existing customers to repeat or extend purchases in order to achieve long-term success. To summarize, many researchers agree on the importance of the correlation between service quality and customer retention (Kassim, 2006). So, the process of managing service quality starts with understanding customers‟ expectations, because service quality is a perception related concept. This means that firms need to measure how they offer a quality service that meets and exceeds customers‟ expectation.

To sum up, Geyskens et al. (1996) have seen retention aspects (trust, satisfaction, and commitment) as relationship outcomes. Many customer retention models take satisfaction, trust, commitment, mutual goals, and cooperation as approaches used to describe successful relationship marketing.

2.11 CUSTOMER TRUST AND CUSTOMER RETENTION

Mayer et al. (1995) define trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trust or, irrespective of the ability to monitor or control that other party.

Service providers, in some cases, may not be able to retain their satisfied customers; because the customer satisfaction itself alone cannot ensure long term commitment of the customer to any service provider. Instead, the service providers should think to the other factors beyond customer satisfaction, such as customer trust, to retain their customers (Heskett et al., 1994). This argument is supported by Morgan and Hunt (1994). Morgan and Hunt (1994) assert that the target of the firms is to develop customer trust beyond customer satisfaction to retain their customers in a long term period. In other words, customer trust is likely to be a strong driver of customer retention (Ranaweera and Prabhu, 2003).

All social relationships would fail or function irregularly without trust (Patrick, 2002). Trust defined as a generalized expectancy held by an individual that the word of another can be relied on (Rotter, 1967). Patrick (2002) viewed customer trust as thoughts, feelings, emotions, or behaviors manifested when customers feel that a provider can be relied upon to act in their best interest when they give up direct control. Morgan and Hunt (1994) defined trust as confidence that one party has on another because of honesty and reliability of the other partner.

In the service industry, an important part of selling is to be able to convince customers and gain their trust. Banking is not an exception. Trust is an important dimension that banks can use to develop long-lasting relationship and make their customers loyal. There is a diverse definition of trust. Trust involves believing that the actions of the exchange partner are in our favor and best interest (Anderson & Narus, 1990). Trust has been defined as “A willingness to rely on an exchange partner in whom one has confidence .Trust is the level of dependence of the customer on his partner" (Moorman et al., 1993). Trust is an important component in establishing and maintaining successful inter organizational systems” (Meier, 1995). Therefore, within the context of banking, the direct implication of trust in a banking relationship is that customers can trust banks to deliver on their promises; trust them to safeguard their funds; trust them to provide services that satisfy their needs; trust banks’ employees to listen to and satisfactorily solve their complaints; and trust banks that they can keep their account and transaction information confidential. There is a litany of theoretical and empirical evidences in the extant literature that prove that the existence of trust strengthens a relationship in businesses. The length of a relationship between a customer and a company is positively related to the customer’s perceptions of the trustworthiness of the company. This implies that loyal customers tend to trust their banks more than less loyal customers and vice-versa (Millar & Rogers, 1987). (Harrison, 2000) urges financial institutions to increase their trustworthiness in the eyes of their customers in order to improve relationship with them. Trust can be built by exchanging information, handling foreseen problems and conflicts, and flexibly adjusting products to the customers’ demands. A relationship built on trust produces certain benefits, including savings on relationship termination cost, relationship benefit, effective communication, shared values and useful construct for the likelihood of customer loyalty and increasing future purchase frequency of customers. In this study trust variable is measured by factors such as bank security in transactions, bank service quality, reliability promises of bank, staff behavior towards clients, safeguard their funds, and their account and transaction information

2.12. BUILDING COMMITMENT

Commitment is usually defined as the extent to which an exchange partner desires to continue a valued relationship (Moorman, Zaltman, and Desphandé, 1992). The affective component of commitment is the psychological attachment, based on loyalty and affiliation, of one exchange partner to the other. Various studies have indicated that customer satisfaction is not enough to ensure customer longevity. Reich held (1996) reports that, 65 to 85 per cent of recently defected customers claimed to be satisfied with their previous suppliers. Committed customers have the following characteristics: they are very satisfied customers; they believe that your brand, offer or company is superior to other competitors; they are involved in your brand, offer.

Commitment is an ongoing relationship with another that is so important as to warrant maximum efforts at maintaining it (Morgan and Hunt, 1994). In this study commitment is measured to compatible and consistent of bank services with customer needs and bank flexibility towards the customer and change services. Commitment can be defined as the sacrifices made by the bank and customers to maintain a relationship. It is meet customer needs and Information sharing with customers. Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase of deposit product frequency. In the marketing literature,(Moorman et al. ,1993) have defined commitment as an enduring desire to maintain a valued relationship. (Wilson, 1995) observed that commitment was the most common dependent variable used in bank-customer relationship studies. Since, commitment is higher among individuals who believe that they receive more value from a relationship; highly committed customers are willing to demonstrate higher levels of commitment due to the value they placed on the existing relationship derived from past positive experience. Thus, committed customers are expected to be loyal to the organization resulting in positive relationship between commitment and customer loyalty. Consequently, highly committed firms are expected to continue to enjoy the benefits of such reciprocal exchanges.

2.13. CUSTOMER RETENTION STRATEGIES

Egan (2004) defines customer retention strategies as the strategies focusing on a firm’s existing customers with the aim of securing a customer’s loyalty over time. An important distinction can be made between strategies that lock the customer in by penalizing their exit from a relationship, and strategies that reward a customer for remaining in a relationship. The former are generally considered negative, and the latter positive customer retention strategies. Negative customer retention strategies impose high switching costs on customers, discouraging their defection. Some customers find that these switching costs are so high that they remain customers, although unwillingly. The danger for CRM practitioners is that negative customer retention strategies produce customers who feel trapped. Companies that are presented with a dissatisfied customer complaining about high relationship switching costs have a choice to either enforce the terms and conditions, or not. The latter course is more attractive when the customer is strategically significant, particularly if the company can make an offer that matches that of the prospective new supplier (Keaveney, 1995). The following are customer retention strategies organizations use to add value in their relationships with existing customers as well as build commitment and attract new prospective clients

thus minimizing investment risks by detecting threats and trends early, better customer interaction, inherit intensified customer market view better market selection & positioning it enables the company to understand where your offer fits and discover untapped or under-served potential market, more efficient and cost-effective information (Cornish, 2007). Website may also include a high degree of valuable information about who is looking for your products and services. Web site traffic analysis can help you understand what customers are looking for and why. Knowledge about customers, markets and competitors that comes from your staff. Often this is a poorly tapped source of information (Cornish, 2007).

2.14 HYPOTHESES DEVELOPMENT FROM LITERATURE REVIEW

Customer trust, Employees commitment, conflict handling/Service Recovery, and customer retention Gronroos (2000) found that customer retention is an important field of relationship marketing that is mainly concerned with keeping customers. Likewise, Menon and O'Connor (2007) see customer retention as the longevity of a client's relationship with a product and/or service provider.

Buttle (2004) views customer retention as the number of customers of a firm at the end of a financial year expressed as a percentage of those who are active customers at the beginning of the year. In the telecom sector, Srinuan, Srinuan, and Bohlin (2014) refer to consumer retention as activities performed by the telecommunications service provider to establish long-term relationships with consumers in order to reduce consumer defections. Trust is conceptualized as the willingness to rely on a partner in whom confidence is entrusted (Ndubisi, 2007. Ndubisi (2007) argues that trust is an underpinning of RM and has a positive influence on customer loyalty, leading to customer retention. Liang and Wang (2006) pointed out that trust has a significant positive impact on customer retention. Wong and Sohal (2002) associate higher levels of trust with a higher level of customer retention.

Roberts- Lombard (2011) identifies commitment as the belief by both parties in a relationship that the relationship is worth working on to ensure that it endures indefinitely. Rauyyruen and Miller (2007) identify commitment as a psychological sentiment of the mind in which an attitude concerning continuation of a relationship with a business partner is formed. According to Gummesson (2006), if the relationship is important and the parties rely on it, commitment is crucial for it to work. The literature identifies commitment to be higher among individuals who believe that they receive more value from relationships (Read, 2009; Sauers, 2008). This leads to customers creating positive impressions of the relationship, and exhibiting tendencies to stay longer in the relationship (Du Plessis, 2010). Moorman et al. (1993) consider commitment as essential to customer retention. According to Wong and Sohal (2002), a higher level of a service provider's commitment in the relationship will impact positively on customer retention. A study by Evanschitzky, Iyer, Plassmann, Niessing, and Meffert (2006) suggested that commitment is seen as an essential antecedent to customer retention. Similarly, a study by White and

Yanamandram (2007) concluded that commitment has a role in determining customer retention. Tu, Liu, and Chang (2015) postulate that committed customers have a more positive impression of their relationship with an organization and their intentions to remain in the relationship.JOURNAL OF RELATIONSHIP MARKETING 5 Kuada and Hinson (2014) argue that customer complaint cannot be entirely avoided in the services industry.

Conflict handling encompasses all activities by a supplier to avoid potential conflict, solve manifested conflicts before they create problems, and the ability to openly discuss solutions when problems arise (Ndubisi & Wah, 2005). Hinson, Mohammed, and Mensah (2006) suggested that the sources of complaints involve mostly inefficiencies on the part of the service providers to provide timely solutions to customer complaints. Hinson et al. (2006) further explained the inefficiencies to include unexplained delays, rudeness, inflexibility on the part of the service provider, ineptitude, and incompetent service. Kuada and Hinson (2014) found that, even though complaints are sometimes undesirable, they serve as an important source of feedback to firms. Ndubisi (2007) suggests that customer retention can be created and reinforced by handling customer conflict efficiently. Egan (2004) explains that conflict handling is explicitly a means to restoring and strengthening long-term relationships with customers. Homburg and Furst (2005) argue that successful conflict handling has a strong effect on customer satisfaction and retention. In a study by Ndubisi and Wah (2005), they concluded that how conflict is handled will either ensure customer retention or the customer leaving for a competitor.

According to Almossawi (2014), the relationship between customer satisfaction and retention has been widely researched. Several authors (Ranaweera & Prabhu, 2003; Zeithaml, Bitner, & Gremler, 2009) suggest that customers can be retained by offering increased levels of satisfaction. According to Reichheld (1996), customer satisfaction prevents turnover and consolidates retention. Likewise, Jones, Mothersbaugh and Beatty (2002) argue that customer satisfaction is an important factor influencing customer retention; hence, customer satisfaction can be considered as an antecedent to customer retention.

Based on these arguments, the researchers propose the following hypotheses:

H01: There is no direct relationship between customer satisfaction and customer retention in Ethiopian Insurance Corporation

H02: There is no a direct relationship between trust and customer retention in Ethiopian Insurance Corporation.

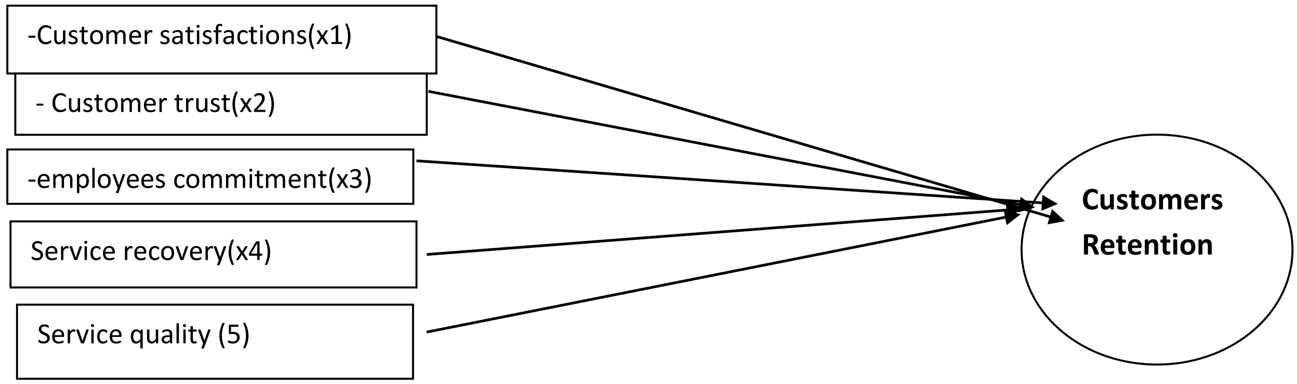
Ho3: There is no a direct relationship between commitment and customer retention in Ethiopian Insurance Corporation.

H04: There is no a direct relationship between service recovery and customer retention in Ethiopian Insurance Corporation.

Ho5: There is no a direct relationship between service quality and customer retention in Ethiopian Insurance Corporation.

2.15 CONCEPTUAL FRAMEWORK

As shown in Figure 1, the framework establishes the relationship among relationship independent variables, customer satisfaction, and customer retention.



Independent variables

Dependent Variable

F(Y)= B0 +B1x1 +B2X2 +B3X3+B4X4+B5X5 + u

Y= customer retention

X1=customer satisfaction x5= service quality

X3= Employees Commitment

X2= customer trust

X4= service recovery

u= factors unconsidered or missed by the researcher

While B0, B1, B2, B3, B4, B5, are the coefficients of the independent variables respectively.

Definition of Terms

In order to avoid the difficulty in understanding the study, important terms associated with the research are briefly defined as follows

Ethiopian Insurance Corporation (EIC)

A government owned insurance company, which has given the authority to give insurance service inEthiopia.

Trust

A willingness to rely on an exchange partner in whom one has confidence.(Moorman et al 1993).

Commitment

Commitment is an enduring desire to maintain a valued relationship (Moorman et al, 1993

Customer Satisfaction

Customer Satisfaction means feeling or attitude of customer towards the goods or services that could affect consumer buying behavior (Maleki & Darabi, 2008).

Service recovery

The ability of the service provider to solve the problem such as the customer dissatisfaction and the service failure (colgate & long 2001).

In line with the above research questions the following five hypotheses are proposed:

Hypothesis 1:

H01:- Customer Satisfaction has no positive relationship with customer retention in Ethiopian Insurance Corporation.

Hypothesis 2:

H02:- Customer trust has no positive relationship with customer retention in Ethiopian Insurance Corporation.

Hypothesis 3:

H03:- Employees commitment has no positive relationship with customer retention in Ethiopian Insurance Corporation.

Hypothesis 4:

H04:- Customer Satisfaction has no positive relationship with customer retention in Ethiopian Insurance Corporation.

Hypothesis 5:

H05:- Customer Satisfaction has no positive relationship with customer retention in Ethiopian Insurance Corporation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter focuses on the description of the techniques to be adopted in this research work. It entail the description of the research design, the identification of the data gathering techniques and data processing methods to be adopted, among others, in extracting meaning from the data to be gathered in the course of the research work.

3.1 RESEARCH DESIGN

The study adopts the descriptive and explanatory research purpose. Descriptive research purpose was used to describe the relationship between the independent and dependent variables under study. The suitability of using the explanatory method is to enable the researcher to identify the relationship between customer retention variables, customer satisfaction, customer trust, employees' commitment, service recovery, service quality and dependent variables customer retention, consistent with previous studies on relationship marketing and customer retention.

3.2 DATA SOURCES

There are two major approaches for gathering information about a situation, person, problem or phenomenon's. Sometimes, the required information is already available and need only be extracted. However there are times when the information must be collected. Based upon these broad approaches to gathering data, the researcher categorized the source of data as the entire employees of Ethiopian Insurance Corporation those employees involved in direct customer service i.e. receiving their request, analyzing and responding the customer request. Additionally the managements directly involved in customer planning, customer management activates including building customer relationship.

3.3 POPULATION

The population for this study was considered as the entire employees of Ethiopian Insurance Corporation those employees involved in direct customer service i.e. receiving their request, analyzing and responding the customer request. Additionally the managements directly involved in customer planning, customer management activates including building customer relationship. Owing to the large geographical locations and numbers of the employees of the company as well as restraint in terms of cost to the study, the study was restricted to only to the management members and the employees those directly involved in customer request handling. Another factor that used to select of the employees is also the fact that the low level employees are not engaged

in direct contact of the clients which may make the face difficulties regarding the customer's behaviors.
According to the data from Ethiopian Insurance Corporation there are 5 Districts "A" in Addis Ababa with 5 District Directors, 10 district team leaders, 35 customer care officers. On the other hand there are 7 District "B" with total of 7 managers and 7 customer care officers. Additionally, there are 45 branches I & II outlying Branches with 45 branches managers. Finally, at head office level, there are top managements of Ethiopian Insurance Corporation which including of the CEO, The Marketing and Risk management Officer, the General Insurance Officer (General Insurance Business). Therefore, there is a target population of 112 persons.

3.4 SAMPLING PROCEDURE AND SIZE

Non-probability sample provides a range of alternative techniques based on researcher subjective judgment (Saunders et. al., 2015). In non-probability sampling, the selection of elements for the sample is not necessarily made with the aim of being statistically representative of the population. Rather the researcher uses the subjective method such as personal experience, convenience, and expert judgment and so on to select the element in the sample. As a result the probability of any element of the population being chosen is not known (Samuel et al., 2003).

Judgment Sampling Researcher's judgment is used to select sample element and it involves for a specific purpose. Group of people who have knowledge about particular problem they can be selected as sample element. Sometimes it referred as a purposive sample because it involves a specific purpose. Judgment sampling is more convenience and low cost involvement (Hair et al., 2010).
Accordingly, in this research, the researcher used personal experience and judgmental method to select and collect the necessary data through questionnaire from Ethiopian Insurance Corporation Managerial members: district directors, team leaders& principal customer cares and branch managers those involved in customer handling process as census survey. The sample size chosen was census of 112 of Ethiopian Insurance Corporation managerial staffs those directly involved in customer handling; and/or complain handling and also involved customer retention strategies as target population.

3.5 DATA COLLECTION METHOD

In this study, primary data that is structured questionnaire which included both open and close ended questions were distributed to target populations. The open ended questions provided the respondents with an opportunity to include important information that the researcher is unable to include in the questionnaire.

3.6 DATA ANALYSIS AND PRESENTATION

According to Mugenda (2003), data analyses were used to process of bringing order, structure and meaning to the mass of information collected. Accordingly, the collected data from questionnaires is adopted and coded for completeness and accuracy and the response on each item put into specific themes in scientific way for easy analysis. In order to drawn meaningful conclusion, data is summarized and presented using appropriate table format with frequencies, percentages for classifications of responses for easier understand and also for visual impression. The regression analysis will be done by using Statistical Package for Social Sciences (SPSS) for analysis of data.

3.7 LINEAR REGRESSION MODEL ASSUMPTIONS TESTS

The model employed in this study is tested for classical linear regression model assumptions such as hetroscedasticity, autocorrelations, multicollinearity, normality and linearity assumptions and the model satisfy the classical linear regression model assumptions.

3.8 ETHICAL CONSIDERATION

The ethical issues is considered in the study: informed consent (by informing the respondents regarding that background of the study, including the importance of the data is going to be gathered from them) and issues of confidentiality (by ensuring that respondents that all of the information in this study will solely be used for the academic purpose only).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

This chapter is emphasized on the analysis of data and discuss on the findings of the study in relation to the effects of service quality dimensions on customer satisfaction. The findings of the study are analyzed based on the specific objectives and hypotheses of the study. In this chapter respondent's profile, descriptive analysis, correlation analysis and regression analysis are discussed. The total sample of the study was 112 and all of the questionnaires distributed, from which 109 were returned and 7 were rejected because of poor data quality and 102 questionnaires were valid with sufficient amount of response rate of 91.07%.

4.1. DESCRIPTIVE ANALYSIS

4.1.1. Personal Background of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	26	25.5	25.5	25.5
	Male	76	74.5	74.5	100.0
	Total	102	100.0	100.0	

Table 4.1: Gender of Respondents Source: respondent's data, 2021

The respondents were asked to indicate their gender and the results are shown above. Table 4.1 indicates the results which were obtained where 76(74.5%) of the respondents were male and 26(25.5%) were female. From this, the number of females is by far less than male which indicates females has less in managerial position and customers contact in EIC. So the organization needs to improve the participation of females in front customers handling activities.

Table 4.2: Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-34	27	26.5	26.5	26.5
	35-44	56	54.9	54.9	81.4
	45 & above	19	18.6	18.6	100.0
	Total	102	100.0	100.0	

Source: from respondent data, 2021

Table 4.2 indicates that 27(26.5%) of respondents were between 25-34 years of age, 56(54.9%) of respondents were between 35-44 years of age, 19(18.6%) of respondents were above 44years. This shows that majority of the respondents were aged between 35-44 years which in turn show the respondents are in productive and maturity age to understand the customer's service interest level. The age data is also showed by the following bar charts.

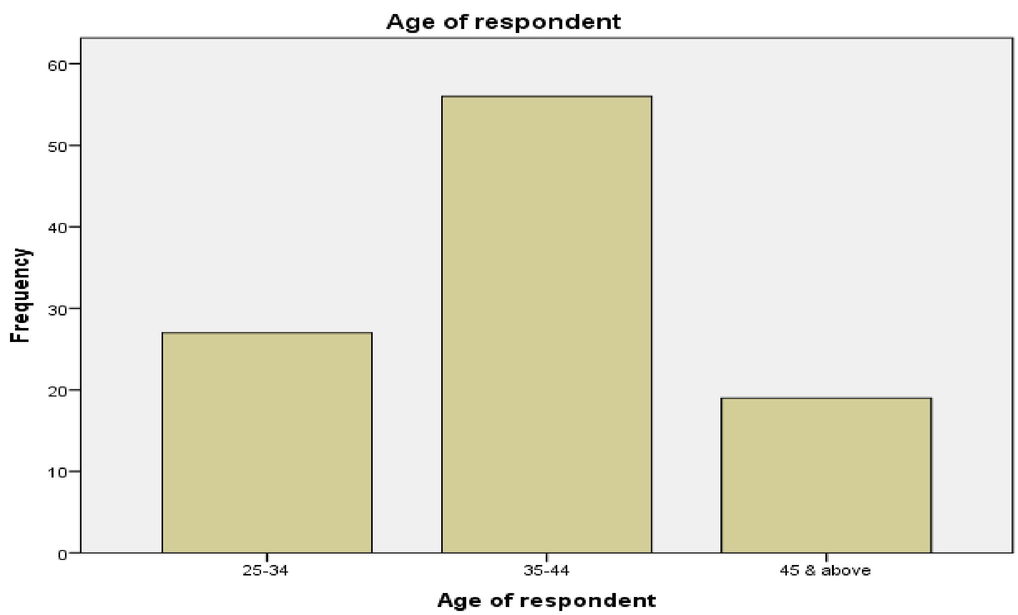


Figure 4.1 age of respondents in figure

Table 4.3: Experience of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	6-10	33	32.4	32.4	32.4
	11-15	29	28.4	28.4	60.8
	16-20	15	14.7	14.7	75.5
	20 and above	25	24.5	24.5	100.0
	Total	102	100.0	100.0	

Source: Respondents data, 2021

From the above table 33(32.4%) of the respondents have served for 6 to 10 years, 29 (28.4%) have worked for 11-15 years, 15(14.7%) have worked for 16- 21 years, 25(24.5%) have worked for 20 years and above. This shows that majority of the respondents have worked for more than 5 years that they understand the value of customers in the corporation.

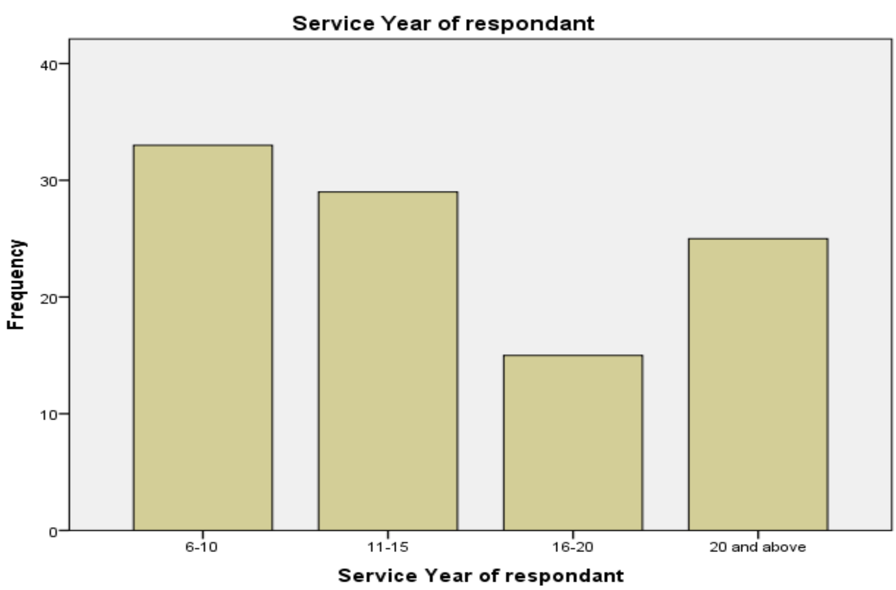


Figure 4.2 service year of respondents by chart

Table4.4 Highest academic qualification of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	7	6.9	6.9	6.9
	Degree/BSC	31	30.4	30.4	37.3
	Masters	64	62.7	62.7	100.0
	Total	102	100.0	100.0	

Source:- Respondents data,2021

From the above table 7(6.9%) of the respondents have diploma education level, 31 (30.4%) have degree//BSC level education back ground and 64/62.7 %) have masters education background. The data shows the majority of the respondents have degree and more education level with imply the respondents are on the level on understanding the value of customer retention in the corporation.

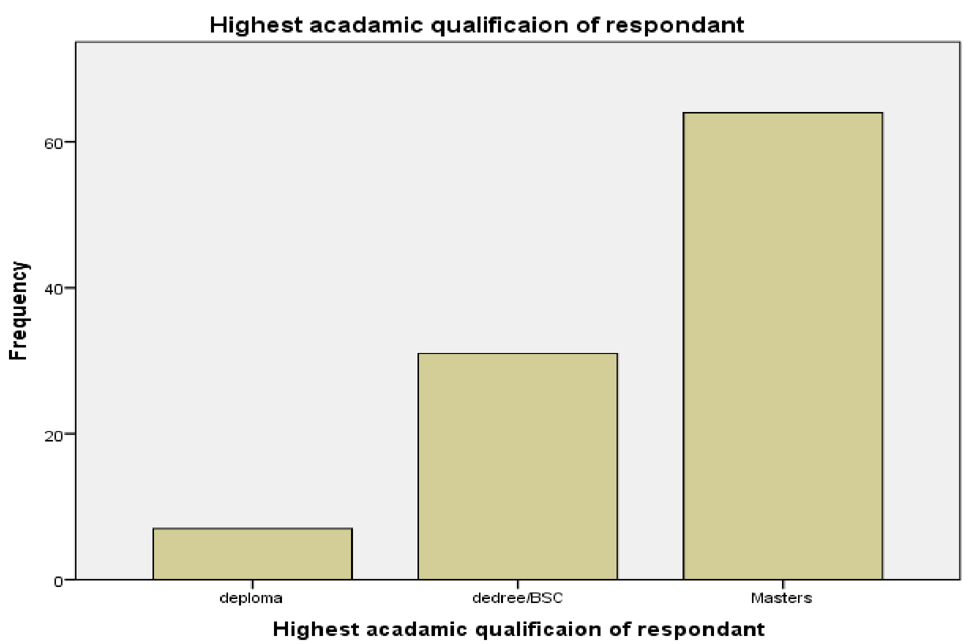


Figure 4.3 shows the respondents academic qualification

Table4.5 Position of Respondents in the Corporation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	DCEO	1	1.0	1.0	1.0
	DIRECTOR	5	4.9	4.9	5.9
	TEAM LEADER	10	9.8	9.8	15.7
	CUSTOMER CARE	42	41.2	41.2	56.9
	MANAGER	44	43.1	43.1	100.0
	Total	102	100.0	100.0	

From the above table 1(1%) of the respondent is on Deputy Chief Executive Officer Position, 5 (4.9%) of the respondents are at Director level position, 10(9.8%) are Team leader level. 42(41.2%) of the respondents are customer care and 44(43.1%) of the respondents are Managers. This implies more than 84.3% of the respondents have a primary contact with customers and have full information about customers from their daily activities.

4.1.2. Interpretation of Results

This section discusses the results of the questionnaires in respect of customer satisfaction, service quality, and the employees' commitment, customers' trust on the organization and service recovery systems in the Ethiopian Insurance Corporation to retain the existing customers of the corporation.

4.1.2.1. The Customer Satisfaction Level in Ethiopian Insurance Corporation

Customer satisfaction has been identified as the fundamental goal of marketing, since the core purpose of marketing is to satisfy customers. Seeing customer satisfaction as a product of successful marketing strategies to create value for customer, Buttle (2004) explains that value is created by understanding customer requirements and meeting customer expectation. To investigate the level of customer satisfaction in Ethiopian Insurance Corporation the researcher used the following question and descriptive analysis was done.

Researcher's questions to measure customer satisfaction level in Ethiopian Insurance Corporation	Strongly disagree		Dis agree		neutral		Agree		Strongly agree	
	frequency	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**
QSAT1 (Ethiopian Insurance Corporation give more attention to existing customers than soliciting new customers	**4**	**3.9**	**55**	**53.9**	**22**	**21.6**	**21**	**20.6**	**0**	**0**
QSAT2 (In EIC the existing customers have a good relationship with the corporation after they got claim service).	**9**	**8.8**	**47**	**46.1**	**32**	**31.4**	**13**	**12.7**	**1**	**1.0**
QSAT3 (EIC, Deliver claim settlement service in reasonable duration)	**12**	**11.8**	**40**	**39.2**	**37**	**36.3**	**13**	**12.7**	**0**	**0**
QSAT4 (In EIC, the existing customers get good assistance and cooperation from the employees of the company when they lodge a claim	**10**	**9.8**	**34**	**33.3**	**32**	**31.4**	**25**	**24.5**	**1**	**1**
QSAT5 (In EIC the process of getting solution for problem is quick and effective	**6**	**5.9**	**49**	**48**	**37**	**36.3**	**10**	**9.8**	**0**	**0**
QSAT6 (In EIC the employees have enough knowledge to give prompt services	**12**	**12.7**	**32**	**31.4**	**30**	**29.4**	**27**	**26.5**	**0**	**0**
QSAT7. (The EIC customers are welcoming the service process and treatment they got from the Corporation)	**8**	**7.8**	**44**	**43.1**	**33**	**32.4**	**16**	**15.7**	**1**	**1**

Table 4.6 Source: - Data from respondents 2021

The results in Table 4.6 indicate that majority of the respondents (53.9%) indicated that EIC does not give more attention for existing customers than soliciting new business. 3.9% of the respondents also strongly disagreed while 21.6% of the respondents remain neutral from expressing their stand on the EIC's attention to existing customers. On the other hand 20.6% of the respondents had agreed that EIC give more attention for existing customers than soliciting new customers. This implies the existing customers of the corporation did not get the necessary attention to stay loyal to the corporation.

The results in Table 4.6 indicate that majority of the respondents (46.1%) indicated that the existing customer does not have a good relationship with the Ethiopian Insurance corporation after they get claim services. This implies that the served customers of the corporation did not satisfied by Ethiopian Insurance Corporation commitment towards the relationship with customers. 8.8% of respondents also strongly disagreed that the customers has good relationship after receiving service. On the other hand, 31.4% remain neutral from expressing their view on the relationship of existing customers after they received service while 12.7 % of respondents agreed that customers had good relationship after receiving services. Similarly, 1% of respondents strongly agreed that customers have good relationship with EIC after receiving services. The study found out that the satisfied customers use the products/services of the service provider and visit the service provider again and vice versa. But, this indicates that EIC should work more on improving customer relationship to meet consumers changing needs. Finally the study found out that the corporation is weak in having good relationship with existing customers.

Today businesses prefer to sell their products and services by using technology as well as traditional channels. This causes the delivery time to become essential factors in addition to product and service quality. The effect of delivery time strongly influenced the customer retention of the firms. The widespread use of information technologies, integrating business process in physical and online channels will provide businesses with an increase market share and productivity. Delivery performance is an essential factors affecting customers satisfaction. The summery of respondents view presented as follows.

In respect of the claim settlement the results in Table 4.6 indicate that majority of the respondents (39.2%) indicated that the Ethiopian Insurance Corporation does not deliver claim settlement service in reasonable duration towards satisfying customers to retain them. And also 11.8% of the respondents strongly disagreed with corporation service delivery time reasonability. This implies that the served customers of the corporation did not satisfied by the duration of service delivered. On the other hand, 36.3% remain neutral from expressing their view regarding existing customers on the claim settlement duration of service delivered. While 12.7 % of respondents agreed that customers had satisfied with claim settlement duration. Similarly, 1% of respondents strongly agreed that customers are satisfied.

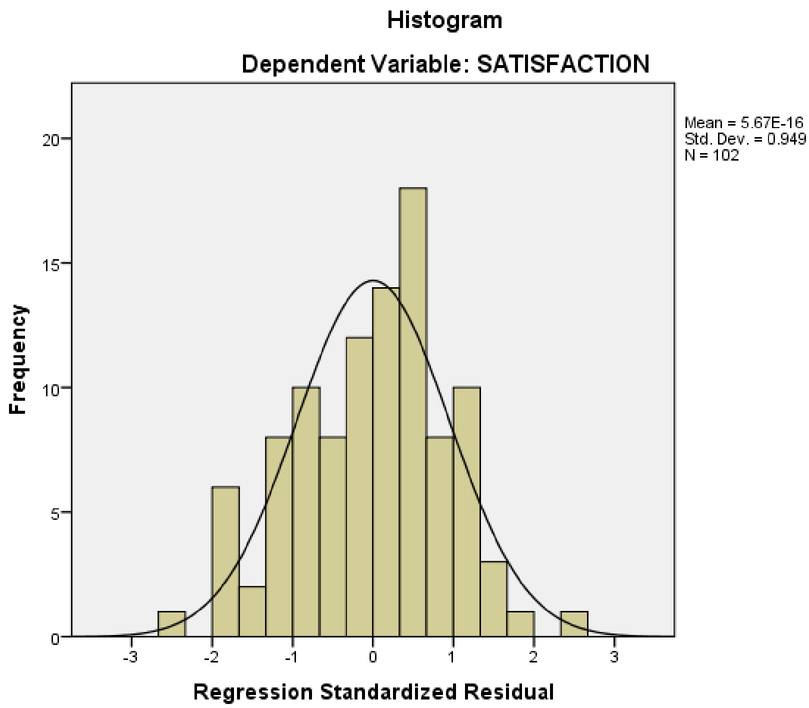
Regarding the assistance to be given for customer, the results in Table 4.6 indicate that majority of the respondents (33.3%) indicated that the existing customer did not get good assistance and cooperation from the employees of the corporation while lodging a claim. This implies that the served customers were not satisfied by Ethiopian Insurance Corporation during critical time for customers that is claim inception. And also 9.8% of respondents also strongly disagreed that the customers have got good assistance and cooperation from the employees of the company when they lodged a claim. On the other hand, 31.4% remain neutral from expressing their view while 24.5 % of respondents agreed that the customer get good assistance and cooperation from the employees of the company when they lodged a claim. Similarly, 1% of respondents strongly agreed that customers have got good assistance and cooperation from the employees of the company when they lodged a claim.

The process of getting solution for problem in Ethiopian Insurance Corporation is not satisfactory. The results in Table 4.6 indicate that majority of the respondents (48%) indicated that the process of getting solution for problem in Ethiopian Insurance Corporation is not quick and effective. 5.9% of respondents also strongly disagreed that the process of getting solution for problems is not quick and effective . This implies that the served customers of the corporation did not satisfied by the corporation's speed to find solution for problems. On the other hand, 36.3% remain neutral from expressing their view while 9.8 % of respondents agreed that Ethiopian Insurance Corporation is quick and effective in giving solution for service failures/ irregularities

The EIC expected that to have competent employees. However, table 4.6 indicate that majority of the respondents (31.4%) indicates that in Ethiopian Insurance Corporation the employees did not have enough knowledge to give prompt services for existing customers. Similarly, 12.7% of respondents also strongly disagreed that the employees the corporation did not have enough knowledge to give prompt services for existing customers. On the other hand, 29.4% remain neutral from expressing their view while 26.5 % of respondents agreed that the employees the corporation has enough knowledge to give prompt services for existing customers.

In general, the results in Table 4.6 indicate that majority of the respondents (43.1%) disagreed with the service process and customers' treatment in Ethiopian Insurance Corporation. 7.8% also strongly disagreed, while 32.4% of respondents remain neutral. On the other hand, 15.7% agreed with the service process and customer treatment in Ethiopian Insurance Corporation. Similarly, 1% of the respondents strongly disagreed.

Figure 4.4 customer Satisfaction level responds distribution



Source;- SPSS output, 2021

As the figure 4.4 shows that the histogram is almost bell shaped which leads to conclude the residual or errors are normally distributed. Even though most few residuals are no included within the curve, most of the residuals are within the curve and near to zero. And this tells that the assumption of normally distribution of the error term is not violated.

4.2. CHARACTERISTICS OF CUSTOMER SATISFACTION WITH CUSTOMER RETENTION

According to Almossawi (2014), the relationship between customer satisfaction and retention has been widely researched. Several authors (Ranaweera & Prabhu, 2003; Zeithaml, Bitner, & Gremler, 2010) suggest that customers can be retained by offering increased levels of satisfaction. According to Reich held (1996), customer satisfaction prevents turnover and consolidates retention. Likewise, Jones, Mothers Baugh and Beatty (2002) argue that customer satisfaction is an important factor influencing customer retention; hence, customer satisfaction can be considered as an antecedent to customer retention. Based on these arguments, we propose the following hypothesis:

H01: There is no positive significant relationship between customer satisfaction and customer retention in Ethiopian Insurance Corporation.

The mean value represents the average of all customer response on certain dimensions while, standard deviation shows how diverse the responses of the respondents are that means if the standard deviation shows smaller number, it indicates that the response of the respondents shows close opinions and when the standard deviation is high, it indicates the response of the respondents shows high variation.

Descriptive Statistics

	Mean	Std. Deviation	N
Customer Retention	3.0490	.93742	102
SATISFACTION	2.5294	.81697	102

Table 4.7 source SPSS output 2021

As shown in Table 4.13 the average mean for customer retention questions that says "Ethiopian Insurance Corporation has good practices of customer retention through customer satisfaction" is 3.0490 with the standard deviation of .9374 which is below 3.39 that shows most respondents do not believe that there is no good practices of customer retention in Ethiopian Insurance Corporation. Also the mean value of customer satisfaction is 2.5292 with standard deviation of .81697 that realize that the respondents were not satisfied with the customer satisfaction level in Ethiopian Insurance Corporation.

4.2.1 Correlation between Customer Satisfaction and Customer Retention

Correlation analysis is used to analyze the magnitude and direction of relations between variables but it cannot help to identify cause and effect of inferences for the variables. If two independent variables are correlated, it means that both of the variables are being treated in identical way on the dependent variable. Thus it implies that it is difficult to identify their effect on the dependent variable.

Correlation table explains the relationship of all variables, regardless of their dependency or independency. The result shows that the customer satisfaction has significant association with customer retention (.664), ($p<.001$).

Correlations

		Customer Retention	SATISFACTION
Pearson Correlation	Customer Retention	1.000	.664
	SATISFACTION	.664	1.000
Sig. (1-tailed)	Customer Retention	.	.000
	SATISFACTION	.000	.
N	Customer Retention	102	102
	SATISFACTION	102	102

Table4.8: - correlation between customer satisfaction and customer retention.

The outcome of the correlation analysis imply that the relation between customer satisfaction and customer retention is positive and high (r=.664; significance=.000).

4.2.2 Regression analysis evidences

Subsequent to the correlation analysis, further analysis was applied to test the given variables and further validate the hypotheses. In essence with Statistics, regression analysis a statistical tool used to foresee the value of one variable using another variable. In this notion, the variable that is anticipated to forecast is entitled the dependent variable, whereas, the fixed variable that is used to predict the aforementioned variable is captioned as the independent variable or the predictor. Further, the primary measure of regression is ‘’R’’, the value of R indicates how precise our predictors are in predicting the results, in another context, how strong is the relationship between the two variables. Another output of regression is R2, R-squared provides the researcher a more accurate measure and it describes the extent of variance in the scores explained by the independent variable or the predicator. The value of R2 ranges between 0 and 1, and is not subjected to any golden rule, the researcher is given the liberty to interpret the value of R2 based on the relationship studied. The output was presented as below;

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.664[a]	.441	.435	.70452	.441	78.814	1	100	.000	1.534

a. Predictors: (Constant), SATISFACTION

b. Dependent Variable: Customer Retention

Table 4.9 source SPSS output, 2021

The first regression, holding constant the other independent variables, the predictor which is customer satisfaction by the Ethiopian Insurance Corporation to calculate the impact of customer satisfaction on the customers retention by the corporation. Results of regression has shown that effective customer satisfaction by the insurance corporation explains 44.1% of the variance in customer retention, whereas, (R=.44.1; R2 =43.5; Sig=.000).

These results indicate that Customer retention is greatly affected by Customer satisfaction in Ethiopian Insurance Corporation. The corporation can boost up their customer retention by satisfying existing customers, advertise honesty and maximum try to facilitate the customers and declare all the policies clearly and guaranteed to abide by all the verbal as well as written policies and practices.

4.2.3 Summary of Customer satisfaction Level in Ethiopian Insurance Corporation

To show the customer satisfaction level in Ethiopian Insurance Corporation the statistical data was collected and summarized as the following table. It shows that the customer satisfaction level is low. And also further analysis was applied to test the given variables and further validate the hypotheses.

Overall descriptive data evidence

SATISFACTION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	8	7.8	7.8	7.8
	disagree	45	44.1	44.1	52.0
	neutral	36	35.3	35.3	87.3
	Agree	13	12.7	12.7	100.0
	Total	102	100.0	100.0	

Table 4.10 satisfaction level: source SPSS output 2021

The results in Table 4.16 indicate that majority of the respondents (44.1%) indicated that the existing customer does not have satisfaction with the Ethiopian Insurance corporation after they get services. This implies that the served customers were not satisfied with service provide by the corporation. Similarly, 8.8% of respondents also strongly disagreed that the customers has good relationship after receiving service. On the other hand, 31.4% remain neutral from expressing their view on the relationship of existing customers after they received service while 12.7 % of respondents agreed that customers had good relationship after receiving services. Similarly, 1% of respondents strongly agreed that customers have good relationship with EIC after receiving services.

The study found out that the satisfied customers use the products/services of the service provider and visit the service provider again and vice versa. But, the data from respondents indicates that Ethiopian Insurance Corporation does not work on improving customer relationship to meet consumers changing needs. Finally the study found out that the customer satisfaction level of Ethiopian Insurance Corporation is below average that is only supported by 13.7% of the respondents. This in turn leads the customers to shift their insurance to competitors. Therefore, Ethiopian Insurance Corporation Should has well laid down mechanisms of receiving and addressing complains from the customers. This boosts customer loyalty and satisfaction to retain the existing customers.

To make it more clear, the summary of the respondents' view also showed on the following chart.

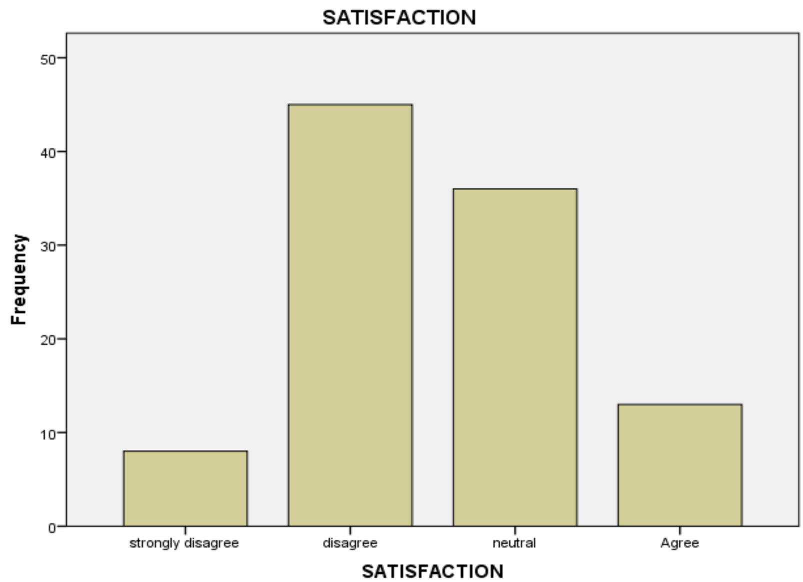


Figure 4.5 customer satisfaction level in EIC by chart

4.3. SERVICE QUALITY LEVEL IN ETHIOPIAN INSURANCE CORPORATION

The results in Table 4.11 indicate that majority of the respondents (32.4%) indicated that the physical accessibility of Ethiopian Insurance Corporation for existing customers offers of the Ethiopian Insurance Corporation for existing customers is below average from the customers expectation. This implies that the served existing customers of the corporation were not satisfied by physical accessibility of the Ethiopian insurance corporation. 2% of respondents also indicated that the offer is poor accessibility and physically appealing. On the other hand, 45.1% indicated that Ethiopian Insurance Corporation is on average accessibility and physically appealing while 20.6 % of respondents agreed that Ethiopian Insurance Corporation is good in accessibility and physically appealing.

Regarding the contact documents and policy and procedures of the EIC, the results in Table 4.11 indicate out of the respondents (20.6%) indicated that contract documents, policy and procedures of Ethiopian Insurance Corporation are on poor stage when it considered from easiness of understandability. 26.5% of respondents are also indicated Ethiopian Insurance Corporation is below average by easiness of understandability contract documents, policy and procedures. This implies that the served the existing customers of the corporation did not satisfied by easily understandability of the contract documents of Ethiopian Insurance Corporation. 20.6% of respondents also indicated that the offer is poor accessibility and physically appealing. On the other hand, 46.1% indicated that Ethiopian Insurance Corporation is on average in easiness of contract documents to understand while 5.9 % of respondents agreed that Ethiopian Insurance Corporation is good position by understandability of the contract documents.

	poor		**Below Average**		**Average**		**Good**		**Very good**	
	frequency	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**
QSERVQUA1(EIC Offers are easily accessible and physically appealing)	2	2.0	33	32.4	46	45.1	21	20.6	**0**	**0**
QSERVQUA2 (In EIC, contract documents, policy and procedures are easy to understand)	21	20.6	**27**	**26.5**	**47**	**46.1**	**6**	**5.9**	**1**	**1**
QSERVQUA3 (EIC provide good claim and underwriting services which are enough to fulfill customers expectation)	**11**	**10.8**	**34**	**33.3**	**46**	**45.1**	**10**	**9.8**	**0**	**0**
QSERVQUA4 (EIC delivers what promised during inception)	**12**	**11.8**	**37**	**36.3**	**29**	**28.4**	**22**	**21.6**	**2**	**2**
QSERVQUA5 (EIC use effective technology and keep customers records and files effectively)	**11**	**10.8**	**52**	**51.0**	**17**	**16.7**	**22**	**21.6**	**0**	**0**
QSERVQUA6 (Calls and queries are quickly responded to customers)	**13**	**12.7**	**38**	**37.3**	**36**	**35.3**	**14**	**13.7**	**1**	**1**

Table 4.11 Source: SPSS output, 2021

The results in Table 4.11 indicate that (10.9%) of the respondents indicated that Ethiopian Insurance Corporation are on poor stage when claim and underwriting services which are enough to fulfill customers expectation considered from easiness of understandability. 33.3% of respondents are also indicated Ethiopian Insurance Corporation is below average. This implies that the served existing customers of the corporation did not satisfied by claim and underwriting services of Ethiopian Insurance Corporation. On the other hand, 45.1% indicated that Ethiopian Insurance Corporation is on average in claim and underwriting services while 9.9 % of respondents agreed that Ethiopian Insurance Corporation is good position when claim and underwriting service are considered.
The service giving insurance organization is expected to keep what promise at inception time. However, according to the above table 4.11, about 11.8% of respondents also indicated that Ethiopian Insurance Corporation is on below average stage. Majority of the respondents (36.3%) indicated that Ethiopian Insurance Corporation is on below average stage in keeping what promise at inception time.11.8% of respondents also indicated that Ethiopian Insurance Corporation is on below average stage. This implies that the served customers of the corporation did not satisfied by service provided regarding what promised t the inception of the insurance contract. On the other hand, 28.4% of the respondents indicated that Ethiopian Insurance Corporation is on average in keeping the promise at inception date while 21.6 % of respondents agreed that Ethiopian Insurance Corporation is good position when keeping the promise is considered. Similarly, 1% of respondents commented that the corporation is on an excellent stage in keeping its promise at the policy inception date.

In addition the results in Table 4.11 indicate that majority of the respondents (51%) indicated that Ethiopian Insurance Corporation is on below average stage in using effective technology and keeping customers records and files effectively.10.8.% of respondents also indicated that Ethiopian Insurance Corporation is on poor stage. This implies that the served customers of the corporation did not satisfied by using effective technology and keeping customers records and files effectively. On the other hand, 16.7% of the respondents indicated that Ethiopian Insurance Corporation is on average in using effective technology and keeping customers records and files effectively while 21.6 % of respondents agreed that Ethiopian Insurance Corporation is good position when using effective technology, keeping customers' records and files effectively is considered.

Regarding responsiveness to calls and queries, the results in Table 4.11 indicate that majority of the respondents (37.3%) indicated that Ethiopian Insurance Corporation is on below average stage in responding the customers calls and inquiries effectively.12.7.% of

respondents also indicated that Ethiopian Insurance Corporation is on poor stage. This implies that the served customers of the corporation were
not satisfied by respond of calls and inquiries effectively. On the other hand, 35.3% of the respondents indicated that Ethiopian Insurance Corporation is on average in responding the customers' calls and inquiries effectively while 13.7 % of respondents agreed that Ethiopian Insurance Corporation is good position when responding the customers' calls and inquiries is considered.

4.3.1 Summary of Service Quality level in Ethiopian Insurance Corporation

In order to survive in today's business environment, most recent research suggests placing an emphasis on service quality. Service quality is defined as the foundation of a comparison between customers' expectations and the perceived performance of service providers. Customers' expectations are defined as what customers want or desire based on their antecedent experiences with the firm. Customer expectations compared with actual service performance results in the assessment of quality that customers obtain from particular service providers (Mendzela, 2009). In their research, Parasuraman et al (1991) described the inconsistency between customers' expectations and their perceived service performance in specific services.

Over all descriptive statistics of Service Quality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	14	13.7	13.7	13.7
	disagree	41	40.2	40.2	53.9
	neutral	33	32.4	32.4	86.3
	Agree	14	13.7	13.7	100.0
	Total	102	100.0	100.0	

Table 4.12 source: SPSS output 2021

Quality of services has the power to create customer satisfaction and making them loyal. On the other hand poor quality of services results in customer dissatisfaction and customer defection by going to other competitors. Creating customers' satisfaction includes prompt and effective response and solutions to their needs and desires as well as building and maintaining good relationships

The results in Table 4.12 indicate that majority of the respondents (40.2%) disagreed with the service quality in Ethiopian Insurance Corporation. Similarly, 13.7% of respondents also strongly disagreed the service quality in EIC. On the other hand, 32.4% remain neutral from expressing their view while 13.7 % of respondents agreed that Ethiopian Insurance corporation deliver service quality. The study found out that the satisfied customers use the products/services of the service provider and visit the service provider again and vice versa. But, this indicates that EIC should work more on improving customer relationship to meet consumers changing needs. Finally the study found out that the corporation should have well laid down mechanisms of receiving and addressing complains from the customers. This boosts customer loyalty and satisfaction to retain the existing customers.

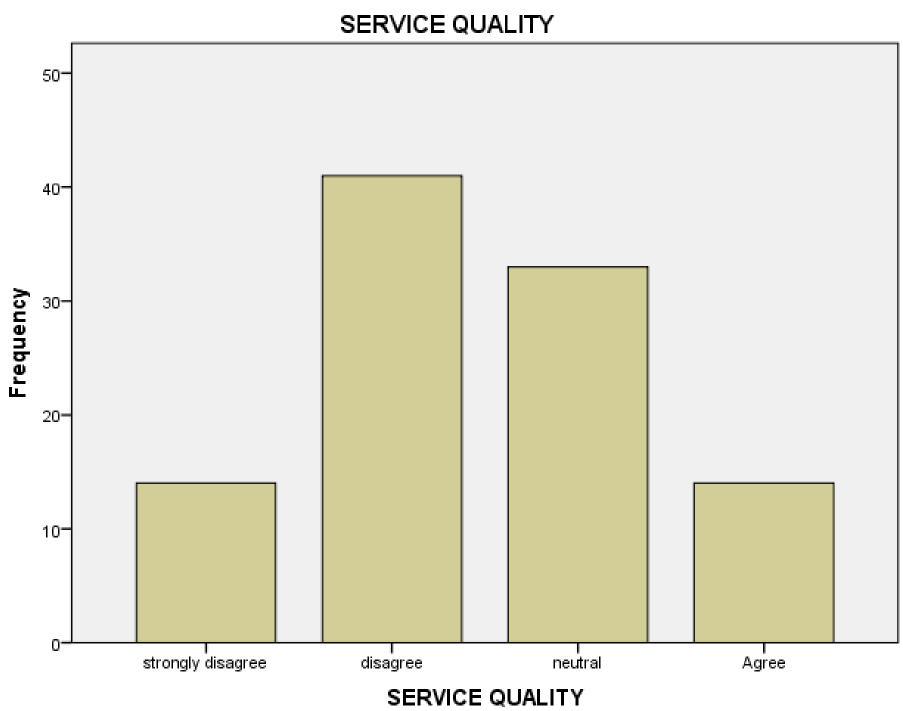


Figure 4.6 service quality levels in EIC

4.3.2. Characteristics of Service Quality with Customer Retention

Service quality is particularly essential in the insurance services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage. Nowadays, service quality has received much attention because of its obvious relationship with customer satisfaction and customer retention. In the public and private insurances there are a lot of gaps in quality service delivery.

Poor quality of service is the cause of customer complains in insurance service rendering sector. There have been a lot of complains on the quality of various services that are being rendered by the insurance. Customer satisfaction research literature traditionally agrees that service quality is a measure of how well the service level delivered matches customer expectations. Delivering a good service means conforming to customer expectations on a consistent basis. (http://www.nas.edu/trb/index.html

Quality of services has the power to create customer satisfaction and making them loyal. On the other hand poor quality of services results in customer dissatisfaction and customer defection by going to other competitors. Creating customers' satisfaction includes prompt and effective response and solutions to their needs and desires as well as building and maintaining good relationships. Getting quality service is the criteria of the customers to distinguish one service provider from the other (Gale, 2007).

Ho5 There is no positive significant relationship between service quality and customer retention in Ethiopian Insurance Corporation.

Descriptive Statistics

	Mean	Std. Deviation	N
Customer Retention	3.0490	.93742	102
SERVICE QUALITY	2.4608	.89743	102

Table 4.13 source: SPSS output 2021

4.3.2.1 Correlation between service quality and customer retention

Correlation analysis is used to analyze the magnitude and direction of relations between variables but it cannot help to identify cause and effect of inferences for the variables. If two independent variables are correlated, it means that both of the variables are being treated in identical way on the dependent variable. Thus it implies that it is difficult to identify their effect on the dependent variable.

Correlation table explains the relationship of all variables, regardless of their dependency or independency. The result shows that the service quality has significant association with customer retention (.679), (p<.001).

Correlations

		Customer Retention	SERVICE QUALITY
Pearson Correlation	Customer Retention	1.000	.679
	SERVICE QUALITY	.679	1.000
Sig. (1-tailed)	Customer Retention	.	.000
	SERVICE QUALITY	.000	.
N	Customer Retention	102	102
	SERVICE QUALITY	102	102

Table 4.14 source: SPSS output 2021

The outcome of the correlation analysis imply that the relation between service quality and customer retention is positive and high (r=.679; significance=.000)

4.3.2.2 Regression Analysis Evidences

Subsequent to the correlation analysis, further analysis was applied to test the given variables and further validate the hypotheses. The first regression, holding constant the independent variable or the predictor which is customer satisfaction by the Ethiopian Insurance Corporation to calculate the impact of service quality on the customers retention by the corporation. Results of regression has shown that effective service quality by the insurance corporation explains 46.1% of the variance in customer retention, whereas, (R=.461; R2 =.456; Sig=.000)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.679[a]	.461	.456	.69160	.461	85.557	1	100	.000	1.942

a. Predictors: (Constant), SERVICE QUALITY

b. Dependent Variable: Customer Retention

Table 4.15 source: SPSS output 2021

The finding pertains to the role of service quality and customer bonding as trust boosters. Insofar, in the extant literature the role of quality as a trust antecedent has received only erratic attention (e.g. Moorman et al., 1993; Ganesan, 1994). Based on the findings presented in this study, this role becomes clearer as it would appear that quality and particularly these dimensions which relate to the ultimate service offered to the client(output quality as well as to the interaction between the provider's and the client's personnel (soft process quality), help entrench the relationship. The reason why quality has such an impact ought to be sought in the gains of trustworthiness that the service provider attains by managing to deliver what was promised to the client. Finally, an interesting finding relates to the service quality dimensions.

The review of the extant literature showed five relevant dimensions for measuring service quality of professional services (Venetis, 1997). However, when the psychometric properties of the scales were examined it was found that two of these dimensions, Immediate Output quality and Final Output quality, ought to be collapsed in a single dimension (Output quality). This finding is in line with various studies in the service sector (e.g. LeBlanc and; Cronin and Taylor, 1992) which report that service quality dimensions are industry

4.4 EMPLOYEES COMMITMENT LEVEL IN ETHIOPIAN INSURANCE CORPORATION

The results in Table 4.16 indicate that majority of the respondents (54.9%) indicated that the employees of the corporation does not have flexibility in meeting customers interests of service needs. 8.8% of respondents also strongly disagreed the employees flexibility in meeting customers interests of service needs. This implies that the served customers of the corporation did not have satisfied by flexibility of employees in meeting their interests of service needs. On the other hand, 22.5% remain neutral from expressing their view while 15.7 % of respondents agreed that the employees of the corporation have flexibility in meeting customer's interests of service needs.

Regarding the flexibility of the employees of the corporation, the results in Table 4.16 indicate that majority of the respondents (46.1%) indicated that the employees of the corporation does not have flexibility in meeting customers interests of service needs. 2.9% of respondents also strongly disagreed the employees flexibility in meeting customers interests of service needs. This implies that the served customers of the corporation did not have satisfied by flexibility of employees in meeting their interests of service needs. On the other hand, 42.2% remain neutral from expressing their view while 15.7 % of respondents agreed that the employees of the corporation have flexibility in meeting customer's interests of service needs.

The results in Table 4.16 indicate that 31.4% of the respondents indicated that the employees of Ethiopian Insurance Corporation do not have a good commitment to build a relationship with the existing customers. 7.8% of respondents also strongly disagreed that the commitment of the employees to build good relationship with customers. This implies that the served customers of the corporation did not satisfied by the commitment of the employees to have good relationship with them. On the other hand, 33.3% remain neutral from expressing their while 26.5 % of respondents agreed that employees had good commitment to build relationship with existing customers. Similarly, 1% of respondents strongly agreed that employees have good commitment to build relationship with customers.

The researchers questions to test the Employees commitment level in Ethiopian Insurance Corporation	Strongly disagree		Dis agree		neutral		Agree		Strongly agree	
	frequency	percentage	frequency	percentage	frequency	percentage	frequency	percentage	frequency	percentage
QCOMMIT1 (Employees are flexible in meeting customer interest/needs	**7**	**6.9**	**56**	**54.9**	**23**	**22.5**	**16**	**15.7**	**0**	**0**
QCOMMIT2 EIC offer personalized services to meet customer needs).	**3**	**2.9**	**47**	**46.1**	**43**	**42.2**	**9**	**8.8**	**0**	**0**
QCOMMIT3 (EIC is very committed to continue relationship with customer)	**8**	**7.8**	**32**	**31.4**	**34**	**33.3**	**27**	**26.5**	**1**	**1**
QCOMMIT4 (In EIC, employees strongly valued customers and devoted to respond the customers questions	**3**	**2.9**	**28**	**27.5**	**45**	**44.1**	**26**	**25.5**	**0**	**0**
QCOMMIT5(*The customers feel the employees of the corporation works in betterment of them and always willing to help the customers*	**8**	**7.8**	**52**	**51.0**	**32**	**31.4**	**10**	**9.8**	**0**	**0**
QCOMMIT6 (EIC analyze new customer's financial service needs and develop appropriate services for customers before customer's request	**3**	**2.9**	**46**	**45.1**	**35**	**34.3**	**18**	**17.6**	**0**	**0**

Table 4.16 source: SPSS output 2021

In addition the results in Table 4.16 indicate that 27.5% of the respondents indicated that the employees of Ethiopian Insurance Corporation strongly valued customers and devoted to respond the customers questions. 2.9% of respondents also strongly disagreed that the employees strongly valued customers and devoted to respond the customers questions. This implies that the served customers of the corporation did not satisfied by employee's commitment to strongly value customers and devoted to respond the customers questions. On the other hand, 44.1% remain neutral from expressing their while 25.5 % of respondents agreed that employees had good commitment to strongly value customers and devoted to respond the customers questions. Similarly, 1% of respondents strongly agreed that employees have good commitment to strongly value customers and to be devoted to respond the customer's questions.

The customers feeling in respect of the employees of the Ethiopian Insurance Corporation works the results in Table 4.16 indicate that majority of the respondents (51%) disagreed that customers feel the employees of the Ethiopian Insurance Corporation works in betterment of them and always willing to help them. 7.8% of respondents also strongly disagreed that customers feel the employees of the Ethiopian Insurance Corporation works in betterment of them and always willing to help them This implies that the served customers of the corporation did not satisfied by the employees of the Ethiopian Insurance Corporation works to be done in betterment of them and the willingness always they have to help the customers. On the other hand, 31.4% remain neutral from expressing their view while 9.8 % of respondents agreed that customers had feelings that the employees of the corporation works in betterment of them and always have willingness to help them.

The results in Table 4.16 indicate that majority of the respondents (45.1%) disagreed that the Ethiopian Insurance Corporation analyze new customer's financial service needs and develop appropriate services for customers before customer's request. 2.9% of respondents also strongly disagreed that the Ethiopian Insurance Corporation analyze new customer's financial service needs and develop appropriate services for customers before customer's request This implies that the served customers of the corporation did not satisfied by the employees of the Ethiopian Insurance Corporation the Ethiopian Insurance Corporation analyze new customer's financial service needs and develop appropriate services for customers before customer's request. On the other hand, 34.3% remain neutral from expressing their view while 17.6 % of respondents agreed that the Ethiopian Insurance Corporation analyze new customer's financial service needs and develop appropriate services for customers before customer's request.

4.4.1 Characteristics of Employees' Commitment with Customer Retention

4.4.1.1 Correlation between Employees Commitment and customer retention

Correlation analysis is used to analyze the magnitude and direction of relations between variables but it cannot help to identify cause and effect of inferences for the variables. If two independent variables are correlated, it means that both of the variables are being treated in identical way on the dependent variable. Thus it implies that it is difficult to identify their effect on the dependent variable.

Correlation table explains the relationship of all variables, regardless of their dependency or independency. The result shows that the customer satisfaction has significant association with customer retention (.696), ($p<.001$).

Correlations

		Customer Retention	COMMITMENT
Pearson Correlation	Customer Retention	1.000	.696
	COMMITMENT	.696	1.000
Sig. (1-tailed)	Customer Retention	.	.000
	COMMITMENT	.000	.
N	Customer Retention	102	102
	COMMITMENT	102	102

Table 4.18 source: SPSS output 2021

4.4.1.2. Regression Analysis Evidences

Subsequent to the correlation analysis, further analysis was applied to test the given variables and further validate the hypotheses. The first regression, holding constant the independent variable or the predictor which is customer satisfaction by the Ethiopian Insurance Corporation to calculate the impact of service quality on the customers retention by the corporation. Results of regression has shown that effective service quality by the insurance corporation explains 48.5% of the variance in customer retention, whereas, ($R=.696$; $R2 =.485$; Sig=.000)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.696[a]	.485	.480	.67611	.485	94.159	1	100	.000	2.033

a. Predictors: (Constant), COMMITMENT

b. Dependent Variable: Customer Retention

Table 4.19 source: SPSS output 2021

Table 4.19 indicates that about 48.5 % (R2=0.485) of the variance in the overall customer is explained by the employees commitment. In addition, the results demonstrate that there is positive and statistically significant (p<0.001, F=84.159) relationship between employees commitment and overall customer retention. Therefore all the employees' commitment is significant positive impact on customer retention in Ethiopian Insurance Corporation.

The impact of employees commitment on customer retention in Ethiopian Insurance Corporation has been found to be significantly and positively correlated with customer loyalty (r = .696, p< .001).

4.4.2 Summary of Employees Commitment Level in Ethiopian Insurance Corporation

Descriptive statistics

COMMITMENT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	9	8.8	8.8	8.8
	disagree	35	34.3	34.3	43.1
	neutral	30	29.4	29.4	72.5
	Agree	28	27.5	27.5	100.0
	Total	102	100.0	100.0	

Table 4.20 source: SPSS output 2021

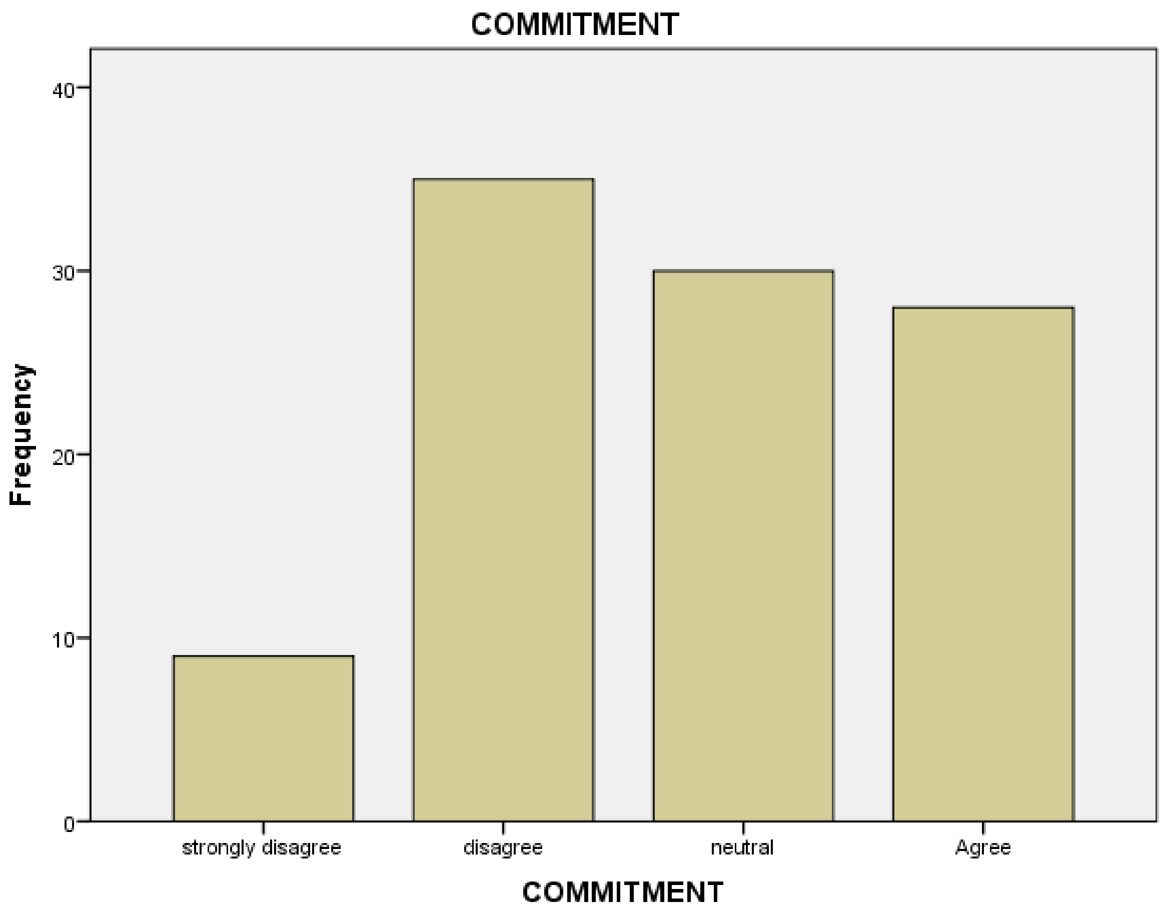


Figure 4.7 Employees commitment level in EIC

The findings of this study however outline the importance of this distinction since calculative commitment has significantly different effects on behavioral intentions than affective commitment: While affective commitment creates favorable intentions which help to preserve and reinforce the relationship, calculative commitment has the opposite effects. One possible explanation is that by creating dependencies and locking-in customers, the latter feel "impelled" to seek to escape from this state (Anderson and Weitz, 1992). This strive may result in interactions of a distributive nature, i.e. a behavior which is directed towards self-gains at the expense of the other party in order to reduce dependency (Schurr and Ozane, 1985; LeBlanc and Nguyen, 1988). Besides, as it is reported in this study, the impact of trust on calculative commitment is negative, a fact which further strengthens this explanation.

4.5 THE CUSTOMER'S TRUST LEVEL ON ETHIOPIAN INSURANCE CORPORATION

Table 4.21 source: SPSS output 2021

The results in Table 4.21 indicate that majority of the respondents (42.2%) indicated that the existing customers often have feeling of secured in all transaction they made with the Ethiopian Insurance corporation. 6.9% of respondents indicated that the customers are always feel they are secured while transaction with Ethiopian Insurance Corporation. This implies that 50% of served customers of the corporation have satisfied with trusty they have with corporation. On the other hand, 23.5% indicated the customers occasionally feel safe while transacting with Ethiopian Insurance Corporation. Similarly, 22.5% of respondents % indicated that the customers are occasionally feel safe while transacting with Ethiopian Insurance Corporation. And 4.9% of the respondents indicated that the customers are never feel safe while transaction with the Ethiopian Insurance Corporation.

Researcher's Questions to test level of customers trust in Ethiopian Insurance Corporation	**Never**		**Rarely**		**occasion ally**		**Often**		**Always**	
	frequency	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**	**frequency**	**percentage**
QTRUST 1 (EIC's customers feel secured in all transaction they made with company	**5**	**4.9**	**23**	**22.5**	**24 4**	**23.5**	**43**	**42.2**	**7**	**6.9**
QTRUST2 (EIC always does what promised at inception time).	**3**	**2.9**	**28**	**27.5**	**39**	**38.2**	**27**	**26.5**	**5**	**4.9**
QTRUST3 (The customers feel the corporation provide consistent service qualities)	**3**	**2.9**	**34**	**33.3**	**28**	**27.5**	**34**	**33.3**	**3**	**2.9**
QTRUST4 (The customers are confident that EIC is on strong financial status)	**3**	**2.9**	**33**	**32.4**	**38**	**37.3**	**27**	**26.5**	**1**	**1**
QTRUST5 (In EIC's customer believe that the employees have high integrity.	**6**	**5.9**	**56**	**54.9**	**33**	**32.4**	**7**	**6.9**	**0**	**0**
QTRUST6 (The customer feel honesty while dealing with EIC	**2**	**2**	**41**	**40.2**	**32**	**31.4**	**27**	**26.5**	**0**	**0**

The results in Table 4.21 also indicate that majority of the respondents (38.2%) indicated that the Ethiopian Insurance Corporation occasionally does what promised at service inception time. 26.5% of respondents indicated that the customers Ethiopian Insurance Corporation often does what promised at inception time. And 4.9% of the respondents indicated that Ethiopian Insurance Corporation always does what promised at inception date. This implies that more than 50% of served customers of the corporation have satisfied with their expectation from the corporation. On the other hand, 23.5% indicated the customers rarely feel the corporation provide what promised while transacting with Ethiopian Insurance Corporation. And 2.9% of the respondents indicated that the customers are never feeling Ethiopian Insurance Corporation provide the service promised at inception time.

Regarding the feeling customers feel the corporation provide consistent service qualities the results in Table 4.21 indicate that majority of the respondents (33.3%) indicated that the existing customers often have feeling customers feel the corporation provide consistent service qualities for all transaction they made with the Ethiopian Insurance corporation. 2.9% of respondents indicated that the customers are always feel they are getting consistence services from the corporation. This implies that 36% of served customers of the corporation have satisfied with service consistence provided by the corporation. On the other hand, 27.5% indicated the customers occasionally feel they are getting consistence services while transacting with Ethiopian Insurance Corporation. Similarly, 33.3% of respondents indicated that the customers rarely feel they are getting consistence services while transacting with Ethiopian Insurance Corporation. And 2.9% of the respondents indicated that the customers are never feel they are getting consistence services while transaction with the Ethiopian Insurance Corporation.

According to the results in Table 4.21, the majority of the respondents 37.3%) indicated that the existing customers occasionally have confident that the corporation is on strong financial status. 26.5% of respondents indicated that the customers are often having confident that the Ethiopian Insurance Corporation is on strong financial status. And 1% of the respondents indicated that the customers are always confident that Ethiopian Insurance Corporation is on strong financial status. This implies that 63% of served customers of the corporation have confident that the corporation is on strong financial status to discharge its contract responsibility. On the other hand, 32.4% indicated the customers occasionally confident while transacting with Ethiopian Insurance Corporation. Similarly, 2.9% of the respondents indicated that the customers are never confident about the financial strengthen of the Ethiopian Insurance Corporation.

The results in Table 4.21 indicate that 32.4%of the respondents indicated that the existing customers occasionally believe that the employees the Ethiopian Insurance Corporation have high integrity 54.9% of respondents indicated that the customers are rarely having confident that the Ethiopian Insurance Corporation's employees have integrity. And 6.9% of the respondents indicated that the customers are always confident that the employees of Ethiopian Insurance Corporation have integrity. This implies that 80% of served customers of the corporation have not confident that the employees of the corporation have work related integrity. On the other hand, similarly, 5.9% of the respondents indicated that the customers are never believed that the employees of the corporation have work related integrity.

Additionally the results in Table 4.21 indicate that 31.4% of the respondents indicated that the existing customers occasionally feel honesty while dealing with Ethiopian Insurance Corporation. 40.2% of respondents indicated that the customers are rarely having feeling honesty while transacting with the Ethiopian Insurance Corporation. And 26.5% of the respondents indicated that the customers are always having a feeling of honesty during transaction with Ethiopian Insurance Corporation. This implies that 58% of served customers of the corporation c feel honesty during transacting with the c. On the other hand, similarly, 2% of the respondents indicated that the customers are never feel honesty while transacting with the Ethiopian Insurance Corporation.

4.5.1 Characteristics of Customer Trust with Customer Retention

4.5.1.1 Correlation between customer Trust and customer retention

Correlation analysis is used to analyze the magnitude and direction of relations between variables but it cannot help to identify cause and effect of inferences for the variables. If two independent variables are correlated, it means that both of the variables are being treated in identical way on the dependent variable. Thus it implies that it is difficult to identify their effect on the dependent variable.

Correlation table explains the relationship of all variables, regardless of their dependency or independency. The result shows that the customer satisfaction has significant association with customer retention (.689), ($p<.001$).

Correlations

		Customer Retention	TRUST
Pearson Correlation	Customer Retention	1.000	.689
	TRUST	.689	1.000
Sig. (1-tailed)	Customer Retention	.	.000
	TRUST	.000	.
N	Customer Retention	102	102
	TRUST	102	102

Table 4.22 source: SPSS output 2021

4.5.1.2 Regression Analysis Evidences

Subsequent to the correlation analysis, further analysis was applied to test the given variables and further validate the hypotheses. The first regression, holding constant the independent variable or the predictor which is customer satisfaction by the Ethiopian Insurance Corporation to calculate the impact of service quality on the customers retention by the corporation. Results of regression has shown that effective service quality by the insurance corporation explains 47.5% of the variance in customer retention, whereas, (R=.689; R2 =.475; Sig=.000)

To assess the extent of impact of customer Trust on customer retention in Ethiopian Insurance Corporation simple regression analysis was carried out. The result of the regression model shown in table 4.43 indicates the value of the regression coefficient (R= 689, R- square = .475 and adjusted R- square = .470 and the model F= 90.604 and significance level of P=.000) for customer retention indicates that the model is significant at ($p<.001$).

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.689[a]	.475	.470	.68239	.475	90.604	1	100	.000	1.686

a. Predictors: (Constant), TRUST

b. Dependent Variable: Customer Retention

Table 4.23 source: SPSS output 2021

The impact of customer trust on customer retention in Ethiopian Insurance Corporation has been found to be significantly and positively correlated with customer loyalty ($r = .689$, $p < .001$). The association between the two variables is above the threshold of which proofs their greater association. The probability value is found to be less than .001. Thus, Null hypothesis is rejected and alternative hypothesis is accepted. Furthermore, customer trust on of the corporation is positively and significantly correlated with customer retention (R-square .475, $p < .001$ with F-value of 90.604 and indicates that overall, the model applied is significantly good enough in predicting the independent variables. Findings and inferences made. Customer trust on Ethiopian Insurance Corporation is statistically significant, F = (90.604), p< 001. Furthermore, as shown in the table above, $R^2 = 0.470$ was obtained, and it can be said that 47 percent of the dependent variable changes is explained by the model.

4.5.2 Summary of Customer Trust Level in Ethiopian Insurance Corporation

The potential importance of trust has been discussed by various researchers, (Arrow 1963; Mechanic and Rosenthal 1999). Trust has been defined as the expectation that arises among citizens of regular, honest and cooperative behavior, based on commonly shared ethical norms and values, including reliability, loyalty and solidarity (Fukuyama 1995). Mechanic (1998) describes trust in insurance as trust in insurers, based on the insurer's reputation of improving access to care. He concludes that insurers can build a reputation of trustworthiness by demonstrating expertise, responsiveness to consumers, and by ensuring quality care in contracting health insurance facilities. This can be extended to General and life insurance, where if the trust in the insurance provider is lost, then the customer is unlikely to renew his policy with the provider leading to lower retention. Ranaweera and Prabhu (2003) argue that once trust has been built in a relationship, the probability of each party ending the relationship diminishes.

TRUST

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	never	3	2.9	2.9	2.9
	rarely	33	32.4	32.4	35.3
	occasionally	38	37.3	37.3	72.5
	Often	26	25.5	25.5	98.0
	always	2	2.0	2.0	100.0
	Total	102	100.0	100.0	

Table 4.24 source: SPSS output 2021

The results in Table 4.24 indicate that 31.4% of the respondents indicated that the existing customers occasionally feel honesty while dealing with Ethiopian Insurance Corporation. 40.2% of respondents indicated that the customers are rarely having feeling honesty while transacting with the Ethiopian Insurance Corporation. And 26.5% of the respondents indicated that the customers are always having a feeling of honesty during transaction with Ethiopian Insurance Corporation. This implies that 58% of served customers of the corporation c feel honesty during transacting with the c. On the other hand, similarly, 2% of the respondents indicated that the customers are never feel honesty while transacting with the Ethiopian Insurance Corporation. Similarly, 1% of respondents strongly agreed that customers have good relationship with EIC after receiving services. The study found out that the satisfied customers use the products/services of the service provider and visit the service provider again and vice versa. But, this indicates that EIC should work more on improving customer relationship to meet consumers changing needs. Finally the study found out that the corporation should have well laid down mechanisms of receiving and addressing complains from the customers. This boosts customer loyalty and satisfaction to retain the existing customers

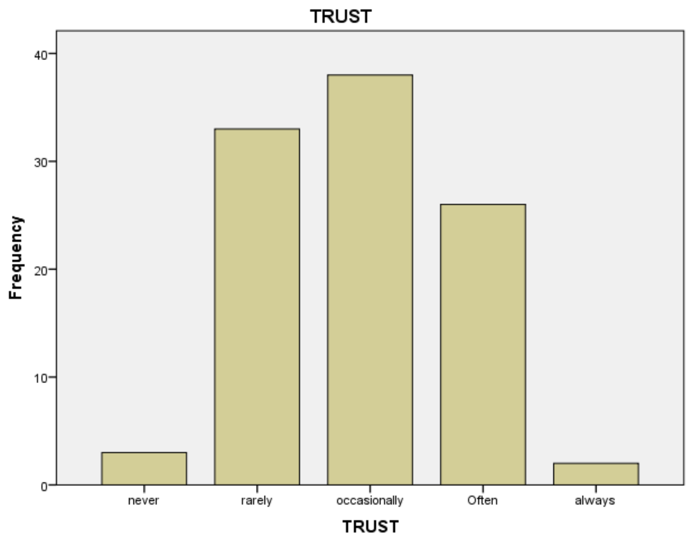


Figure 4.8 customer trust level in EIC

Overall, the investigation of the hypotheses put forward would seem to suggest that the degree of trust between the Ethiopian Insurance Corporation and the customer is directly influenced the customer retention of the corporation. The trust on service provider, in turn, results to affective commitment to the provider. Developing this type of commitment appears to be particularly important not only for ensuring the maintenance of the relationship but also for further enhancing it since it leads to an intention to further invest and strengthen the relationship with the customer. On the other hand, one has to note that as my findings would seem to suggest, calculative commitment decreases as the level of trust between the two parties' increases. This is a positive development for the relationship.

4.6 SERVICE RECOVERY LEVEL IN ETHIOPIAN INSURANCE CORPORATION

Service recovery quite often determines the future of the relationship, therefore service recovery strategies should be designed in every company. When service recovery in Customer Feeling Trust Reliability Company Commitment Core values critical situations is handled very well and the customer is pleased with how the situation was taken care of then this can make the relationship even stronger and affect positively on the length of the relationship. The researcher used the following questions to measure the level of service recovery system in Ethiopian Insurance Corporation.

Researcher's questions to test the service recovery system in Ethiopian Insurance Corporation	Strongly disagree		Dis agree		neutral		Agree		Strongly agree	
	frequency	percentage	frequency	percentage	frequency	percentage	frequency	percentage	frequency	percentage
QSERVREC1 (EIC has a formal structure to handle service failure)	15	14.7	47	46.1	17	16.7	22	21.6	1	1
QSERVREC2 (EIC has effective system to deal with customers complain regarding claim process).	16	15.7	48	47.1	23	22.5	15	14.7	0	0
QSERVREC3 (In EIC, there is appropriate person to handle customers complain)	17	16.7	48	47.1	17	16.7	20	19.6	0	0
QSERVREC4 (In EIC, the customers renew their policy after their complain is heard by the concerned body,	11	10.8	31	30.4	37	36.3	23	23.5	0	0
QSERVREC5 (*In EIC practice, there is active disciplinary action after customers complain if the employee does not performed per EIC's procedure and policies)*	21	20.6	36	35.3	30	29.4	14	13.7	1	1

Gronroos (2004) explains that the proper handling of customer complaints reflects the desire to make customer interest a priority, eventually improving customer satisfaction. A study by Narteh (2009) concluded that conflict handling has a significant outcome on customer satisfaction in a relationship. In summary, conflict handling significantly influences customer perception of services and their satisfaction.

The results in Table 4.25 indicate that majority of the respondents (46.1%) disagreed that the Ethiopian Insurance Corporation has formal structure to receive complain of service failure. This implies that the served customers of the corporation were not satisfied by the structure of the corporation to receive service failure complain. Similarly, 14.7% of respondents also strongly disagreed the existence of formal structured service failure complain receiving mechanism. On the other hand, 16.7% remain neutral from expressing their view while 21.6 % of respondents agreed that Ethiopian Insurance Corporation has formal structured service failure complain receiving windows. Similarly, 1% of respondents strongly agreed that Ethiopian Insurance Corporation has structured formal complaint handling windows.

On the other hand the results in Table 4.25 also indicate that majority of the respondents (47.1%) disagreed that the Ethiopian Insurance Corporation has effective system to receive complain of claim process. This implies that the served customers of the corporation were not satisfied effective system to receive complain of claim process. Similarly, 15.7% of respondents also strongly disagreed the existence of effective system to receive complain of claim process. On the other hand, 22.5% remain neutral from expressing their view while 14.7% of respondents agreed that Ethiopian Insurance Corporation effective system to receive complain of claim process failure. Similarly, 1% of respondents strongly agreed that Ethiopian Insurance Corporation has effective system to receive complain of claim process.

The study found out that the satisfied customers use the products/services of the service provider and visit the service provider again and vice versa. But, this indicates that EIC should work more on improving customer relationship to meet consumers changing needs. Finally the study found out that the corporation should have well laid down mechanisms of receiving and addressing complains from the customers. This boosts customer loyalty and satisfaction to retain the existing customers.

The customer complains handling system play a vital role in service sectors. Accordingly the results in Table 4.25 indicate that majority of the respondents (47.1%) disagreed that there is appropriate person to handle customers complain. This implies that the served customers of the corporation were not satisfied by there is appropriate person to handle customers complain. Similarly, 16.7% of respondents also strongly disagreed that there is appropriate person to handle customers complain. On the other hand, 16.7% remain neutral from expressing their view while 19.6 % of respondents agreed that there is appropriate person to handle customers' complains.

The study found out that Ethiopian Insurance Corporation has not complaint handling window or structurally assigned personnel to handle customers complain of service failure.

This indicates that Ethiopian Insurance Corporation should have well laid down mechanisms of receiving and addressing complains from the customers. This boosts customer loyalty and satisfaction to retain the existing customers.

Additionally the results in Table 4.25 indicate that majority of the respondents (45.1%) disagreed that the existing customer renew their insurance policy after they complain service failure in Ethiopian Insurance corporation after they get services. This implies that the served customers of the corporation were not satisfied by the response to their complained. Similarly, 9.8% of respondents also strongly disagreed that the customers did not renew their policy after their complained of service failure. On the other hand, 16.7% remain neutral from expressing their view while 22.5 % of respondents agreed that customers renew their insurance policy after their complained of service failure heard by the corporation.

The results in Table 4.25 indicate that majority of the respondents (45.1%) disagreed that there is active disciplinary action after customers complain if the employee does not performed per EIC's procedure and policies in Ethiopian Insurance corporation. This implies that the served customers of the corporation were not satisfied by practice of active disciplinary action after customers complain if the employee does not performed per EIC's procedure and policies. Similarly, 9.8% of respondents also strongly disagreed that the practice of active disciplinary action after customers complain if the employee does not performed per EIC's procedure and policies. On the other hand, 16.7% remain neutral from expressing their view while 22.5 % of respondents agreed that the practice of active disciplinary action after customers complain if the employee does not performed per EIC's procedure and policies.

The study found out that there no is active disciplinary action after customers complain if the employee does not performed per EIC's procedure and policies in Ethiopian Insurance corporation. But, this indicates that EIC should work more on improving customer relationship to meet consumers changing needs. Finally the study found out that the corporation should have well laid down mechanisms of receiving and addressing complains from the customers. active disciplinary action should be exist after customers complain if the employee does not performed per EIC's procedure and policies in Ethiopian Insurance corporation.

4.6.1 Correlation between Service Recovery and customer retention

Correlation analysis is used to analyze the magnitude and direction of relations between variables but it cannot help to identify cause and effect of inferences for the variables. If two independent variables are correlated, it means that both of the variables are being treated in identical way on the dependent variable. Thus it implies that it is difficult to identify their effect on the dependent variable.

Correlation table explains the relationship of all variables, regardless of their dependency or independency. The result shows that the customer satisfaction has significant association with customer retention (.691), ($p<.001$).

Correlations

		Customer Retention	SERVICE RECOVERY
Pearson Correlation	Customer Retention	1.000	.691
	SERVICE RECOVERY	.691	1.000
Sig. (1-tailed)	Customer Retention	.	.000
	SERVICE RECOVERY	.000	.
N	Customer Retention	102	102
	SERVICE RECOVERY	102	102

Table 4.26 source: SPSS output 2021

4.6.2. Regression Analysis Evidences

Subsequent to the correlation analysis, further analysis was applied to test the given variables and further validate the hypotheses. The first regression, holding constant the independent variable or the predictor which is customer satisfaction by the Ethiopian Insurance Corporation to calculate the impact of service quality on the customers retention by the corporation. Results of regression has shown that effective service quality by the insurance corporation explains 47.2% of the variance in customer retention, whereas, (R=.691; R2 =.472; Sig=.000).

To assess the extent of impact of customer Trust on customer retention in Ethiopian Insurance Corporation simple regression analysis was carried out. The result of the regression model shown in table 4.51 indicates the value of the regression coefficient (R= 691, R- square = .472 and adjusted R- square = .477 and the model F= 91.196 and significance level of P=.000) for customer retention indicates that the model is significant at (p<.001).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.691[a]	.477	.472	.68133	.477	91.196	1	100	.000	2.103

a. Predictors: (Constant), SERVICE RECOVERY

b. Dependent Variable: Customer Retention

Table 4.27 source: SPSS output 2021

The impact of service recovery on customer retention in Ethiopian Insurance Corporation has been found to be significantly and positively correlated with customer loyalty (r = .691, p< .001). The association between the two variables is above the threshold of which proofs their greater association. The probability value is found to be less than .001. Thus, Null hypothesis is rejected and alternative hypothesis is accepted. Furthermore, customer trust on of the corporation is positively and significantly correlated with customer retention (R-square .472, p< .001 with F-value of 91.196 and indicates that overall, the model applied is significantly good enough in predicting the independent variables. Findings and inferences made. Customer trust on Ethiopian Insurance Corporation is statistically significant, F = (91.196), p< 001. Furthermore, as shown in the table above, $R^2 = 0.472$ was obtained, and it can be said that 47 percent of the dependent variable changes is explained by the model.

4.6.3 Summary of Service Recovery Level In Ethiopian Insurance Corporation

The service recovery means the ability of the service provider to solve the problem such as the customer dissatisfaction and the service failure. This study adopts the definition of the service recovery as described. The active effort of the company to solve the problem helps customer have credit on the service provider. And appropriate effort for the service recovery can protect customers from switching the service provider (Colgate & Lang, 2001).

The service recovery at the service encounter is a foundation to develop the customer relationship into a long term friendship. Therefore the service recovery can be a component for the switching barrier. Service recovery can be regarded as a passive strategy for the improvement of customer satisfaction. Service recovery refers to the actions taken by a firm in response to a service failure. Service failure often occurs when the customer's perceived service quality falls below customer expectations.

Gronroos (2004) explains that the proper handling of customer complaints reflects the desire to make customer interest a priority, eventually improving customer satisfaction. A study by Narteh (2009) concluded that conflict handling has a significant outcome on customer retention in a relationship. In summary, conflict handling significantly influences customer perception of services and their satisfaction.

The summery of the respondents' outlook is presented as follows:-

SERVICE RECOVERY

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	10	9.8	9.8	9.8
	disagree	46	45.1	45.1	54.9
	neutral	17	16.7	16.7	71.6
	Agree	28	27.5	27.5	99.0
	strongly agree	1	1.0	1.0	100.0
	Total	102	100.0	100.0	

Table 4.28 source: SPSS output 2021

The results in Table 4.28 indicate that majority of the respondents (45.1%) disagreed that the existing customer renew their insurance policy after they complain service failure in Ethiopian Insurance corporation after they get services. This implies that the served customers of the corporation were not satisfied by the response to their complained. Similarly, 9.8% of respondents also strongly disagreed that the customers did not renew their policy after their complained of service failure. On the other hand, 16.7% remain neutral from expressing their view while 22.5 % of respondents agreed that customers renew their insurance policy after their complained of service failure heard by the corporation.

Similarly, 1% of respondents strongly agreed that customers renew their insurance policy after their complained of service failure heard by the corporation.

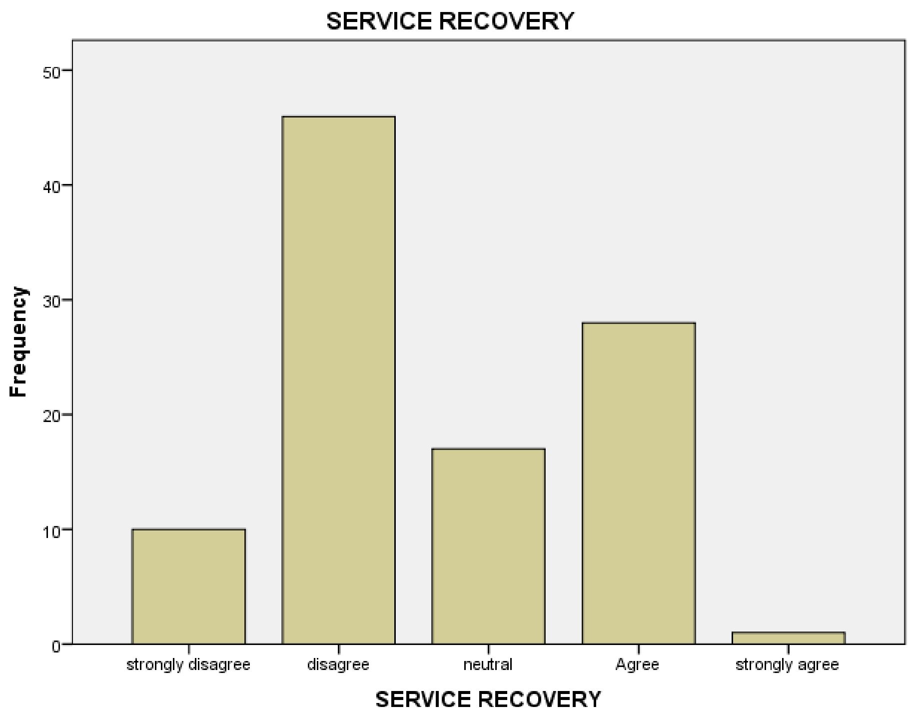


Figure 4.9 service recovery level in EIC

Based on the findings, conflict handling was identified as an important indicator of both customer satisfaction and customer retention. Therefore, it is paramount for Ethiopian Insurance Corporation to develop and implement a comprehensive and effective conflict and complaint management system in order to address service failures and other forms of conflicts. Ethiopian Insurance Corporation should make it possible and easy for customers to make such complaints. Again, the corporation should make the necessary efforts to solve complaints promptly, and if they cannot be rectified immediately, they should inform customers when they will be able to solve these issues.. Customer care personnel should also be trained in how to handle customer complaints without aggravating the situation.

4.7 CUSTOMER RETENTION IN ETHIOPIAN INSURANCE CORPORATION

The customers who stay in touch with the organization for a longer period are called retained customers. Consequently, the researchers have identified three methods to evaluate the retention rate of the customers; these three methods are compound method behavioral method and attitudinal method. The behavioral method of retention rate shows the repetitive and constant buying behavior of the customers. Actually, the customers who are loyal to the brand or the product are the retained customers (Anderson, 1994).

4.7.1 Descriptive Data Analysis

As we can see on table 4.29, among the targeted population 2.0 % of the respondents are strongly disagreed with the customer retention practices in Ethiopian Insurance Corporation. 31.40% of the respondents also disagreed with the customer retention practices of Ethiopian Insurance Corporation. And 30.4% are neutral that means they are neither agreed nor disagreed with the retention practices. On the other hand 32.4% of the respondents are agreed and the remaining 3.9% are strongly agreed. That means the customer retention practices in Ethiopian Insurance Corporation can satisfy only 36.3 % of respondents which can rate their satisfaction as agreed and strongly agreed.

Customer Retention

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	2	2.0	2.0	2.0
	disagree	32	31.4	31.4	33.3
	neutral	31	30.4	30.4	63.7
	Agree	33	32.4	32.4	96.1
	strongly agree	4	3.9	3.9	100.0
	Total	102	100.0	100.0	

Table 4.29 source: SPSS output 2021

The results in Table 4.29 indicate that among of the respondents (31.4%) indicated that they with the Ethiopian Insurance corporation customer retention practices. This implies that the served customers of the corporation did not satisfied by service provided. 2% of respondents also strongly disagreed with the Ethiopian Insurance corporation retention practices. On the other hand, 30.4% remain neutral from expressing their view on the customer retention practices while 32.4 % of respondents agreed that customer retention performance. Similarly, 3.9% of respondents strongly agreed that the Ethiopian Insurance Corporation is good in customer retention practices.

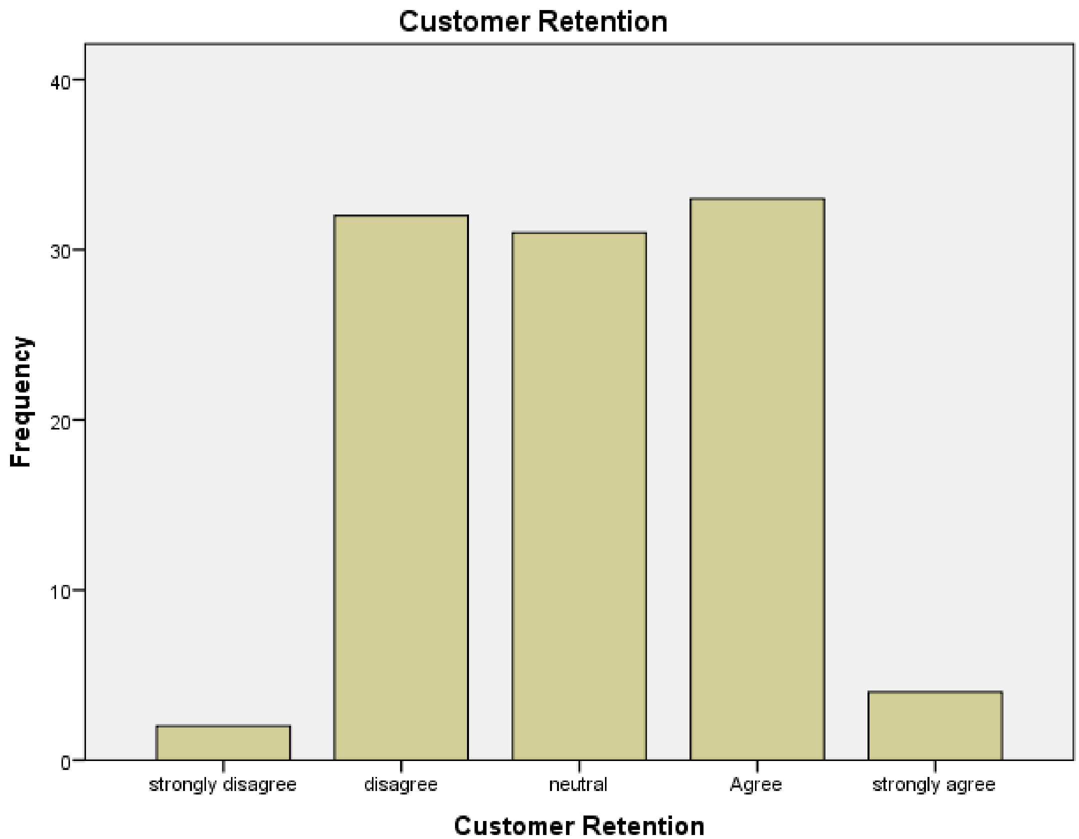


Figure 4.10 ***Customer retention practice level in EIC***

The study found out that the satisfied customers use the products/services of the service provider and visit the service provider again and vice versa. But, this indicates that EIC should work more on improving customer relationship to meet consumers changing needs. Finally the study found out that the corporation had not well laid down mechanisms of receiving and addressing complains from the customers.

Descriptive Statistics

	Mean	Std. Deviation	N
Customer Retention	3.0490	.93742	102
SERVICE RECOVERY	2.6471	1.02104	102
TRUST	2.9118	.87995	102
COMMITMENT	2.7549	.95892	102
SERVICE QUALITY	2.4608	.89743	102
SATISFACTION	2.5294	.81697	102

Table 4.30 source: SPSS output 2021

From the table 4.30, the customer retention mean value is 3.0490, which shows most of the items are responded at agreement, neutral and disagreement scale. The mean value of customer satisfaction is 2.5294, which indicates there is a small difference with the mean of customer retention and it implies that customer satisfaction has a big role on customer retention next to service quality with mean of 2.4608 than the other variables. And customer trust and employees commitment have a mean value of 2.9118 and 2.7549 respectively which has a moderate role on customer retention. And the service recovery with a mean value of 2.6471 is also has a moderate role on customer retention. The standard deviation for customer retention is 0.9374 which shows there is variability in customer retention understanding with in the data. As the theoretical as well as empirical evidences supports, factors of customer retention have a significant level of influence on customer retention.

4.7.2 Overall Factors Correlation Analysis

Correlation refers to synonym for association or the relationship between variables and it measures the degree to which two sets of data are related. As we can see from Table 4.12 Higher correlation value indicates stronger relationship between both sets of data. When the correlation is 1 or-1, a perfectly linear positive or negative relationship exists; when the correlation is 0, there is no relationship between the two sets of data (Vignaswaran, 2005).

Subsequently, a correlation analysis was used to determine the validity of the hypotheses and prove the relationship between the indicated variables. A correlation analysis is a statistical function used for testing the relation between two or more variables and the level of liaison between them. That said, the coefficient of correlation (r) is used to investigate the strength of the relation, while, the value of the coefficient is between (-1 and 1) and (r) is located in the correlation table where the two values cross.

There is a variety of types of correlation analysis in SPSS which are used for specific purposes, in this research, positive and negative correlation is used to diagnose the direction of the relation alongside the strength of the relationship. (i.e. if the value of coefficient is positive means the relationship between the two variables is moving in the same direction and vice versa). Furthermore, when the value of coefficient is equal to 1 it indicates a perfect positive relation, meanwhile, if the value of coefficient is somewhere between 0.6 – 1 it designates a strong positive correlation, and when it varieties between 0.3-0.6 it entitles a moderate relationship. Interestingly, SPSS stars relations that seem to have a remarkable correlation regardless of the number of coefficient, the program advice the researcher to double check the stared values for interesting findings (Malhotra, 2007).

As shown in the objective and conceptual framework of this study, to test the relationship between the factors of customer retention and customer retention, the following correlation analysis is performed. As we can see it on table 4.55 below all of the identified retention factors have a significant positive relationship with customer retention.

Multivariable Correlations

		Customer Retention	Service recovery	Trust	Commitment	Service quality	Satisfaction
Pearson Correlation	Customer Retention	1.000	.691	.689	.696	.679	.664
	SERVICE RECOVERY	.691	1.000	.571	.578	.579	.523
	TRUST	.689	.571	1.000	.549	.528	.575
	COMMITMENT	.696	.578	.549	1.000	.604	.496
	SERVICE QUALITY	.679	.579	.528	.604	1.000	.609
	SATISFACTION	.664	.523	.575	.496	.609	1.000
Sig. (1-tailed)	Customer Retention	.	.000	.000	.000	.000	.000
	SERVICE RECOVERY	.000	.	.000	.000	.000	.000

	TRUST	.000	.000	.	.000	.000	.000
	COMMITMENT	.000	.000	.000	.	.000	.000
	SERVICE QUALITY	.000	.000	.000	.000	.	.000
	SATISFACTION	.000	.000	.000	.000	.000	.
N	Customer Retention	102	102	102	102	102	102
	SERVICE RECOVERY	102	102	102	102	102	102
	TRUST	102	102	102	102	102	102
	COMMITMENT	102	102	102	102	102	102
	SERVICE QUALITY	102	102	102	102	102	102
	SATISFACTION	102	102	102	102	102	102

Table 4.31 source: SPSS output 2021

The table above indicates the correlation matrix between the factors (customers' satisfaction, customer perception of service quality, employee's commitment, customers trust, and perceived service recovery) and customer retention. According to the table, there is a positive relationship between customer retention and (Employees commitment, service recovery, customer trust, customer perception of service quality, customers' satisfaction) and customer retention magnitude 0.696, 0.691, 0.689, 0.679 and 0.664 respectively. The positive relationship indicates that there is a correlation between these factors and the customer retention. All the variables were significant ($p<0.001$).

Based on the correlation result of the above table 4.55, employees' commitment and customer retention in Ethiopian Insurance Corporation have highest correlation coefficient which is 0.696 at 0.01 level of significant. This indicates that employees' commitment in Ethiopian Insurance Corporation has significant relationship with the level of customer retention. Next employees' commitment, service recovery and customer retention has the second rank of correlation coefficient with the value of 0.691 at 0.01 level of significant. Next to this with a little difference, customer trust and customer retention (0.689) has correction coefficient. Similarly, service quality and customer satisfaction has a moderate significant relationship with customer retention that is .679 and .664 respectively at 0.01 level of significant. So based on the correlation coefficient; customer satisfaction, customer trust, employees commitment, service recovery and service quality have significant level of impact on customer retention in Ethiopian Insurance Corporation.

4.7.3. Multivariable Regression Analysis

Regression analysis is concerned with measuring and explaining the relationship between a given variable (usually called the dependent variable) and one or more other variables (usually known as the independent variables). It is used to understand the relationship between variables and predict the value of one variable based on another variable. This is also indicated in the model summary below where the statistical relationship of the dependent and independent variables is shown, that is between the independent variables: customer satisfaction, service quality, employees' commitment, customers trust, service recovery and dependent variable customer retention on the other.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.850[a]	.723	.708	.50638	.723	50.025	5	96	.000	1.687

a. Predictors: (Constant), SATISFACTION, COMMITMENT, SERVICE RECOVERY, TRUST, SERVICE QUALITY

b. Dependent Variable: Customer Retention

Table 4.32 source: SPSS output 2021

Table 4.32 shows the model fit which establish how fit the model equation fits the data. The adjusted R2 was used to establish the predictive power of the study model and it was found to be .708 implying that 70.8% of the variations in customer retention are explained by customers' satisfaction, service quality, employees commitment, customers trust and service recovery system of the corporation. Therefore, further studies should be done to establish the other factors (29.2%) affecting customer retention in Ethiopian Insurance Corporation.

The probability value of 0.000 indicates that the regression relationship was highly significant in predicting how customers' satisfaction, service quality, employee's commitment, customer trust, and service recovery system affected customer retention in Ethiopian Insurance Corporation.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.138	5	12.828	50.025	.000[b]
	Residual	24.617	96	.256		
	Total	88.755	101			

a. Dependent Variable: Customer Retention

b. Predictors: (Constant),CUSTOMER SATISFACTION, EMPLOYEES COMMITMENT, SERVICE RECOVERY, CUSTOMER TRUST, SERVICE QUALITY

Table 4.33 source: SPSS output 2021

Based on the ANOVA results indicated on table 4.33, there is a statistical significant correlation between dependent and independent variables at 1% significant level due to the sig value 0.000 ,which reveals that the explanatory variables; customer satisfaction, customer trust, employees commitment, service recovery, and service quality have an impact on customer retention. However, all customer retention factors have no equal correlation with customer retention because the outcome of multiple regression analysis stated that there is variation in the impact of customer retention. Moreover the F statistics (50.025) which is used to measure the overall test of significance of the model was presented and the sig. value is 0.000 which indicates that the model is well fitted at 1 percent level of significant. In other way, there is a relationship between customer retention factors and customer retention in Ethiopian Insurance Corporation.

As it can be seen from the above table the regression row displays information about the variation accounted for the model .The regression sum of square is greater than residual sum of squares .Furthermore, the table gives evidence of $P< .001$ with F-value of 50.025 and indicates that overall, the model applied is significantly good enough in predicting the independent variables.

4.7.3.1. Test of multicollinearity

To detect multi collinearity, it is recommended to calculate the variance inflation factors (VIF) for each independent variable. And for this study the variance inflation factor (VIF) and the tolerance value have been tested. When there is a VIF value greater than ten (10), the problem of multilinearity exists. Furthermore, the critical value can be calculated by 1/VIF. If the critical value is less 0.1, this would mean that more than 90% of the variation in the variable is explained by the other variables and this leads to for the inaccuracy of the model and it should be adjusted. The variable(s) with VIF values larger than 10 or 1/VIF values below 0.1 should be excluded from the analyses (Brooks, 2008). And for this study all independent variables have VIF less than ten so this indicates that there is no multicolinearity problem.

Over All Factors Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.151	.195		.774	.441					
	SERVICE RECOVERY	.202	.068	.220	2.964	.004	.691	.290	.159	.523	1.914
	TRUST	.245	.079	.230	3.116	.002	.689	.303	.167	.531	1.882
	COMMITMENT	.243	.073	.249	3.352	.001	.696	.324	.180	.524	1.909
	SERVICE QUALITY	.168	.081	.161	2.061	.042	.679	.206	.111	.475	2.103
	SATISFACTION	.224	.085	.195	2.638	.010	.664	.260	.142	.528	1.894

a. Dependent Variable: Customer Retention

Table 4.34 source: SPSS output 2021

The established model for the study was:

Y=**Bo + B1X1 B2X2 +B3X3+B4X4+B5X5**

Where x1= customer satisfaction **x4= service recovery**

X2= customer trust **x5= service quality**

X3= Employees commitment **y= customer retention**

Y(customer retention) = .151 + .224 customer satisfaction +0.245xtrust + 0.243xcommitment + 0.202xService recovery + 0.168xservice quality

The regression equation above has established that taking all factors into account (customers' satisfaction, service quality, customer trust, employee's commitment, service recovery) constant at zero customer retention by the corporation will be 0.151. The findings presented also show that the customer trust had the greatest on the customer retention ($\beta2$ = 0.245), employees commitment ($\beta3$ = 0.243), customer satisfaction ($\beta1$ = 0.224), service recovery ($\beta4$ = 0.202), then service quality ($\beta5$ = 0.168) had the least effect to the customer retention in Ethiopian Insurance Corporation. All the variables were significant (p<0001).

4.7.3.2. Test of normality

The purpose to normality test was to determine whether the data is well-modeled by a normal distribution or not, and to compute how likely an underlying random variable is to be normally distributed. According to Brooks (2008), if the residuals are normally distributed, the histogram should be bell shaped and also the classical linear regression assumption states that the error term should be normally distributed or expected value of the errors terms should be zero ($E(\varepsilon t)=0$),so this assumption is depict as follows on figure 4.11

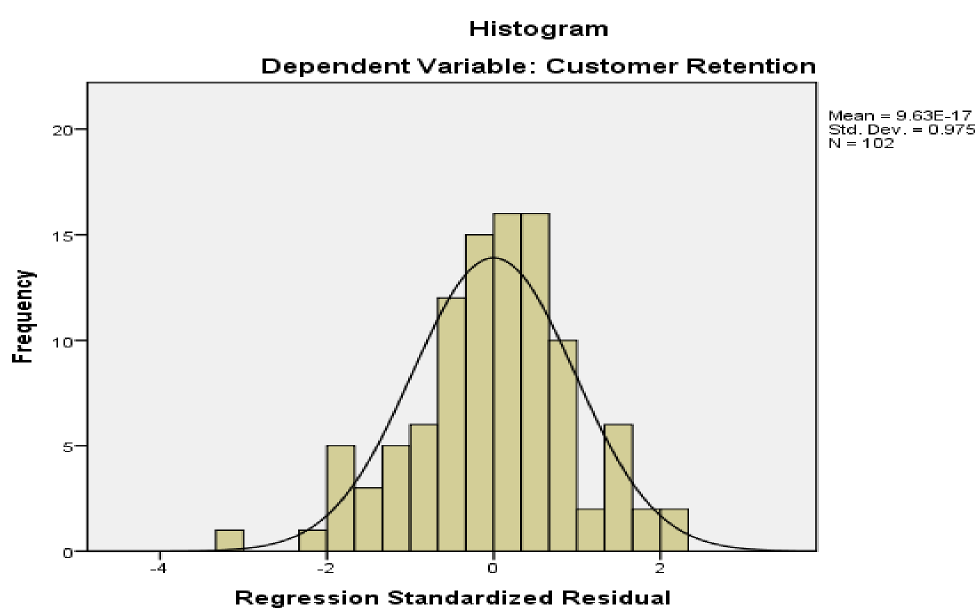


Figure 4.11 Customer retention respondents variance

As the figure 4.11 shows that the histogram is almost bell shaped which leads to conclude the residual or errors are normally distributed. Even though most few residuals are no included within the curve, most of the residuals are within the curve and near to zero. And this tells that the assumption of normally distribution of the error term is not violated.

4.7.3.3. Linearity test

Linearity is the degree that shows the change in the dependent variable due to the change in the independent variables. Simply it explains the relation and movement of dependent and independent variables. To determine whether the relationship between the dependent variable customer retention in Ethiopian Insurance Corporation and the explanatory variables (X1 (customer satisfaction), X2 (customer trust), X3 (employee commitment), X4 (service recovery), and X5 (service quality)) have a linear relation as shown below on the figure

Figure 4.1: Normal Point Plot of Standardized

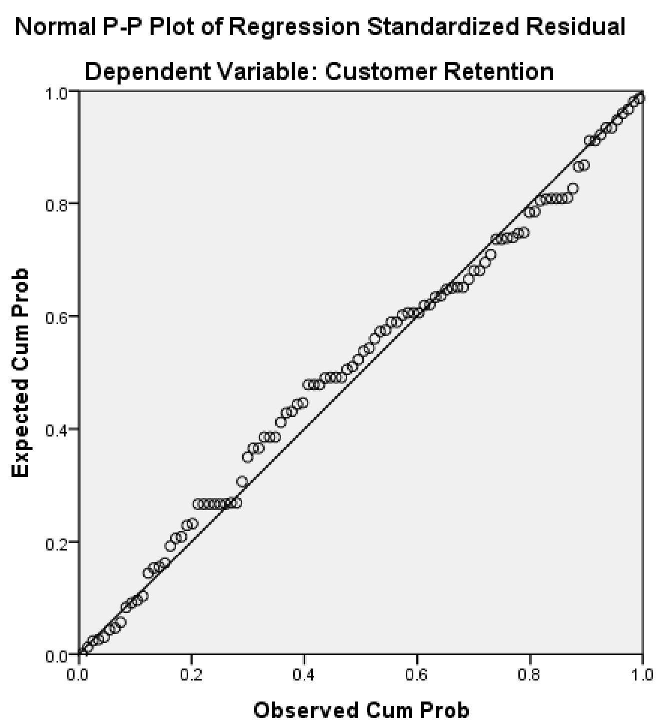


Figure 412 Source: SPSS output, 2021

As the figure shows there is no variation in the distribution of residuals rather there is a linearity line of spread. There is uniform distribution along with the main line. So this revealed that there is linearity.

4.8 Discussion

The purpose of the study was to investigate the direct and indirect (via customer satisfaction) effects of trust, commitment, service quality and complain handling /service recovery/ on customer retention. The study revealed a positive and significant relationship between trust and customer retention in the Ethiopian Insurance Corporation. The results demonstrate that ensuring trust is the most important service giving practice that influences relationship quality and, in essence, the satisfactory level of customers. Similarly, a positive interplay was identified between service recovery and customer retention in the Ethiopian Insurance Corporation that validates service recovery has a significant impact on customer retention in the service industry. This implies that the ability of insurance firms to prevent potential conflicts, as well as solve manifested conflicts, has a significant impact on customers' retention with the relationship. It was interesting to note that employees' commitment was found to relate significantly to customer retention. The study implies that the Ethiopian Insurance Corporation merely not providing flexible services and the employees do not committed to improve relationships or to influence the customers' post-purchase evaluation of services enjoyed. Per the findings of the study, customer trust and employees commitment, customer satisfaction, service quality were found have a direct significant relationship with customer retention in the Ethiopian Insurance Corporation. And similarly, conflict handling was seen to have a direct significant relationship with customer retention. The significant relationship between conflict handling and customer retention reflects that when firms are able to handle service failures and successfully respond to customer complaints, customers return to patronize the services of the firm. It was also seen that trust and conflict handling indirectly affect customer retention through customer satisfaction, as suggested by Meyer (2010). Essentially, customer satisfaction mediates the effect of trust, service quality, service recovery and conflict handling on customer retention (Ranaweera & Prabhu, 2003; Zeithaml et al., 2009).

4.8.1 Research hypotheses and interpretation of the regression results

H01: customer Satisfaction has no positive relationship and significant impact on customer retention in Ethiopian Insurance Corporation.

As the result shows on the regression analysis table, customer Satisfaction (x1) has a sig value of 0.000 which is less than 0.001 at the significant level of 1% and this indicates that there is significant relationship between customers satisfaction and customer retention in Ethiopian Insurance Corporation and it has a significant impact. Therefore, it indicates that there is enough evidence to accept the alternative hypothesis and the researcher reject the null hypothesis.

H02: Customer's trust has no positive relationship and significant impact on customer retention in Ethiopian Insurance Corporation.

As the result shows on the regression analysis table, customer Trust (x2) has a sig value of 0.000 which is less than 0.001 at the significant level of 1% and this indicates that there is significant relationship between customers trust and customer retention in Ethiopian Insurance Corporation and it has a significant impact. Therefore, it indicates that there is enough evidence to accept the alternative hypothesis and the researcher reject the null hypothesis.

H03: Employees commitment has no positive relationship and significant impact on customer retention in Ethiopian Insurance Corporation. Hence employee commitment (x3) has the sig value of 0.000 which is less 0.001 level of significant. So this indicates that employees' commitment has a positive and high impact on customer retention. The alternative hypothesis is accepted in favor of rejecting the null hypothesis.

H04: service recovery (x4) has no significant impact on customer retention in Ethiopian Insurance Corporation. Service recovery with the sig value of 0.0001 at 0.001 level of significant implies that there is positive and significant impact on customer retention. So the null hypothesis is rejected and the alternative hypothesis is accepted. Hence the researcher has enough evidence to support the alternative hypothesis by rejecting the null hypothesis.
H05: The Service quality (x5) has no positive relationship and significant impact on customer retention in Ethiopian Insurance Corporation. As the regression coefficient revealed above, service quality has a positive and significant impact on customer retention with the sig value of 0.000 at 0.001 level of significant. Hence the researcher has an evidence to accept the alternative hypothesis and to reject the null hypothesis.

Therefore all of the identified five customer retention factors as independent variable based on their influence (impact); customer satisfaction, customer trust, employees commitment, service quality and service recovery have an impact on customer retention in Ethiopian Insurance Corporation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there to. The conclusions and recommendations drawn were focused on addressing the objective of the study.

5.2 Summary of Findings

The study sought to investigate the challenges of customer retention in EIC and analyzing their relationship. The study deduced that level of service quality, customer satisfaction, employee's commitment, and customer trust and service recovery in Ethiopia Insurance Corporation. It was mostly agreed that customers were not satisfied with convenience of service quality, service recovery system, service duration, employees' commitment to serve, and accuracy of the corporation's records. In addition, it was agreed that customers were not satisfied with efficiency of customer service and safety of transactions. Customers were not satisfied with the physical appearance of the branch and the knowledge of the staff who deliver the services. The study found out that customers were not satisfied with the efficiency of service, attention and listening of the customer and the Ethiopian Insurance Corporation sensitivity for the customers' needs. in addition, it was agreed that they were also not satisfied with the fact that the corporation use latest technology, had flexible and easily understandable policy documents, had convenient branch location, structured method of solving customer complain. The study found out that, as agreed, customers perceived the image of the corporation as trustworthy and widely-known to the public. The study established that the Ethiopian Insurance Corporation had competitive advantage because it has trust compared to others. Customers did not choose the corporation because they thought it didn't have committed employees. In addition, the corporation was inefficient in handling complains to retain dissatisfied customers.

5.3. Conclusions

The problem of customer retention in Ethiopian Insurance Corporation which could lead for the decline of market share was initiated this study to be launched. Hence, the study was designed to examine the level of customer satisfaction, customer trust, employees' commitment, service quality and service recovery in Ethiopian Insurance Corporation and investigate the relationship these factors with customer retention of the corporation. Accordingly, the finding shows the existence customer satisfaction in the corporation only supported 12.7% of respondents, employee's commitment by 27.5% of respondents, customer trust, 27.5% of respondents, service quality 13.7% respondents, and service recovery supported only 28.5% respondents. This implies that the customer satisfaction level, customer trust level, employees' commitment level, service quality level and service recovery level of Ethiopian Insurance Corporation are not on satisfactory level. Consequently, the data from the respondents shows that the Ethiopian Insurance corporation customer retention practices were not satisfactory.

On the other hand the findings of the study shows that customer satisfaction, customer trust, employees' commitment, service quality and service recovery in Ethiopian Insurance Corporation play a vital role in influencing customers' retention in the corporation. Customer satisfaction strongly and positively correlated with the customer retention (r= .664). Employees Commitment is strongly and positively correlated with the customer retention (r= .696) customer trust is strongly and positively correlated with the customer retention (r= .689), service recovery is also strongly and positively correlated with the customer retention (r= .691) Furthermore, service quality on Ethiopian Insurance Corporation is also positively correlated, (r=.679). The effect of influencing variables on customer retention is also significant at .001 level two tailed. Estimate of regression weight shows when customer satisfaction on the corporation goes up by 1, customer retention goes up by 0.224. This shows a change in customer satisfaction leads to a change in customer retention. In nutshell, as the result shows customer satisfaction is an important antecedent of customer retention. When customer trust on Ethiopian Insurance Corporation goes up by 1, customer retention goes up by .245. Estimate of regression weight shows when employees' commitment goes up by 1, customer retention goes up by 0.243. Similarly, when service recovery system of the Ethiopian Insurance Corporation goes up by 1, customer retention goes up by .202 and when service quality of the Ethiopian Insurance Corporation goes up by 1, customer retention goes up by .168. This shows a change in customer satisfaction, customer trust, employees' commitment, service recovery and service quality leads to a change in customer retention. In nutshell, as the result shows customer satisfaction, customer trust on the corporation, employees commitment, service recovery system and service quality are an important antecedents of customer retention.

Thus, insurers need to focus on the construct customer trust which contains belief in the corporation' employees and insurance company as a whole, which provide to customers an assurance of positive outcomes not only for the present but also for the future. As illustrated in the literature, customers must be to believe that the company will not behave opportunistically for sake of its own interest; otherwise they will switch to other providers. The greater customers developed trust on company employees and on the overall company the higher will be their loyalty to the corporation which in turn becomes means of customer retention.

5.4 Recommendations

From the findings, it was evident that customers were not satisfied with Ethiopian Insurance Corporation effort to give customers quality services, clarity of contract documents, accuracy customer records and commitment of employees. Therefore, the corporation should give more attention for existing customers and should make an effort to get their existing customers are satisfied to realize the retention of existing customers. Since the cost of getting new business is higher than retaining existing customers the insurance should work more on improving its customer's satisfaction and that it was able to meet consumers changing needs. Finally Ethiopia Insurance Corporation should give more attention to well laid down mechanisms of receiving and addressing complains from the customers.

On the issue of customer perception of service quality, it was evident that customers were not satisfied with the fact that the corporation had not efficient service, listens and is not sensitive to customers' needs. Therefore this study recommends that Ethiopian Insurance Corporation should come up with a mechanism of solving customer's queries and ensure that feedback/ response to them is fast.

The study also recommends that Ethiopian Insurance Corporation should be involved in more corporate social responsibility activities in order to involve the community and even empower the community. This will enable the corporation to have a good trust and will help to retain the customers. From the conclusion it was evident that customers choose the Ethiopian Insurance Corporation because they thought it had a reputation of trust. Therefore this study recommends that Ethiopian Insurance Corporation should have increase employees commitment to quality service which has to come from the top and it has to be reinforced over and over again. In addition, organizing employees into quality circles can be an effective way to identify and address problems. The study finally concluded that

Ethiopian Insurance Corporation should come up with a mechanism that is efficient and effective to handle complaints and feedback from the customers since from the respondents, Ethiopian Insurance Corporation was inefficient in handling complains. The study also recommends that the corporation should take time to truly listen to what the customers say, stay in contact with existing and past clients on a consistent basis and promptly return phone calls and e-mail messages. This will enhance customer retention.

5.5 Suggestions for Further Study

This study laid emphasis on the customer retention in Ethiopian Insurance Corporation. Research should also be conducted on factors affecting customer retention in Ethiopian Insurance Industry.

APPENDEX I

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APPENPEX II

Questionnaires

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MBA (FINANCIAL SERVICE PROGRAM)

<u>Questionnaire to be filled by respondents</u>

Dear respondent,

I thank you in advance for your voluntary participation in completion of this questionnaire. This questionnaire is prepared for a thesis to be conducted as part of the fulfillment to the requirement for Masters Program in MBA Financial service. The questionnaire is designed to seek your opinion and knowledge about the challenges as well as practice of customer retention strategies in the Ethiopian Insurance Corporation (EIC) as a specific case for the study. Your contribution and honest responses are very important in the study and will help gain better understanding on how to improve the practices of retain existing customers of the corporation.

Please, note that the information you provide will only be used for academic purpose and remain anonymous. I assure you that any personal information you provide will only be known to me as a researcher and I kindly urge to be open and honest about your true feelings when you fill in the questionnaire.

It will take you about 10 minutes to complete this questionnaire and please answer all of the questions.

Thank you,

Muluneh Bullo, MBA candidate
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Addis Ababa University

College of Business and Economics

MBA financial services

SECTION A: GENERAL INFORMATION

The following section requests for your background information. Please put "X" mark in front of the appropriate alternative provided and fill the required information.

1. **Age:** **A.** 25-34. ☐ **B.** 35-44 ☐ **C.** 45 and above ☐

2. **Gender:** **A.** Male ☐ **B.** Female ☐

3. **Highest academic qualification earned:**
   A. PhD ☐ **B.** Master's ☐ **C.** BA/BSc ☐ **D.** other ☐
   E. Diplom ☐

4. **Years of service in the corporation: (for Staff only)**
   A. 1-5 ☐ **B.** 6 -10 ☐ **C.** 11-15 ☐
   D. 16-20 ☐ **E.** 21 and above ☐

5. **Current position held: (for Staff only)**
   A. CEO ☐ **B.** DCEO ☐ **C.** Director ☐ **D.** Team ☐ leader
   E. Principal customer care ☐ **F.** Manager ☐

SECTION B: BASIC INFORMATION

The following statements are designed for assessing the customer retention strategies of Ethiopian Insurance Corporation (EIC). Please put **"X"** mark on the scale given.

A) Please evaluate the company's existing customer satisfaction. Rate them on the scale of 1-5 (From 1= Strongly disagree to 5= Strongly agree)

S.No	Items	Rating point: Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	EIC give more attention to existing customers than soliciting					
2.	In EIC the existing customers have a good relationship with the corporation after they got claim service.					
3.	In EIC, Deliver claim settlement service in reasonable duration					
4.	In EIC, the existing customers get assistance and cooperation from the employees of the company when they lodged a claim					
5	In EIC the process of getting solution for problem is quick and effective					
7	In EIC the employees have enough knowledge to give prompt services					

Please assess/evaluate the overall customer satisfying practices of EIC
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B) Please evaluate the company's service quality. Rate them on the scale of 1-5 (From 1= poor to 5= excellent)

S. No	Items	Rating point poor	Blow ave	average	good	Excellen
1	EIC Offers are easily accessible and physically appealing					
2	In EIC, contract documents, policy and procedures are easy to understand					
3	EIC provide claim and underwriting services is good enough to fulfill customers as their expectation					
4	EIC deliver what promised during inception.					
5	EIC use effective technology and keep customers records and files effectively					
6	Calls and queries are quickly responded to customers					

C). Please evaluate how much the EIC's service commitment and what its management looks like.

Evaluates the service commitment level, Rate them on the scale of 1-5 (From 1= strongly disagree to 5= strongly agree)

S.No	Items	Rating point Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	EIC is flexible in meeting customer interest/needs					
2	EIC offer personalized services to meet customer needs					
3	EIC is very committed to continue relationship with customers					
4	In EIC, employees strongly valued customer and devoted to respond the customers questions					
5	The customers feel the EIC works in betterment of them and the employees always willing to					

	help them					
6	EIC analyze new customer's financial service needs and develop appropriate services for customers before customer's request.					

Please assess/evaluate the overall promptness claim handling practices of EIC ____

D). Please rate the following general statements on Trust of EIC. Rate them on the scale of 1-5 (From 1= Never to 5= always)

S.No	Items	Rating point				
		Never	Rarely	occasionally	Often	Always
1.	EIC's customers feel secured in all transaction they made with company					
2.	EIC always does what promised at inception time.					
3.	The customers feel the corporation provide consistent service qualities					
4.	The customers are confident that EIC is on strong financial status					
5.	In EIC's customer believe that the employees have high integrity					
6.	The customer feel honesty while dealing with EIC					

E) Please evaluate what the company's customer retention looks like. Rate them on the scale of 1-5 (From 1= Strongly disagree to 5= Strongly agree)

S.No	Items	Rating point				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	EIC is in customer satisfaction practice to retain existing customer					
2	EIC has good practice in building customer trust to retain existing customer					
3	EIC has good practice in building employees commitment to retain existing customer					
4	EIC has good practice in building service recovery system to retain existing customer					
5	EIC has good quality service delivery practice to retain existing customer					

Please assess/evaluate the overall claim service influence of EIC

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F) SERVICE RECOVERY

Please evaluate EIC's service recovery practice. Rate them on the scale of 1-5 (From 1= strongly disagree to 5= strongly agree)

Please assess/evaluate the overall complain handing practices of EIC

S.No	Items	Rating point				
		Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1.	EIC has a formal structure to handle service failure.					
2.	EIC has effective system to deal with customers complain regarding claim process.					
3.	In EIC, there is appropriate person to handle customers complain.					
4.	In EIC, the customers renew their policy after their complain is heard by the concerned body,					
5.	In EIC practice, there is active disciplinary action after customers complain if the employee does not performed per EIC's procedure and policies					

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Thank you very much for your cooperation