

**THE EFFECT OF CUSTOMER SERVICE STRATEGIES ON CUSTOMER  
LOYALTY: EVIDENCE FROM CIC INSURANCE GROUP- NAKURU  
COUNTY**

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## DECLARATION AND APPROVAL

### Declaration

This research project is my original work and has not been presented for a degree in any other University or institution of higher learning and this is to the best of my knowledge.

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This research project has been submitted for examination with our approval as University supervisors

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## **DEDICATION**

This research project is dedicated to my wife, children and parents.

## ABSTRACT

The aim of this study was to investigate the effect of customer service strategies on customer loyalty of insurance firms. The study specifically sought to establish the extent to which quality service, service bay ambience and technology support strategies affect loyalty of CIC insurance Group customers in Nakuru County. In order to achieve the study objective, 15,487 customers in Nakuru and Naivasha branches formed the target population upon which a sample size of 222 respondents was drawn for the study using Nassiuma's formula. Data was collected by use of a pre tested structured questionnaire containing both open and close ended questions. Descriptive statistics (frequencies, percentages) and Chi-square test as well as inferential statistics (Pearson's Correlation and regression analysis) were used to analyze data. The findings of the study were presented using tables. The theories upon which this study was anchored include; relationship commitment model, conversion model and service quality model (SERVDUAL). The study revealed that when all the independent variables (Quality service strategy, Service bay ambience strategy and Technology support strategy) are combined; only explain 21.7% of the variations in customer loyalty in the insurance industry could be explained by the results of the study findings. The findings also revealed that quality service strategy had an insignificant effect on customer loyalty at 5% level of significance ( $\beta_1=0.042$ ;  $p=0.741$ ). However, service bay ambience strategy ( $\beta_2=0.253$ ;  $p=0.019$ ) and technology support strategy ( $\beta_3=0.534$ ;  $p=0.000$ ) respectively significantly influenced the loyalty of customers in the insurance industry. From the findings, it can be concluded that technology support strategy had a greater influence on customer loyalty followed by service bay ambience strategy and the least being quality service strategy. The study recommends that the insurance firms should incorporate more of technology support strategy amongst their customer service strategies more so in this information and communication technology era. Further research needs also to be carried out on firms in other industries so as to find out whether these variables will hold true.

**Key words;** *Customer service Strategies, Customer loyalty, Quality service strategies, Service bay ambience strategies, Technology support strategies.*

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## **ACRONYMS AND ABBREVIATIONS**

AKI	Association of Kenya Insurers
COMESA	Common Market for Eastern and Southern Africa
CRM	Customer Relationship Management
EAC	East African Community
SADC	Southern African Development Community (SADC)
GDP	Gross Domestic Product

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

In recent times, the importance of customers to organizations has been highlighted by many researchers and academicians all around the world. Top performing institutions believe that customers are the purpose of what they do and they very much depend on them; customers are not the source of a problem and they should never make a wish that customers “should go away” because their future and security will be put in jeopardy(Zairi, 2000).

Globally, firms are experiencing new changes. Financial liberalization and deregulation together with globalization of markets exacerbated the intensity of competition. This coupled with rapid technological advancement and improved communication systems, have contributed to the increasing integration and resemblance amongst institutions. As a result, firms are now faced with very high and intense competition (Harvey, 2010). Therefore, insurance firms must develop customer-oriented strategies in order to compete successfully in the competitive business environment and various strategies are formulated to retain the customer and the key of it all is to increase the service quality level.

Customers are a key factor that keeps an organization operating effectively hence developing and maintaining customer relationships is vital for competitive advantage. Therefore, acquiring and retaining customers whose lifetime value to the firm is propitious affords a company opportunity to achieve its objectives (Wangondu, 2008).Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of the relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace. This has led to customer support service emerging as a strong tool for companies to build a strong relationship with their customers (Qasim & Asadullah, 2012).

A business that wants to succeed in today’s global competitive market, where customers are empowered and brand loyalty erosion is increasing, will have to

strategically incorporate move to customer relationship management (CRM). Customer relationship management enables organizations to provide excellent real-time customer service through the effective use of individual account information (Kotler & Keller, 2006).

The core CRM processes are customer acquisition, customer retention, customer development and customer service. Customer acquisition strategies aim to increase the number of customers in the customer base. On the other hand customer retention strategy aims to keep a high proportion of current customers by reducing customer defections and customer development strategy aims to increase the value of those retained to the company (Ahmad & Buttle, 2001). Customer service is the act of taking care of the customer's needs by providing and delivering professional, helpful, high quality service and assistance before, during, and after the customer's requirements are met (Mckinney, 2015).

### **1.1.2 Global Insurance Outlook**

The economic environment for insurers improved marginally in 2015, as global real Gross Domestic Product (GDP) rose by 2.7%, near the 10-year annual growth rate average of 2.8%. The improvement was driven by the advanced markets, led by the UK. Growth in USA accelerated slightly to 2.4% and was also stronger (but uneven) in Western Europe. In Advanced Asia, growth slowed due to ongoing sluggishness in Japan. In contrast, the emerging markets grew at a slower aggregate rate of 4.1% in 2015, down from 4.6% in 2014. Many countries struggled with domestic challenges, structural deficiencies and uncertainty about the impact of USA Federal Reserve (Fed) cutting back its quantitative easing program. Advanced countries' equity markets outperformed their emerging market peers and government bond yields remained very low(AKI, 2015).

However, rising competition, soft pricing conditions and tight profit margins have been some of the key challenges in the sector. To effectively surmount these problems, many insurers are investing in technological solutions that improve front-end sales, distribution and customer service, and enhance back-end operational efficiency and expense management. Many insurers are investing in digital platforms that strengthen their relationships with customers across all product classifications and

geographies. Their goal is to empower both businesses and consumers to better shop for insurance, making products more transparent, easier-to understand and compare. Across all regions, insurers are capitalizing on data analytics, cloud computing and modeling techniques to sharpen their market segmentation strategies, reduce claims fraud and strengthen underwriting and risk management. They are also investing in technological solutions to optimize processes, increase collaboration across the enterprise, and demonstrate capital adequacy and financial solvency for regulatory compliance purposes(Crawford, 2015).

### **1.1.3 Insurance Situation in Kenya**

In Kenya there were 49 operating insurance companies as at the end of 2015; 25 in general/short-term insurance, 13 in life insurance and 11 composite companies. The penetration of insurance in the country is estimated at 2.92%. Emerging risks such as Micro insurance, oil & gas and initiatives such as adoption of alternative distribution channels (bancassurance) and use of technology will improve insurance penetration level in Kenya. Kenyan insurance companies have been spreading their foothold in the region covering EAC, COMESA and SADC. This has been necessitated by their customers showing business interests in manufacturing, tourism, transport & communication, building and construction across the region to be covered by the same insurer. Insurers such as Jubilee, APA, CIC, UAP, Heritage, MayFair among others have found it necessary to establish offices across East, Central and to a certain extent Southern Africa(AKI, 2015).

In addition, some players in this sector have seen the need to redefine their business model by choosing to be listed in the stock market. To this end, the number of listed insurance firms has increased from 3 in 2010 to the current 6. Growth in the financial sector has motivated insurance industry players to expand as they seek to take their financial services to practically all areas. The insurance sector is bound to benefit from increased financial services penetration, ignited by aggressive low-income/micro-enterprises banking initiatives and explosion of mobile money transfer. The industry has also witnessed improved regulation, setting minimum premiums chargeable for certain classes of business thereby reducing undercutting and unfair competition. In addition, the regulator (Insurance Regulatory Authority) has increased minimum capital requirements thereby improving capitalization and strengthening

solvency. Most important of all, managerial capacity and use of risk based models in pricing premiums has been greatly enhanced over the past decade(Standard Investment Bank, 2013).

As these firms seek alternative models to secure their financial soundness, it is important to note that the core business and main source of finance for these insurance firms is rendering services. It is therefore prudent that as much as other avenues seem lucrative, customer service is of utmost importance since these firms derive their longevity from customers whose acquisition, retention, development and satisfaction relies solely on efficient delivery of services.

## **1.2 Statement of the Problem**

In recent times, the insurance industry has undergone a series of changes as a result of financial reforms necessitated by the globalization of financial services and economic development as well as advancement of communication and information technologies. Predictably, players in the insurance industry are now facing extreme competition in the current environment. This is complicated by a low insurance cover uptake nationally and the race for this limited market is now stronger than ever before as the number of players rose to 51 in 2015 from 48 in 2014 (AKI, 2015)

In order to keep and expand market share some insurers have started using pricing as an arsenal for market share growth by charging unsustainable premiums. This has consequently compromised service delivery as most insurers are not able to fund infrastructure for efficient delivery of services and claims settlement. Attempts by the government to prod the insurers to merge by increasing the minimum capital requirements have not borne fruit either (Mbogo, 2011).

Given that Insurance industry is a service oriented industry quality is of essence. However, complaints from subscribers on poor service quality have increased in recent times. This has been characterized by lengthy investigations and delayed claims settlement which has led to customer attrition thereby endangering the corporate image of these firms. In order to address this problem and to retain the existing customers while attracting new ones, insurance companies' have periodically

adopted several customer service strategies that are expected to influence customer loyalty

CIC insurance Group being the fifth largest insurance company in Kenya with a market share of 6.6% has an ambitious goal to be the market leader by 2018 (CIC Insurance Group Five year strategic plan 2013 – 2018). In order to achieve this goal under the current competitive environment CIC Insurance Group for the last two years has implemented a series of strategies mainly targeting the improvement on service quality, service bay ambience and technological support to increase customer loyalty since opinions customers have on the service they get determines greatly whether they will continue transacting with the firm or not. It is against this background that this study sought to investigate whether these key customer service strategies significantly affect loyalty of insurance customers in CIC insurance group.

The objectives of this study were as follows:

### **1.3.1 General Objective**

The general objective of this study was to examine the effects that the selected customer service strategies has on customer loyalty in the insurance industry.

### **1.3.2 Specific Objectives**

- i) To ascertain whether quality service strategy affects customer loyalty in the insurance firms.
- ii) To determine whether service bay ambience strategy affects customer loyalty in the insurance firms.
- iii) To analyse the effect of technology support strategy on the loyalty of customers in the insurance firms.

### **1.4 Research Hypotheses**

The type of hypothesis used by the researcher in the study is simple null hypothesis. These are used as the researcher believes there is no relationship between two variables or when there is inadequate theoretical or empirical information to state a research hypothesis. The choice of null hypothesis was also to allow the study findings to contradict the hypothesis and prove the point that



there is a definite relationship.

**H0<sub>1</sub>:** Quality service strategy has no significant effect on customer loyalty in the insurance firms.

**H0<sub>2</sub>:** Service bay ambience strategy has no significant effect on customer loyalty in the insurance firms.

**H0<sub>3</sub>:** Technology support strategy has no significant effect on customer loyalty in the insurance firms.

### **1.5 Scope of the Study**

The study was carried out within Nakuru County due to its proximity and accessibility to the researcher, with particular focus on CIC insurance group since it is one of the largest insurance firms in terms of customer base in the county. The study targeted all the customers who had running policies with the insurer at the time of study and covered the three study dimensions of customer service strategies namely the quality service, service bay ambience and use of technology and most importantly how these factors affect the loyalty of customers in the insurance industry.

### **1.6 Significance of the Study**

The knowledge created from this research is likely to add to the current information on the subject matter of customer service and its effect on customer loyalty. It is expected that the study findings will assist the insurance firms construct and focus on functional customer service management strategies in order to stabilize and improve customer relations and also on their loyalty. The findings of this study are likely to motivate and present an opportunity to other researchers also interested in carrying out further research in this area. The study findings will also serve as reference material for scholars.

### **1.7 Limitations/delimitation of the Study**

The researcher acknowledges that the findings of this study may not be generalized because data was collected from one insurance company's customers in one County. More studies therefore will be necessary before drawing the general conclusions. It was also difficult to establish the honesty of respondents in their responses.

## **1.8 Definitions of Operational Terms**

**Customer loyalty**-Oliver defined loyalty of customer as having a deep commitment to buying again and constant customer of a product or service or preferred product (Oliver, 1999).In this study, customer service will be measured in terms of willingness to recommend, repurchase intention, intention to stay and identification with the organization brand.

**Customer service strategy**- Customer service is defined as an organization's ability to meet the needs and desires of its customers. It is the ability of an organization to consistently exceed the expectations of its customers (Nick, 2004). Customer service strategies will be measured in terms of quality service, service bay ambience and technology support.In this study customer service strategies include; quality service, service bay ambience and technological support.

**Quality service strategy**- Service quality as a measure of compliance with the expectations of customers' service levels(Javadin, Khanlori, & Stiri, 2009). In this study, customer service will be measured in terms of reliability, responsiveness, assurance, empathy and handling time.

**Service bay ambience strategy**- According to Shikdar (2002), ambience includes ergonomic components of the tangible workplace environment that comprise spatial layout and functionality. In this study, this includes equipment, sitting area facilities, communication materials, personnel, noise, lighting, seating arrangement, air conditioning and decorations.

**Technology support strategy**-As defined by Banta(2009), technology support is a broad concept that deals with use and knowledge of tools and crafts and how its use affects the ability to control and adapt to the social and physical environment. In this study technology support is the act of availing these support tools which are appropriate and up to date that aid customers and employees and will be measured in terms of availability of internet connectivity, appropriate computers and applications, their ease of use, efficiency and effectiveness of data management and how it helps employees to save on time.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The impact of customer service strategies on customer loyalty is a widely discussed topic in literature. This section targets popular journals and various text books that contain fruitful information on various customer service strategies dimensions as well as its effect on customer loyalty. Finally this chapter gives a summary and highlights on the gaps and issues reviewed as well as the conceptual framework.

#### **2.2 Theoretical Literature**

Various theories have been advanced to explain the relationship between customer service strategies and customer loyalty. It suffices to state that strategies adopted may make a theory work in one place while making it irrelevant in another. Relevant theories to this study are hereby reviewed with the aim of helping the researcher get a better understanding of the customer service strategies as propounded by other researchers in the field of study.

##### **2.2.1 Relationship Commitment Model**

Sharma and Patterson (1999) provided a model showing the determinants of relationship commitment. The model consists of three factors such as communication effectiveness, technical quality and functional quality, all affected by trust in the relationship which in turns affect relationship commitment.

Trust is defined by the authors as the belief that the service provider can be relied on to behave in such a way that the long-term interests of the buyer will be served (Sharma & Patterson,1999). This implies reliance on, or confidence in, the process or person. Hence, the greater is the level of trust, the stronger is the relationship commitment. The factor of trust was also looked at by (Morgan & Hunt, 1994) who argues that trust has a positive relation to the extent through which the firms share similar values.

Quality service according to Sharma and Patterson (1999) is divided into two main components: technical quality and functional quality. Technical quality is related to the actual outcomes or the core service as perceived by the client. Here, the

competency of the professionals in achieving the best return on investment for their client at acceptable levels of risks is viewed. Technical quality is relevant to the promised service. Functional quality on the other hand is rather than concerned with “what” is delivered, deals with “how” the service is delivered. It is concerned with the interaction between the service provider and service receiver, and is assessed in a highly subjective manner. The authors further argue that trust had a great impact on how quality is delivered, both in terms of functional- and technical quality. Consequently, it is argued that the greater the perceived technical quality, the stronger is the trust in the relationship, and the greater the perceived quality of the advisor, the stronger is the level of trust in the relationship. Additionally, the greater the quality is perceived, the stronger is the relationship commitment. (Sharma & Patterson, 1999)

Effective communication is referred to the formal as well as the informal sharing of meaningful and timely information between a client and an advisor in an empathetic manner. The purpose of such is to educate and keep clients informed about their investments in a language that they can understand. Strong communication skills are required to ensure that clients understand investments and thus become more confident in their ability to assess financial risks and outcomes. Effective communications also help customers through the unavoidable ups and downs of variable investment performances. Consequently, the greater is the communication effectiveness, the stronger is the relationship commitment (Sharma & Patterson, 1999).

### **2.2.2. A Holistic Approach to Satisfaction, Trust and Switching Barriers**

Ranaweera and Prabhu (2003) drafted a holistic approach that examines the combined effects of satisfaction, trust and switching barriers on customer retention. The authors here define customer retention as the propensity for customers to stay with their services providers. The framework provided has two functions; its first function is to examine the main effects of the three variables on customer retention independently and its second function is to examine the interaction effects that trust and switching barriers has on customer retention in the presence of satisfaction.

Customer satisfaction is conceptualized by the authors as the evaluation of an emotion and proclaims that the higher is the satisfaction, the higher is the level of retention

(Ranaweera & Prabhu,2003). Fornell (1992),indicated that the more satisfied a firm's customers are, the more they remain loyal to the firm. Hence, firms have devoted lots of efforts on managing and increasing customer satisfaction (Ranaweera & Prabhu, 2003). Satisfied customers are perceived as indispensable means of creating sustainable advantages in competitive environments (Patterson, Johnson, & Spreng, 1997). The authors further refer to Anderson and Sullivan (1993) who stated the following: *“Investing in customer satisfaction is like taking out an insurance policy. If some hardship temporarily befalls the firm, customers will be more likely to remain loyal”*.

Patterson *et al.* (1997) further look at customer dissatisfaction as the difference between an individual's pre-purchase expectations and post-purchase performance of the product or service. Ranaweera and Neely(2003) stated that it has been common earlier for research on service quality to be focused on measures of customer satisfaction. However today, mere satisfaction does not ensure customer retention and therefore, the focus in recent research has somewhat shifted from studying drivers of customer satisfaction to examining drivers of customer behaviors such as repurchase habits (ibid). Although customer satisfaction is a good base to start with when retaining customers, it is not the only influencing factor. Richards (1996) argues that some customers even though they are satisfied will leave the firm while others who are dissatisfied will remain.

Trust is conceptualized as existing when one party has confidence in the other party's reliability and integrity. The authors argue in the article that several studies have recognized that even though firms manage to properly satisfy their customers, they may be unable to retain them. Hence, satisfaction alone is inadequate to ensure long-term customer commitment to a single provider. Due to costs related to the termination of the relationship, once trust has been built, the probability of each party ending the relationship decreases (Ranaweera & Prabhu, 2003).

Gounaris(2003) argues that trust is a vital element in any type of relationship. The more a customer trusts a supplier, the higher is the perceived value of the relationship. Consequently, the greater the chances that the customer remains in the relationship will be. Furthermore, trust is an important factor in the perceived quality of services,

especially in business to business services. Trust is developed successively as a result of gradual dependence on the relationship resulting from mutual adaptation to the other party's needs.

The perceived switching barriers are conceptualized as the consumers' evaluation of the resources and opportunities needed to perform the act of switching as well as the constraints preventing it (Ranaweera & Prabhu, 2003). Hence, the authors argue that the higher the level of perceived cost is, the higher is the probability for the customer to remain. The factor of switching or termination costs is also identified by Morgan and Hunt (1994) as contributing to the maintaining of relationships. However, the authors view switching costs as being only of economical nature. Sharma and Patterson (2000), discuss of switching cost as being in addition of economical nature, of both psychological and emotional nature. The authors further present a few examples of switching costs such as social bonds, personal rapport and trust which have been built over time. The authors argue that switching costs may act as a present psychological exit barrier even when performance of the core service is less than satisfactory. Other exit barriers proposed by the authors are the difficulties in evaluating professional services, that clients cannot evaluate the service before purchasing it.

### **2.2.3 Conversion Model**

The conversion model is based on the fact that it is not enough to satisfy customers as satisfaction alone does not predict customer behavior. Satisfied customers will leave, dissatisfied customers will remain and therefore, rather than discussing customer satisfaction, firm should discuss customer commitment (Richards, 1996). Further, the author agrees that customer satisfaction helps to make the customers committed, however the building of committed customers involves more than merely satisfying them. Other than customer satisfaction, he identified three factors as drivers of commitment.

The first factor is the level of involvement in the brand and the category. The more people are involved in a given choice, the more carefully they will choose and once they have made their choices they often stick to it. Hence, if the customer is dissatisfied but involved, his primary strategy will be to try and repair the relationship

rather than seeking other alternatives. If the customers are both dissatisfied and uninvolved, they would not even care about fixing the relationship but simply switch providers. Involvement creates a willingness to tolerate dissatisfaction (Richards, 1996). Consumers' involvement in the buyer-seller interchange integrates several subsets such as customer control, customer participation and level of contact. The more a customer is involved, the more he/she has confidence in the service provider and also in the outcomes (Beckett, Hewer, & Howcroft, 2000).

The second factor is the attraction of the alternatives. One of the arguments of Richards (1996) is that the more the alternatives attract, the more dissatisfied customers will converse, meaning switch service provider. If the alternatives available are not considered as being "good" conversion may then be delayed in spite of dissatisfaction. On the other hand, if the alternatives attract, customers may converse even though they are highly satisfied. Sharma and Patterson (2000) state that when customers are not aware of the available substitutes or competing alternatives they may continue in a service relationship even though it is a less satisfactory one. Patterson and Smith(2000) in their study conclude that when customers are aware of, and perceive other suppliers as offering a differentiated service in terms of price, service and/or quality of technical outcomes, they tend to be less committed to one supplier.

The third factor is the extent of ambivalence meaning insecurity caused by the range of choices. The author argues in his article that the advantages respectively the disadvantage of each alternative should be compared and reviewed. Being in a state of ambivalence according to the author is when the customers are in a state in which they will waver whether to stay or leave. Ambivalence makes the customers less committed, although conversion is delayed as neither choice offer obvious advantages (Richards, 1996).

#### **2.2.4 A Holistic Approach to Quality, Price, Indifference and Inertia**

Ranaweera and Neely (2003), drafted a holistic approach to customer retention incorporating service quality perceptions, price perceptions, customer indifference, and inertia.

Several studies have shown that there is a direct positive link between perceived service quality and customer repurchasing intentions (Ranaweera & Neely, 2003, Reichheld, (1996); and Zeithalm, 1988). When defining service quality, Ranaweera and Neely (2003) follows the definition of Zeithalm (1988) that service quality is a consumer's appraisal of a service's overall excellence or superiority. The authors further conclude that service customers may place a greater importance on the quality of the service rather than on the cost of acquiring that service.

Ranaweera and Neely (2003) hold the hypothesis that the better the perceived price is, the greater is the level of repurchase intentions. However, little research has been conducted on the correlation between price perceptions and customer retention and therefore, they argue that future research is needed in the area. In their study, they found that there was a direct relation between price perceptions and customer behavioral intentions. They further argue that the higher the level of inertia is, the greater is the level of repurchase intentions. Their definition of inertia is based as the one of Huang & Yu(1999), a non-conscious form of retention. Huang and Yu (1999) make a distinction between inertia and loyalty by the level of consciousness involved in the decision to continue to purchase from the same provider. Therefore, they argue that consumer research should not be limited in researching conscious decisions but also non-conscious ones or involuntary customer relationships. The greater the degrees of inertia, the more likely the customers are to be sensitive to promotions or similar attempts by competitors to attract them(Gupta, Chintagunta, Kaul, & Wittnik, 1996).

Finally, the authors propose that the higher the level of customer indifference, the greater is the level of repurchase intentions. Ranaweera and Neely (2003) argue that those who have positive perceptions of the service and also show a certain level of indifference, are the least likely to leave as their service expectations are fulfilled, and at the same time, they see no gains from switching. The authors further state that literature on measuring customer indifference is rather scarce and has sometimes been used in the marketing literature in relation to consumer's attitude towards advertising, described as neither positive nor negative.



### 2.2.5 The three level of Retention Strategies

Framework for understanding types of retention strategies created by Zeithalm and Bitner (1996) is presented below. As can be viewed in Figure 2.1, the framework displays three levels and each successive level ties the customer a bit closer to the firm. Furthermore, at each level, greater level of customization of the services is required.

Level	Types of bond(s)	Marketing Orientation	Degree of service customization	Primary marketing mix Element	Potential for sustained competitive differentiation
1	Financial	Customer	Low	Price	Low
2	Financial & Social	Client	Medium	Personal communications	Medium
3	Financial, Social & structural	Client	Medium to High	Service delivery	High

**Figure 2.1: Three levels of retention Strategies**

**Source:** Zeithalm & Bitner (1996)

#### *Level 1*

At this level the customer's primary tie to the firm is through financial incentive and this can be for instance customers wanting lower prices for high amount purchases or lower prices for those customers who have been with the firm for a longer time. One example provided in the book is the frequent flyers aiming at providing financial incentives and rewards for those customers who bring more of their business to a particular airline. One reason why firms employ these measures is because they are rather inexpensive and they enable the firm to achieve short-term gains. However, such incentives generally do not provide long-term advantages to firms and the authors argue that although price and other financial incentives are usually important to customers, they are not that hard for competitors to imitate as the only customized part of the marketing mix is the price (Zeithalm & Bitner, 1996).

### *Level 2*

Strategies at this level, ties the customers to the firm through both financial and social incentives. Here, the customers are perceived as clients meaning that they are individuals whose needs and want, the firm tries to understand. The services provided by the firm are customized and marketers here find ways to stay in touch with their customers, hence developing social bonds with them. Further, the authors argue that social bonds are especially important and common among professional service providers and their clients as well as personal care providers (Zeithalm&Bitner,1996).

Moreover, technology can help in creating social bonds, technologies such as for instance personalized customer information systems which are updated regularly. This will be viewed in more details later in this chapter. The authors continue to argue that relationships among the customers of a firm are important overtime and they keep them from switching to another provider. It is not guaranteed that social bonds will tie the customer permanently to a firm, however it creates difficulties for competitors to imitate than are financial incentives alone. Also, when customers do not have strong incentives to shift to another provider, it is the social bonds that can encourage customers to stay. (Zeithalm & Bitner, 1996)

### *Level 3*

Strategies employed by firms which are at this level, are the most difficult to imitate. Other than financial and social bonds, it also includes structural bonds which are created by providing services that are highly customized and frequently designed right into the service delivery system for that client. By tying into one of the systems of a customer, the firm may save time as well as keeping a better track of the customer; however, customers may have the fear that tying them too much to one provider will lead to them missing other opportunities and advantages from other providers in the future (Zeithalm & Bitner, 1996).

### **2.2.6 Service Quality Model (SERVQUAL)**

Quality is a multi-dimensional observable fact. Thus, reaching the service quality without distinguishing the important aspects of quality is impossible. In his discussion of service quality, Grönroos (2004) refers to three dimensions of output technical quality, service performance quality, and organization's mental picture. Although these attempts have had a major role in division of service quality into process quality and output quality, they lack enough details.

Service quality has become an important research topic because of its apparent relationship to costs, profitability, customer satisfaction, customer retention and positive word of mouth (Boulding et al., 1993). Initially, SERVQUAL formulated by Parasuraman, Zeithaml and Berry(1985) highlighted ten various components. Later, these ten components were collapsed into five different dimensions of Reliability, Responsiveness, Assurance, Empathy and Tangibility as a basis for making a tool for testing the service quality. However, SERVQUAL's five dimensions (Reliability, Responsiveness, Assurance, Empathy and Tangibility) are not universal hence the model fails to draw on established economic, statistical and psychological theory (Buttle, 1996). The fact that SERVQUAL has critics does not render the measuring tool moot. Rather, the criticism received concerning SERVQUAL measuring tool may have more to do with how researchers use the tool.

According to Nyeck, Morales, Ladhari, and Pons (2002), the SERVQUAL measuring tool remains as the most complete attempt to conceptualize and measure service quality. Other researchers have proved that SERVQUAL model by Parasuraman is the best measure of service quality in the service industry. Incidentally, the SERVQUAL measuring tool's main benefit is its ability that allows researchers to examine numerous service industries such as; healthcare, banking, financial services, and education.

#### **2.2.6.1 Dimensions of Service Quality**

Parasuraman et al. (1985) established a model based on dimensions of service quality that customers use to assess the service. There are ten potentially overlapping dimensions namely, Assurance, Reliability, Tangibles, Empathy, Responsiveness Customer Satisfaction and Retention Courtesy, Understanding/Knowing the

Customer, Responsiveness, Communication, Credibility, Security, Competence and Access. However, Parasuraman et al. (1988), revised the SERVQUAL model items into twenty-one item scale that are covered in five (5) dimensions that customers can receive from specific servicing company. These include the following:

**Tangibles**-Those things which have a physical existence and can be seen and touched. In context of service quality, tangibles can be referred to as Information and Communications Technology (ICT) equipment, physical facilities and their appearance; ambience, lighting, air conditioning, seating arrangement, materials associated to the service (credit and debit sheets, cheque books etc), decorations; and lastly but not least, the services providing personnel of the organization (Blery et al., 2009). These tangibles are deployed, in random integration, by any organization to render services to its customers who in turn assess the quality and usability of these tangibles.

**Reliability**-According to Parasuraman et al. (1988) reliability is how the service provider is able to provide service to a customer as promised, dependable in handling customers' service problems, performs service right the first time, provide service at promised time and keep customers informed about when services will be performed. Reliability means the ability of a service provider to provide the committed services truthfully and consistently (Blery, et al., 2009). Customers want trustable services on which they can rely.

**Assurance** -Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in the customer (Blery et al., 2009). This aspect of service quality shows how knowledgeable employees are able to render quality service to customers. Thus, the ability of employees to instill confidence in customers, making them feel safe in their transactions, consistently courteous towards customers, the ability to answer customer questions appropriately.

**Empathy**-Empathy means taking care of the customers by giving attention at individual level to them (Blery et al., 2009). It involves giving ears to their problems and effectively addressing their concerns and demands. It is the firm's ability to

render customer individual attention, deal with customers in a caring fashion, have the customers' best interest at heart and understand the needs of their customers. Commenting on this Parasuraman et al (1988), said that customers want to feel understood and important to the service providers' firm.

**Responsiveness**-According to Parasuraman et al (1988), this represents the ability, readiness and willingness of staff to provide prompt service to customers within the shortest possible time. Customers in general expect prompt responds to their request immediately, as they do not want to be kept waiting.

## **2.3 Empirical Review**

### **2.3.1 Customer Loyalty**

Heskett, Jones, Loveman, Sasser and Schlesinger(1994), suggested that customer loyalty motivates customers for repeat purchases and persuade them to refer those products or services to others. Duffy(2003) proposed that customer loyalty is a feeling of association which a customer has towards a brand. This feeling incites customer for acquiring a good or service repeatedly. Subsequently this generates sizeable and better financial outcomes for the firm. Customer loyalty is formed under the six assumptions namely: It is a function of psychological processes, bias (which is random), decision making unit, alternative brands, behavioral response (the final purchase); and is expressed over time (post-purchase behavior).

Generally, every insurance company aims at earning profits, expanding its business by offering more diversified products or services over time and capturing a larger market share progressively. Customer loyalty can favorably contribute towards this basic aim of the firms (Hayes, 2008). It is an effective tool for generating repeat sales from the customers (Chu, 2009). Furthermore these loyal customers can serve as effective elements in the marketing mechanism when they refer their Insurance Company to more people. In this way these existing customers contribute towards increasing their respective insurance Company's customer base and market share. The financial base of any Insurance company is largely dependent on this phenomenon

### **2.3.2 Quality Service Strategy**

Services are a continuous process of on-going interactions between customers and service providers comprising a number of intangible activities provided as premium solutions to the problems of customers and including the physical and financial resources and any other useful elements of the system involved in providing these services (Grönroos, 2004).

Premium service quality is a key to gain a competitive advantage in services industry. The satisfaction level of customers is dependent on their perception of service quality and the trust in service provider (Ismail, Haron, Ibrahim, & Isa 2006; Aydin & Özer, 2005; and Parasuraman, Zeithaml, & Berry, 1988). By providing better quality services to customers, a firm revives the perception of customers about quality of services.

Particularly in the Insurance industry, premium service quality plays a pivotal role for customers in evaluating the performance of a service provider and is the key to gain customer satisfaction and customer loyalty. An insurance firm can gain competitive advantage and build long term relationship with its customers by providing premium quality services. Several evidences found in literature establish that there is a significant correlation between service quality and customer satisfaction (Sureshchandar, Rajendran, & Anantharaman, (2002); Boulding, Kalra, Staelin, & Zeithaml (1993); and Bitner (1990). Also, (Spreng, 1996) provided evidence of the significant correlation between service quality and customer loyalty.

Boahene and Agyapong (2011), in analyzing the antecedents of customer loyalty in Ghana, concluded, that firm's management needs to emphasize quality. They emphasized, that because service firms do not provide tangible products, their service is usually assessed through measures of the service provider's relationship with customers. Service quality was found in the study to correlate positively and significantly with customer loyalty.

A strong relationship between customer loyalty and service quality has been confirmed by many researchers (Bloemer, De Ruyter, & Peeters, (1999); Oliva, Oliver, & MacMillan, (1992).Evidences of strong and direct relationship between

customer loyalty and service quality have also been given by Heskett et al. (1994). While Bloemer et al. (1999) have stated that service quality results in customer loyalty; whereas if level of customers' satisfaction tends to be relatively high, it may also act as a vital promoter of customer loyalty. However in today's highly dynamic and competitive environment attaining higher levels of customer satisfaction and customer loyalty, especially in the services sector, may be a tough task for many organizations. Also notably many researchers have proved willingness to recommend and repurchase intention as dimensions of the customer loyalty. Further they found that service quality has a strong positive impact on these dimensions of customer loyalty (Ehigie, 2006; Bloemer et al., 1999).

In a study carried out in Malaysian banking sector to investigate the relationship between service quality and customer loyalty, Sureshchandar, Rajendran, & Anantharaman, (2003); and Brown and Mitchell, (1992) found that reliability is the strongest dimension of service quality. It was established by Bitner (1990) that customer loyalty is much strongly impacted by assurance than any other dimension of service quality. Later on customer loyalty improves level of customers' satisfaction.

In services industry, particularly in the insurance sector, due to presence of tough competition, the customer-base of loyal customer may not be broadened without giving individual care and attention to customers (Jabnoun& Al-Tamimi, 2003). A broader customer base of loyal customers may be won if the services delivery staff is strongly committed to providing premium quality services as well as is able to effectively handle conflicts in a timely manner (Malhotra, Ulgado, Agarwal, Shainesh, & Wu, 2005; Ndubisi & Wah, 2005).

Empathy is crucial because if organization provides extra attention to their customer there will be chances that customers will feel more satisfied and become loyal to the organization. Empathy is about the personal attention, extra care and better understanding toward customers. And showing them they are special and important by showing kindness, affection and looking them as close friends to make them feel special. Empathy is all about entertaining the customers in terms of place, better communication and time.

Researchers have proved that most people are influenced by this dimension of service quality. In empathy employees give attention and extra care to their customers that can increase the quality of services and make customers feel special. This increases customer loyalty and customer satisfaction. To satisfy the customers' needs, management should improve service quality through empathy. Organizations must pay attention to the customer objections (Betty, 2011). Some studies have proposed that empathy and customer satisfaction have no positive relationship, because majority of users like advance facilities in the insurance companies. But sometime it is important to customers that the employees of the organization pay special attention and extra care when they deal with them.

So far as Empathy is still vital element of service quality so financial institutes should sustain and improve the empathy (Munusamy, Chelliah & Mun., 2010). Temporarily empathy has been found to have an important but inverse influence on customer satisfaction. Some researchers said that the level of empathy should be good because customers want staff of the organizations to give individual attention to them during working time.

Responsiveness has been considered as an important factor. Determination to enhance speed of processing information and a customer is assumed to have a positive influence on customer satisfaction in the insurance company. Balunywa (1995), stresses that when a customer has a demand, meet it, be easily offered and available to customer. Customers in general support immediate response to their demands, because they do not want to wait for long time (Ruby et al., 2012). If an insurance company fails to provide service to a customer at certain time, it can recover this failure by providing prompt services in professional way (Adeoye & Lawanson, 2012). Responsiveness relates to performance criterions and can be treated as process quality.

Considering the insurance sector, this service quality dimension is very important for consumers as they do not want to face trouble with their business matters. They want to acquire services free of blunders, performed according to criterions, correctly, quickly and within time (Culiberg & Rojsek, 2010.). Propensity and readiness of insurance companies to help their customers and satisfy their demands, instantly reply



to their criticisms, and quickly solve their problems (Mohammad & Alhamadani, 2011). Once the customer has assurance about the quality dimensions of the product and responsiveness of the employees of an institute; the chances of a customer becoming a loyal and committed customer increases (Ree & Van, 2010).

Previous data suggests that responsiveness has association but no significant impact on customer satisfaction. We can determine that there should be responsiveness in providing quality service, but it is not compulsory. Human responsiveness can sometimes have emotional and sentimental effects causing reduction in productivity. These are the different perceptions of insurance company's customers about dealing with machines or employees (Munusamy et al., 2010).

### **2.3.3 Service Bay Ambience Strategy**

It was established by Jabnoun and Al-Tamimi, (2003) that institutions with better ambience enhance customer loyalty in a better way. Association between service quality and customer loyalty in service sector of Sweden is also examined by (Zineldin, 2005). The fact that insurance companies may create a strong and long-term relationship with their customers by combining tangible and intangible attributes of premium quality in products and services they provide, was also true in this case.

Customers expect up-to-date equipment, attractive printed material, well arranged interior and properly dressed employees (Culiberg & Rojsek, 2010). A study by Saghier and Nathan (2013) showed that the relationship between tangibles and customer satisfaction was not significant enough. They found that infrastructure facilities are not important enough to say that they are a must in providing good service, but required in delivering good quality of service. This was not in line with the study by Nabi, (2012) which he concluded that customers preferred an insurance company with convenient location. While a Company using modern technology for its operations and having well organized waiting cues will be of less importance insight of customers comparatively, though tangible dimension had been proved in the study carried out by Munusamy et al, (2010) to have a significant relationship with customer satisfaction.

Brady and Cronin (2001) found that consumers react not only to products, but also to the features that accompany the product. They asserted that consumers not only make their purchase decision and respond to more than simply the tangible product or service being offered but respond to the total product. One of the most significant features of the total product is the place where it is bought or delivered. Atmospherics relates to the effort to design buying environments to produce specific emotional effects in the buyer that enhance his purchase probability. In some cases, the place, more specifically the atmosphere of the place, is more influential than the product itself in the purchase decision. In some cases, the atmosphere is the primary product. They called this “atmospherics” or “the effort to design buying environments to produce specific emotional effects in the buyer which enhance his purchase probability.”

Hirschman and Holbrook (1982) reached a similar conclusion on the importance of ambient conditions, finding that sensory input associated with a product led to emotional arousal and caused consumers to recall the product or the events surrounding their interaction with the product or to imagine a sequence of future events. In some cases, this sensory input was recalled more clearly than was the product itself and the emotions triggered were of greater importance than the utility of the product in customers’ ultimate choice of products. Atmospheric clues affect consumer moods and emotions which, in turn, affect purchase behavior and response to products (Jiang & Wang, 2006).

### **2.3.4 Technology Support Strategy**

In acceptance of technology, it is assumed that subjective beliefs and ease of use are always the main determinants of the decision for using that technology. (Yaghoobi & Shakeri, 2008) in their study on comparative analysis of technology acceptance model with emphasis on the adoption of Internet banking found out that that ease of use represented the respondents' coping abilities and skills needed for using the system.

According to accepting technology model, the use of information technology is specified by the willingness to use the specific system and the willingness to use is determined by the usefulness of the technology from consumer perspective and ease of use of the system (Mahmoodi, Forozandeh, & Ahmadi, 2009).

Navigation, product information, and site design are critical to e-satisfaction (Szymanski & Hise 2000). Thus, a key to building a usable Website is to create good links and navigation mechanisms (Mannix (1999); Radosevich (1997). An advantage of the ICT is its capacity to support interactivity for users (Palmer 2002), and online consumers are influenced by the interactivity of the Website (Alba et al. (1997); Jarvenpaa & Todd (1997). Fast, interactive, uncluttered, and easy-to-navigate sites with quality searching capabilities should be perceived more favorably by consumers. The features evaluated within the attribute of usability and site design are: providing a user-friendly interface, an interactive site, and possessing adequate searching capabilities.

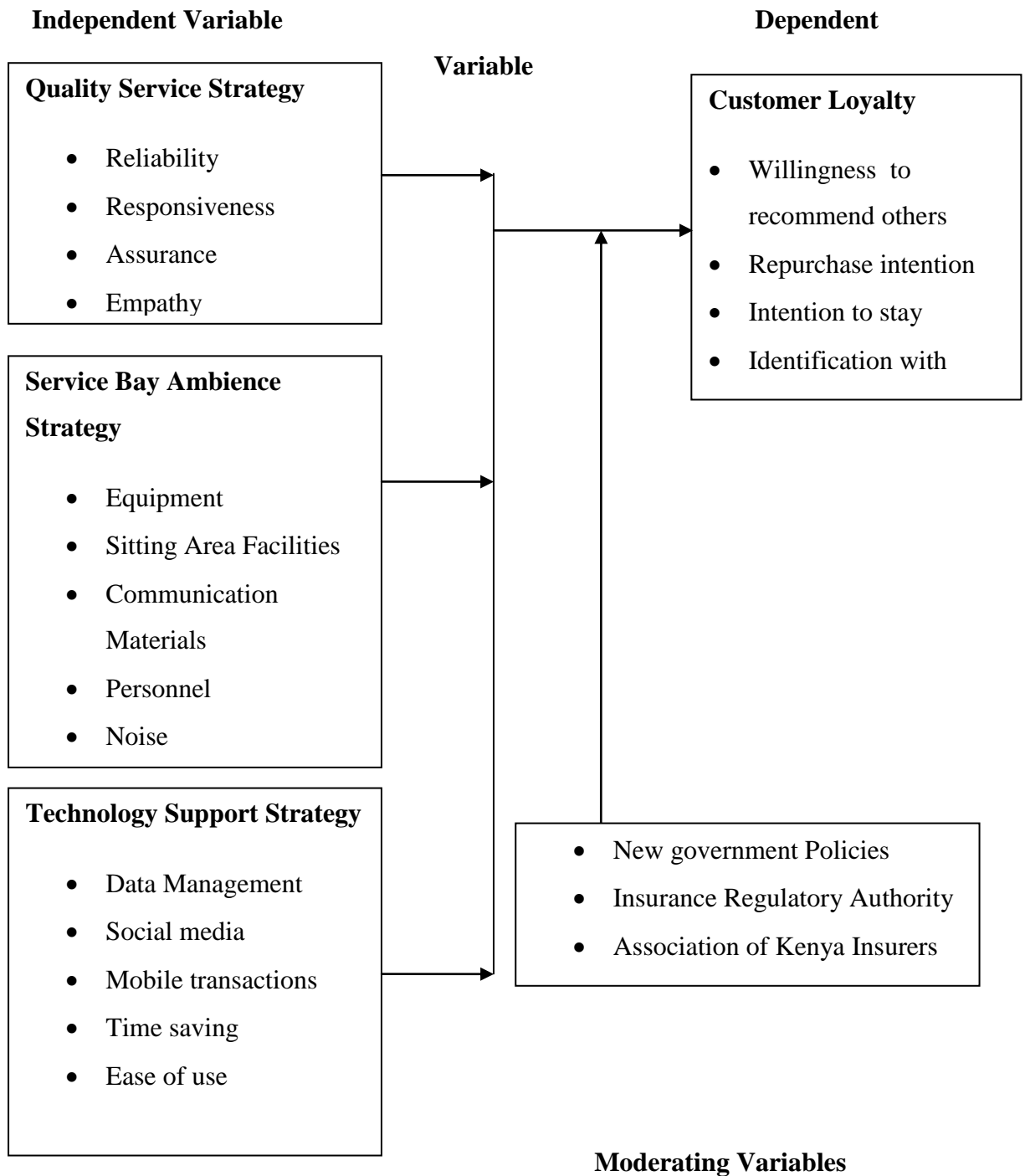
#### **2.4 Reasons for Customer retention**

There are sound financial reasons for the growing popularity of relationship marketing. Research has shown that the cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy. This is because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship (Reichheld & Kenny, 1990). In addition, longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. Additionally, long-term customers also take less of the company's time and are less sensitive to price changes. These findings highlight the opportunity for management to acquire referral business, as it is often of superior quality and inexpensive to obtain. Thus, it is believed that reducing customer defections by as little as five percent can double the profits (Healy, 1999).

The key factors influencing customers' selection of a company include the range of services, rates, fees and prices charged (Abratt & Russell, 1999). It is apparent that superior service alone is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality. Furthermore, service excellence, meeting client needs, and providing innovative products are essential to succeed in the service industry. Most institutions claim that creating and maintaining customer relationships are important to them and they are aware of the positive values that relationships provide (Colgate, Stewart, & Kinsella, 1996).

## 2.5 Conceptual Framework

The conceptual framework shows the relationship between the dependent and independent variables. The independent variables are the quality service, service bay ambience and technology support. It is expected that the independent variables will influence the one dependent variable being customer loyalty.



**Figure 2.2: Conceptual framework showing the relationship between independent variables and dependent variable.**

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### **3.1 Introduction**

This chapter elaborates on the methodological procedures adopted in data collection and analysis. Areas also covered and discussed are: the research design, the target population of study, the location of the study, the sampling procedure and sample size, the data collection instruments and procedure, validity and reliability of research instrument and finally data analysis methods and presentation of findings in the study.

#### **3.2 Research Design**

The descriptive survey design was adopted given the nature of the study. As Kerlinger, (1973) pointed out, survey is the best research design for obtaining social facts, beliefs and attitudes for both large and small populations to discover relative distribution and interrelation of sociological and psychological variables. Open and closed ended questionnaires were used as the main tool for data collection. This is because it is an efficient method of collecting data involving characteristic of sample of a population, current practices, conditions or needs (Chandran, 2004). The experiences and opinions of the respondents gathered from the interviews provided informed inputs to the data in this study.

#### **3.3 Target Population**

According to Babbie (2002), target population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. Given that this study was descriptive in nature adopting case study design, it involved all the 15,487 CIC insurance customers in Nakuru County.

#### **3.4 Sampling Procedure and Sampling Technique**

According to Kerlinger (1973) Sampling entails taking a portion of a population as representative of that population. In this study, sample size was calculated using the formula propounded by Nassiuma, (2000).

$$n = \frac{NC^2}{C^2 + (N-1)e^2} \dots \dots \dots (1)$$

Where n = sample size, N= population size C = Coefficient of variance, e=standard error of stratified sampling.

N=Target Population =15487

c = Coefficient of variance =20≤C≤30%

e= Error Term =0.02≤e≤0.05

$$n = \frac{15487 * 0.3^2}{0.3^2 + (15487 - 1)0.02^2} = 222$$

A sample size of 222 was arrived at after adopting the formula. A proportional stratified random sampling was used to allocate the samples in each stratum according to the size of each of the two CIC Insurance group ltd branches in the county using the formula in equation (2) as shown in table 3.1

Table 3.1  
*Sample Size*

<b>Branch</b>	<b>Population</b>	<b>Sample</b>
Nakuru	10,200	146
Naivasha	5,287	76
<b>Total</b>	<b>15,487</b>	<b>222</b>

Source: CIC Customers' Directory, 2016

$$n_i = \left(\frac{n}{N}\right) N_i \dots \dots \dots (2)$$

Where:  $n_i$  = the sample size of strata  $i$ ,  $n$  = the total sample size;  $N$  = total population,  $N_i$  = Population of strata  $i$ .

### 3.5 Data Collection Instruments and Procedure

Open and closed ended questionnaires were used by the researcher to collect data in the study. This is because questionnaires are widely used in research work to obtain information about current conditions and practices. It is also used in collecting data on; attitude, opinions and in a precise form (Lovell & Lawson, 1971). Questionnaires also facilitate the efficient use of time by the virtue that they can be collected from a large number of people and more so the questions can be easily analyzed (Orodho J. , 2003). The questionnaire provided anonymity to the respondent, encouraged faithfulness and gave respondent adequate time to think through the questions. The choice of questionnaires was informed by the fact that they assured the confidentiality of respondents especially in matters of sensitive questions as well as saving on time.

The self-administration method was mainly adopted in the administration of the questionnaires during the study.

### **3.6 Validity and Reliability of Research Instrument**

According to Gray (2004), Validity is the degree to which data in a research is accurate and credible while reliability is the degree to which an instrument will produce similar results at different periods. A pilot study was conducted by the researcher through administration of the questionnaire to a few respondents in the two CIC Insurance branches. The number of respondents represented a substantial population that helped to verify the usefulness of the data collection instruments employed in the study. Subsequently, the questionnaire was reviewed and revised through which the leading and redundant questions were phased out. These questions were also replaced with more relevant and logical ones that helped to capture the required responses for the study. A reliability coefficient of 0.7 or over was assumed to reflect the internal reliability of the instruments. The instruments gave a Cronbach's coefficient alpha value of 0.81 implying it was above the recommended value and therefore suitable for administration.

### **3.7 Data Analysis Method and Presentation of Findings**

To enable the researcher describe and examine the relationship between variables, descriptive and inferential statistics were employed in the data analysis. The descriptive statistics employed included, frequencies, percentages and a chi-square test. The results from the descriptive statistic were presented by use of tables. Pearson's Correlation on the other hand was used to show the direction and strength of the relationship between customer service strategies and customer loyalty while regression analysis helped to determine the degree in which the independent variables (quality service, service bay ambience and technology) could explain the change in customer loyalty. The regression equation given below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where Y= Weights from customer loyalty,  $X_1$ = Weights from quality service,  $X_2$ =Weights from service bay ambience and  $X_3$ = Weights from technology use, while  $\beta_0$ ,  $\beta_1$ ,  $\beta_2$  and  $\beta_3$  are the coefficients and  $\varepsilon$  being error term.

### **3.8 Ethical Measures**

Throughout the conduct of this study, the principle of voluntary participation by respondents was observed and the data was collected with the informed consent of all the participants. Furthermore, the privacy and confidentiality of participants has been assured and information sought has not been made available to anyone who is not directly involved in the study. The principle of anonymity has also been guaranteed by keeping the participants anonymous throughout the study.



## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

#### 4.1 Introduction

The chapter consists of the presentations of the analyzed findings, their interpretation and discussions. The results are presented as tested in accordance to the objectives of the study. It begins with cross tabulation presentations of the demographic characteristics of the respondents which include: age, educational level, tenure and gender. The descriptive statistics for the study findings are presented by usechi-square for each item to define the relative opinion of the respondents pertaining to that particular item. Finally, the results from the correlations and the regression analysis results are presented too.

##### 4.1.1 Response Rate

Table 4.1

*Response Rate of the Respondents*

<b>No. of questionnaires Returned</b>	<b>No. of respondents targeted</b>	<b>Response Rate (%)</b>
162	222	73

Source: Research Data, 2016.

A total of 222 questionnaires were administered directly by the researcher. Among the administered questionnaires, only 162 were returned resulting in a response rate of 73%, which is an acceptable proportion.

#### 4.2 General Characteristic of the Respondents

Cross tabulations and frequency distributions were used to indicate variations of respondents based on age, gender, tenure and length of service. Descriptive statistics were helpful in illustrating the characteristics of the respondents and nature of the data in tandem with the study objectives.

#### 4.2.1 Gender by Marital Status of the Respondents

Findings related to the marital status of the respondents by gender are presented on Table 4.2

Table 4.2  
*Gender of the Respondents by Marital Status*

Gender of the respondent		Marital Status of the respondent						Total
		Single	Married	Separated	Divorced	Widowed	Widow	
Male	Frequency	16	45	4	2	4	1	<b>72</b>
	Percentage (%)	9.9	27.8	2.5	1.2	2.5	0.6	<b>44.4</b>
Female	Frequency	31	38	10	5	1	5	<b>90</b>
	Percentage (%)	19.1	23.5	6.2	3.1	0.6	3.1	<b>55.6</b>
<b>Total</b>	<b>Frequency</b>	<b>47</b>	<b>83</b>	<b>14</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>162</b>
	<b>Percentage (%)</b>	<b>29.0</b>	<b>51.2</b>	<b>8.6</b>	<b>4.3</b>	<b>3.1</b>	<b>3.7</b>	<b>100</b>

Source: Research Data, 2016.

According to the results in table 4.2, we find that 51.2% of the respondents were married while 29 % were single. Among the Married, female respondents represented 42.2% while the male counterparts represented 62.5%. This implies that the marriage institution is still held in high regards by most Kenyans and the reason for taking up insurance cover could be due to the fact that they are seeking assurance and security for their families.

#### 4.2.2 Age of the respondent in years

Table 4.3  
*Age of the Respondent in Years*

	N	Minimum	Maximum	Mean	Std. Deviation
<b>Age of the Respondent</b>	162	19.00	60.00	36.5247	9.44300
<b>Valid N (list wise)</b>	162				

Source: Research Data, 2016.

The findings of the study displayed in Table 4.3, shows that the average age of the respondents is 37 years with the youngest and the eldest being 19 years and 60 years old respectively. This implies that the customers who have since taken up insurance cover with the firm are adults aged 18 and above, implying that they are mature

enough to understand the risk they are faced with given the kind of assets that they hold.

#### 4.2.2 Duration with the firm in years

Table 4.4  
*Duration with the Firm in Years*

<b>Duration</b>	<b>Frequency</b>	<b>Percentage</b>
less than 5 years	63	38.9
5-10 years	44	27.2
11-15 years	26	16.0
16-20 years	17	10.5
over 20 years	12	7.4
<b>Total</b>	<b>162</b>	<b>100.0</b>

Source: Research Data, 2016.

The result in table 4.4 shows that a large proportion of the customers had been insured by the organization for less than 5 years representing 38.9 % of the total response. The least response was 12, (7.4%); these were those who had been loyal to the firm for over 20 years. The reason for this trend could be due to the fact that the number of new customer acquisition by CIC far out ways the old customers in the region market and more importantly those who associate with the brand have only just recently subscribed to it having seen the collapse of other insurance who were their insurers or could be because they realized that CIC was offering better services and a variety of insurance products that suits their needs. The rebranding process that the Company has undertaken could also influence the inflow of new customers.

### 4.3 Customer Service Strategies

#### 4.3.1 Quality Service Strategy

The study indicated quality service strategies as one of the important aspects in an organization as it influences customer loyalty. From the findings it can be deduced that quality service affects customers' loyalty to an organization through the relationships that was formed with the following aspects: Reliability, responsiveness, assurance, and empathy. The study sought to analyze the extent to which quality service strategy influenced loyalty of customers in the insurance industry. By

responding to the questions that described the various quality service strategies, the respondents helped in achieving this objective.5- point Likert scale was used, that ranged from:1=Strongly Agree to 5=Strongly Disagree and the results are shown below in table 4.5

Table 4.5

<i>Quality Service Strategy</i>							
<b>Statement</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	<b>X<sup>2</sup></b>	<b>P-Value</b>
	<b>Freq(%)</b>	<b>Freq (%)</b>	<b>Freq(%)</b>	<b>Freq(%)</b>	<b>Freq(%)</b>		
The insurance firm provides promised services in an accurately and dependent manner.	85(52.5)	70(43.2)	6(3.7)	0(0.0)	1(0.6)	138.3	0.0001
The staff attend/address to my requests promptly	68(42.0)	87(53.7)	4(2.5)	2(1.2)	1(0.6)	215.0	0.0001
Every employee possesses trustworthy behaviour that reflects genuine commitments in providing services.	64(39.5)	81(50)	16(9.9)	0(0.0)	1(0.6)	107.5	0.0001
The staff listen to the my problems carefully providing individualized attention to my needs	68(42.0)	88(54.3)	5(3.1)	1(0.6)	0(0.0)	144.0	0.0001
The office opening and closing hours are ideal for me	72(44.4)	72(44.4)	8(4.9)	5(3.1)	5(3.1)	161.5	0.0001
The firm staff are always available on call and at the customer service desk	64(39.5)	74(45.7)	19(11.9)	5(3.1)	0(0.0)	83.9	0.0001
Parking facilities and accessibility are top notch	54(33.3)	65(40.1)	13(8.0)	11(6.8)	19(11.7)	78.5	0.0001

Source: Research Data, 2016

Table 4.5 shows that (95.7%) of the respondents (strongly agreed and agreed) ( $\chi^2=138.3$ ,  $P\leq 0.0001$ ) that the insurance firm provides promised services in an accurately and dependent manner. Majority of the respondents (95.7%) also (strongly agreed and agreed) ( $\chi^2=215$ ,  $P\leq 0.0001$ ) that the staff attended/addressed to their requests promptly with a response rate of 53.7%. Ruby et al. (2012) supports this claim since

he found out that customers' in general support immediate response to their demands, because they do not want to wait for long time. Adeoye and Lawanson (2012) also found out that if an insurance company fails to provide service to a customer at certain time, it can recover this failure by providing prompt services in professional way. The results of respondents (89.5%) also significantly ( $\chi^2= 107.5$ ,  $P\leq 0.0001$ ) (strongly agreed and agreed) that every employee possessed trustworthy behaviour that reflected genuine commitments in providing services. This proposition is supported by Bitner (1990) who established that customer loyalty is much strongly impacted by assurance than any other dimension of service quality.

The findings also reveal that the staff listen to customers' problems carefully, individualized attention was provided to suit their needs as 96.3% of the respondents (strongly agreed and agreed) ( $\chi^2= 144.0$ ,  $P\leq 0.0001$ ). Betty (2011) supported this claim by stating that in empathy, employees give attention and extra care to their customers that can increase the quality of services and make customers feel special which in turn increases customer loyalty and customer satisfaction. In order to satisfy the customers' needs, management should improve service quality through paying attention to the customer objections. These findings are also in line with those of Munusamy, et.al (2010) who proposed that the some level of empathy is good because customers want staff of the organizations to give individual attention to them during working time.

The results of respondents (88.8%) significantly ( $\chi^2= 161.5$ ,  $P\leq 0.0001$ ) (strongly agreed and agreed) that both the office opening and closing hours was ideal for most them. When respondent were asked whether the firm's staff are always available on call and at the customer service desk, 45.7% agreed ( $\chi^2= 83.9$ ,  $P\leq 0.0001$ ). Parking facilities and its accessibility was considered by majority of the customers top notch with 40.1% approval ( $\chi^2= 78.494$ ,  $P\leq 0.0001$ ). In line with the above outcomes, there is high likelihood that quality service influences loyalty of customers to an organization. These findings are in tandem with those of Bloemer et al. (1999) who stated that service quality results in customer loyalty; whereas if level of customers' satisfaction tends to be relatively high, it may also act as a vital promoter of customer loyalty. Ehigie (2006) also reported a strong positive relationship between service quality and customer loyalty dimensions.

### 4.3.2 Service Bay Ambience Strategy

As viewed by Shikdar (2002), ambience includes ergonomic components of the tangible workplace environment that comprise spatial layout and functionality. This was an important aspect to customer loyalty and hence equipment, sitting area facilities, communication materials, personnel, noise, lighting, seating arrangement, air conditioning and decorations were the measures for service bay ambience that were adopted in this study. The objective was achieved by asking the respondents to respond to questions that best described their work life balance interactions. A 5-point Likert scale was used, and the results shown in table 4.6.

Table 4.6  
*Service Bay Ambience Strategy*

Statement	SA Freq(%)	A Freq(%)	N Freq(%)	D Freq(%)	SD Freq(%)	$\chi^2$	P-value
The photocopier machines are readily available and sufficient for customer use	63(38.9)	70(43.2)	19(11.7)	5(3.1)	5(3.1)	124.4	0.0001
The chairs provided are comfortable for me	73(45.1)	75(46.3)	8(4.9)	5(3.1)	1(0.6)	178.9	0.0001
The office notice board, brochures are clear and easy to understand	58(35.8)	82(50.6)	18(11.1)	4(2.5)	0	95.5	0.0001
The staff are inviting and well groomed	75(46.3)	76(46.9)	10(6.2)	0	1(0.6)	122.0	0.0001
The service bay is silent enough and devoid of unnecessary noise	69(42.6)	80(49.4)	9(5.6)	1(0.6)	1(0.6)	254.6	0.0001
There is sufficient lighting in the service bay (well illuminated) to carry on transactions	74(45.7)	79(48.8)	8(4.9)	0	1(0.6)	128.9	0.0001
The working space area is sufficient with proper sitting arrangement	72(44.4)	83(51.2)	7(4.3)	0	0	62.5	0.0001
The temperature setting in the office suit me	68(42.0)	76(46.9)	14(8.6)	4(2.5)	0	100.0	0.0001
The service bay is tidy, clean and well decorated	94(58.0)	55(34.0)	11(6.8)	2(1.2)	0	134.0	0.0001

Source: Research Data, 2016

The results of the respondents 82.12.2% (strongly agreed and agreed) ( $\chi^2= 124.4$ ,  $P\leq 0.0001$ ) that photocopier machines being readily available and sufficient for customer use. When asked whether the chairs provided are comfortable 91.4% (strongly agreed and agreed) ( $\chi^2= 178.9$ ,  $P\leq 0.0001$ ). The office notice board, brochures were clear and easy to understand and the office staff considered inviting and well-groomed with 97.5% of the respondents (strongly agreeing and agreeing) ( $\chi^2= 122$ ,  $P\leq 0.0001$ ). The customers also appreciated the fact that the service bay is silent enough and devoid of unnecessary noise with an approval rating of 49.4% ( $\chi^2= 254.6$ ,  $P\leq 0.0001$ ). They also agreed that there existed sufficient lighting in the service bay that enabled carry out of transactions with 48.8% agreeing to this statement ( $\chi^2= 128.9$ ,  $P\leq 0.0001$ ).

Further still, 51.2% of the respondents agreed that the working space area is sufficient with and that proper sitting arrangement had been observed ( $\chi^2= 62.5$ ,  $P\leq 0.0001$ ). The temperature setting in the office was conducive for majority of the customers and the service bay labelled tidy, clean and well decorated. This is evidenced by the fact that 49.4% and 58% of the respondents indicated their agreement and strongly agreed to these statements respectively ( $\chi^2= 134.0$ ,  $P\leq 0.0001$ ).

These findings are in agreement with those of Culiberg and Rojsek, (2010) who found out that customers expect up-to-date equipment, attractive printed material, well arranged interior and properly dressed employees. This was also in line with the study by Nabi, (2012) which concluded that customers preferred an insurance company with convenient location. Brady and Cronin (2001) also found out that consumers react not only to products, but also to the features that accompany the product. They asserted that consumers not only make their purchase decision and respond to more than simply the tangible product or service being offered but respond to the total product. One of the most significant features of the total product is the place where it is bought or delivered. Atmospherics relates to the effort to design buying environments to produce specific emotional effects in the buyer that enhance his purchase probability. In some cases, the place, more specifically the atmosphere of the place, is more influential than the product itself in the purchase decision.

Hirschman and Holbrook (1982) reached a similar conclusion on the importance of ambient conditions, finding that sensory input associated with a product led to emotional arousal and caused consumers to recall the product or the events surrounding their interaction with the product or to imagine a sequence of future events. Jiang and Wang, (2006) also found out that atmospheric clues affect consumer moods and emotions which, in turn, affect purchase behavior and response to products.

#### **4.3.3 Technology Support Strategy**

Banta (2009), views technology as a broad concept that deals with use and knowledge of tools and crafts and how its use affects the ability to control and adapt to the social and physical environment. In this study technology support is the act of availing these support tools which are appropriate and up to date that aid customers and employees and was measured in terms of availability of internet connectivity, appropriate computers and applications, their ease of use, efficiency and effectiveness of data management and how it helps employees to save on time. All this showed that technology support aspect affects loyalty of customers to an organization. 5- point Likert scale was used, that ranged from: 1=Strongly Agree to 5=Strongly Disagree and the results summarized in table 4.7



Table 4.7  
*Technology Support Strategy*

<b>Statement</b>	<b>SA Freq(%)</b>	<b>A Freq(%)</b>	<b>N Freq(%)</b>	<b>D Freq(%)</b>	<b>SD Freq(%)</b>	<b>X<sup>2</sup></b>	<b>P-value</b>
My organization, has a comprehensive database of customers' information	67(41.4)	78(48.1)	14(8.6)	1(0.6)	2(1.2)	170.5	0.0001
The staff gives prompt services to customers irrespective of their status using online media.	56(34.6)	92(56.8)	11(6.8)	3(1.9)	0	127.6	0.0001
My organization, informs me of any transaction on my account within five minutes using text messages	55(34.0)	88(54.3)	18(11.1)	1(0.6)	0	111.9	0.0001
The company disseminates information to me (customer) through e-mail and other electronic platforms hence reducing on waiting time	60(37.0)	89(54.9)	10(6.2)	1(0.6)	2(1.2)	196.8	0.0001
The technology support system is user friendly and I seldom experience system breakdown when carrying out transactions electronically	55(34.0)	86(53.1)	16(9.9)	4(2.5)	1(0.6)	168.1	0.0001
For customer convenience major transactions can be effected online without physical contact with the staff e.g., policy change, premium payment, etc	56(34.6)	80(49.4)	12(7.4)	12(7.4)	2(1.2)	141.3	0.0001
The organization pays much attention to the customers' needs using hi-tech facilities to improve customer satisfaction	58(35.8)	82(50.6)	19(11.7)	2(1.2)	1(0.6)	160.7	0.0001

Source: Research Data, 2016

The results revealed that the 89.5% of the respondents (strongly agreed and agreed) ( $\chi^2 = 170.5$ ,  $P \leq 0.001$ ) that the organization, had a comprehensive database of

customers' information. When asked whether the staff rendered prompt services to them irrespective of their status using online media, 56.8% of the customers agreed ( $\chi^2 = 127.6$ ,  $P \leq 0.001$ ). 54.3% of the respondents also agreed to the idea that the organization informed them of any transaction on their accounts within five minutes using text messages ( $\chi^2 = 112.0$ ,  $P \leq 0.001$ ). In regards to whether the company disseminated information to them through e-mail and other electronic platforms hence reducing on waiting time, 54.9% of the customer agreed to it ( $\chi^2 = 196.8$ ,  $P \leq 0.001$ ). Similarly, when a question in respect to whether the technology support system was user friendly and seldom experienced system breakdown when carrying out transactions electronically, 53.1% of the customers agreed to this statement ( $\chi^2 = 168.1$ ,  $P \leq 0.001$ ). 49.4% of the customers also appreciated the convenience in which major transactions could be effected online without physical contact with the staff such as policy change, premium payment ( $\chi^2 = 141.3$ ,  $P \leq 0.001$ ). The organization was also depicted as having paid much attention to the customers' needs using hi-tech facilities to improve customer satisfaction with 50.6% approval score ( $\chi^2 = 160.7$ ,  $P \leq 0.001$ ).

These findings agreed with those of Yaghoobi & Shakeri, (2008) who found out that ease of use represented the respondents' coping abilities and skills needed for using the system. These results are also in line with those of Szymanski and Hise (2000) who sited Navigation, product information, and site design as being critical to e-satisfaction. Jarvenpaa and Todd (1997) also found out that fast, interactive, uncluttered, and easy-to-navigate sites with quality searching capabilities would be perceived more favorably by consumers. With the features evaluated within the attribute of usability and site design are: providing a user-friendly interface, an interactive site, and possessing adequate searching capabilities

#### 4.4 Inferential Statistics

This section presented Correlation and multiple linear regression using stepwise selection procedure analysis results to evaluate the relationship between the dependent and independent variables.

##### 4.4.1 Correlation Analysis

To determine the significance and degree of association of the variables Correlation analysis was used. The main result of a correlation is called the correlation coefficient (or "r"). It ranges from -1.0 to +1.0. The closer r is to +1 or -1, the more closely the two variables are related. If r is positive, it means that as one variable gets larger the other variable also gets larger. If r is negative it means that as one variable gets larger, the other variable gets smaller (often called an "inverse" correlation).

Table 4.8  
*Correlations Results*

		<b>Quality Service</b>	<b>Service Bay Ambience</b>	<b>Technology Support</b>	<b>Customer Loyalty</b>
<b>Quality Service</b>	Pearson Correlation	1			
	Sig. (2-tailed)				
<b>Service Bay Ambience</b>	Pearson Correlation	.489**	1		
	Sig. (2-tailed)	.000			
<b>Technology Support</b>	Pearson Correlation	.516**	.480**	1	
	Sig. (2-tailed)	.000	.000		
<b>Customer Loyalty</b>	Pearson Correlation	.298**	.374**	.445**	1
	Sig. (2-tailed)	.000	.000	.000	

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

Source: Research Data, 2016

The correlation statistics summary shown in table 4.8 indicates a moderately significant positive association between the independent and dependent variables. The correlation results, found that there was a significant relationship at 1% level of

significance between quality service strategy and loyalty of customers in the insurance industry ( $r = 0.298$ ,  $p = 0.00$ ). These findings agree with those of Spreng (1996), whose evidence proved that there exists a significant correlation between service quality and customer loyalty. This is also in agreement with Boahene and Agyapong (2011) study in which service quality was also found to correlate positively and significantly with customer loyalty.

The study also assessed whether service bay ambience strategy had an effect on the loyalty of customers in the insurance industry and a slightly positive relationship ( $r = 0.374$ ,  $p = 0.000$ ) is noted. These results are in tandem with those of Jabnoun and Al-Tamimi (2003) who established that institutions with better ambience enhance customer loyalty in a better way. However, these results are not in line with those of Saghier and Nathan (2013) who found out that the relationship between tangibles and customer satisfaction was not significant enough.

The study also sought to determine whether technology had a significant effect on the customer loyalty in the insurance industry and found a positive relation ( $r = 0.445$ ,  $p = 0.000$ ). These findings are in line with those of Alba et al. (1997) and Jarvenpaa and Todd (1997) who reported that online consumers are influenced by the interactivity of the Website. On the contrary, Munusamy et al, (2010) reported that a company using modern technology for its operations and having well organized waiting cues will be of less importance insight of customers. The results therefore indicated that technology support strategy exhibited a significant association with customer's loyalty followed by service bay ambience strategy and the least being the quality service strategy.

#### **4.4.2 Regression Analysis**

To produce a best fit line to predict independent variables on the dependent variable multiple regression analysis was used. It was used to determine how each independent variable affected the dependent variable and which of those factors are more significant. Table 4.9 shows the results.

Table 4.9  
*Multiple Linear Regression Analysis Model Summary*

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.482 <sup>a</sup>	.232	.217	5.06129

a. Predictors: (Constant), Technology, Service, Quality  
 Source: Research Data, 2016

The adjusted R square value of,  $r^2 = 0.217$  indicate that when all the variables are combined, the multiple linear regression model could explain approximately 21.7% of the variation in loyalty of customers at CIC insurance group. This therefore implies that 78.3% is explained by other factors which include; core offerings where companies have focused intently on what they know appeals to the type of customers they want to attract, and have determinedly concentrated on delivering what is expected every time. The other factor is the elasticity level where Elasticity expresses the importance and weight of a purchasing decision - effectively the level of involvement or indifference. It could also be explained by the market place which is determined by the opportunity to switch and the inertia loyalty.

#### 4.4.3 Anova Results

The results of Anova performed on the independent and dependent variables are summarized in table 4.9 b while the regression analysis results are also presented on table 4.9c

Table 4.9b  
*ANOVA Results*

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	1222.845	3	407.615	15.912	.000 <sup>b</sup>
	Residual	4047.433	158	25.617		
	Total	5270.278	161			

a. Dependent Variable: Loyalty  
 b. Predictors: (Constant), Technology, Service, Quality  
 Source: Research Data, 2016

The ANOVA results shown in table 4.9b indicated an overall significance of 0.000, which is less than the level of significance of 0.05 meaning that all of the variables contribute to the performance and determination of the loyalty of customers.

Table 4.9c  
*Multiple Linear Regression Results*

Model	Unstandardized		Standardized	t	Sig.	Collinearity	
	Coefficients		Coefficients			Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	8.075	1.696		4.761	.000		
<b>Quality Service</b>	.042	.128	.028	.331	.741	.659	1.518
<b>Service Bay</b>	.253	.107	.199	2.369	.019	.690	1.449
<b>Ambience</b>							
<b>Technology</b>	.534	.136	.335	3.922	.000	.666	1.503
<b>Support</b>							

a. Dependent Variable: Loyalty  
 Source: Research Data, 2016

The VIF (variance inflation factor) is much less than 10 for all the variables, indicating that collinearity is not a problem between the independent variables.

The overall relationship between the dependent and independent variables will be of the most importance in a linear regression model. The findings showed there was an insignificant relationship between quality service strategy (0.042,  $p = 0.741$ ) and customer loyalty at CIC insurance group at 5% level of significance. The findings however, indicated a significant relationship at 5% level of significance between Service bay ambience strategy and technology support strategy and customer loyalty at CIC insurance group with p-values of (0.253,  $p = 0.019$ ) and ( $p=0.000$ ) respectively.

#### 4.5 Hypotheses Testing

The specific objectives of the research are highlighted, hypotheses are tested and implications discussed in this section.

##### 4.5.1 Specific objectives

**Ho<sub>1</sub>: Quality service strategy has no significant effect on customer loyalty in the insurance industry.**

Regression results showed that quality service as a customer service strategy insignificantly influenced customers' loyalty to an organization ( $p = 0.741$ ) hence we fail to reject the null hypothesis. The implication of this is that despite the firms effort to render promised services in an accurately and dependent manner, providing tailored

solutions to customers problems, staff attending to request in a timely manner, and even the parking facilities made top notch and accessible customer loyalty is not guaranteed.

**H<sub>02</sub>: Service bay ambience strategy has no significant effect on customer loyalty in the insurance industry.**

The regression results showed that the service bay strategy as a customer service strategy significantly influenced customer's loyalty to an organization at 5% level of significance ( $p= 0.019$ ) and thus the null hypothesis was rejected. This means that comfort of chairs at the service bay, service bay being tidy, silent enough and devoid of unnecessary noise, well illuminated and the temperature setting suiting customers were significant factors on customers' loyalty.

**H<sub>03</sub>: Technology support strategy has no significant effect on customer loyalty in the insurance industry.**

Regression results showed that the technology support strategy significantly influenced customer loyalty in the insurance industry ( $p = 0.000$ ) and thus the null hypothesis was rejected. The implication of this is that availability of a comprehensive database of customers' information, current applications and their ease of use, dissemination of information to customers through e-mail and other electronic platforms and major transactions being effected online without physical contact with the staff are important factors of technology support that helps to boost customer loyalty in the insurance industry.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

Discussion, conclusions, and recommendations arising out of the research findings in the previous chapter and areas for further study are presented in this chapter. The overall objective of this study was to establish the relationship between customer service strategies and customer loyalty in the insurance industry. On the other hand the specific objectives of the study were to assess, examine and analyze the effect of quality service strategy, service bay ambience strategy and technology support strategy on loyalty of customers at CIC insurance group in Nakuru County.

#### 5.2 Summary of Findings

According to the findings it showed that when all variables are combined it can explain approximately 23.2% of the variations in loyalty of customers in the insurance industry while 76.8% may be attributed to other factors not explained by the variables.

According to the first objective of the study which was to ascertain whether quality service strategy affects customer loyalty in the insurance firms, the data analysis and interpretation of the questionnaires showed that majority of customers agreed that the insurance firm provided promised services in an accurately and dependent manner. They also agreed that the staff attend/address to my requests promptly, every employee possessed trustworthy behaviour that reflected genuine commitments in providing services, the staff listened to the their problems carefully providing individualized attention to their needs, the office opening and closing hours were ideal for them, the firm staff are always available on call and at the customer service desk and that the parking facilities were accessible and are top notch. From the correlation results, it was found that the quality service strategy has a significant positive effect on loyalty of customers in the insurance industry meaning a significant relationship exist between quality service strategy and customers' loyalty. According to regression results it was the least important variable in customer loyalty in terms of influence.



To determine whether service bay ambience strategy affects customer loyalty in the insurance firms was the second objective. According to the findings it showed that majority of the respondents strongly agreed that the photocopier machines are readily available and sufficient for customer use, the chairs provided are comfortable for them, the office notice board, brochures are clear and easy to understand, the staff are inviting and well groomed, the service bay is silent enough and devoid of unnecessary noise, there is sufficient lighting in the service bay (well illuminated) to carry on transactions, the working space area is sufficient with proper sitting arrangement, the temperature setting in the office suited them and that the service bay is tidy, clean and well decorated.

From the correlation results, it was found that the service ambience strategy has a significant positive effect on customers 'loyalty meaning significant relationship exists between service bay ambience and loyalty of insurance customers. According to regression results it was the second most important variable in loyalty of customers at CIC insurance group.

Finally the study sought to analyse the effect of technology support strategy on the loyalty of customers in the insurance sector. The findings revealed that majority of the customers agreed that the organization had a comprehensive database of customers' information; the staff gave prompt services to customers irrespective of their status using online media, the organization informed them of any transaction on their account within five minutes using text messages, the company disseminated information to them through e-mail and other electronic platforms hence reducing on waiting time, the technology support system is user friendly and they seldom experience system breakdown when carrying out transactions electronically, for their convenience major transactions can be effected online without physical contact with the staff for instance policy change, premium payment and that also the organization pays much attention to the customers' needs using hi-tech facilities to improve customer satisfaction .

From the correlation results, it was found that technology support has a significant positive effect on loyalty of customers to an organization meaning a significant relationship exist between technology support strategy and customer loyalty in the

insurance industry. According to regression results it was the most important variable in boosting customers' loyalty.

### **5.3 Conclusions**

Loyalty of customers in the insurance industry is influenced by various factors. The findings revealed that technology support strategies were an important factor in creating loyalty among customers as compared to the other two variables; (quality service strategy and service bay ambience), at CIC insurance group. More specifically, prompt services offered to customers irrespective of their status using online media by the firm's staff had a strong influence on loyalty of CIC insurance group customers.

Many factors affect customers' loyalty to an organization that corporate managers/supervisors need to be aware of and should put more effort to improve at all times. According to the findings it was determined that the tidiness, cleanliness and decoration of the service bay to a great extent influenced the perception of the customers on whether to do business with the organization or not. This could be due to the fact that first sight appearance illustrated how disorganized or organized an organization could be. They also appreciated that the insurance firm rendered promised services in an accurately and dependent manner which illustrated the quality of services and value for money. Moreover, the availability of technology, the ease of operating and how it helped them to save on time was also an important aspect that came into play. Therefore, based on these findings, the study concludes that all of the variables were important in the study with the most crucial being technology support aspects.

### **5.4 Recommendations**

As a result of the research findings, it is recommended that the strong strategies influencing on loyalty of customers in the insurance industry be put into great consideration. These consist of but not limited to: quality service, service bay ambience and technology support. Encouraging customer service strategies may increase their loyalty to an organization and hence reduce turn over and cost of recruitment (advertisement). Service bay ambience was identified to be significant to

customers' loyalty. Therefore, attention need to be given especially to the appearance and organization of the reception/service bay as it is a strong indicator of how things are done behind the scenes, hence the intention of customer to remain with an organization as he/she feels well placed, respected, valued and part of something special.

Technology support being the most influential variable among the other two should be of the greatest concern to every organization that have or plans to recruit more customers. Insurance firms should strive towards availing modern technology; proper internet connectivity and ease of use of the technology in order to enable customers to access insurance services easily and conveniently, this will speed up the transactions process and documentation as required of them on time. By ensuring that organizational customer interaction is easy and enjoyable, the intention of the customers' to stay with that organization increases and therefore securing their loyalty.

### **5.5 Recommendation for Further Research**

The researcher recommends further research to be done on firms in other industries, to find out whether these variables will hold true. This study focused on customer service strategies at CIC insurance group in Nakuru County. However, a similar research can be carried out in other insurance firms so as to achieve generalizability of findings.

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## APPENDICES

### APPENDIX I: LETTER OF INTRODUCTION

Adikha Lidauli Paul,  
Kabarak University,  
P.O Box Private Bag,  
Kabarak.

Dear sir /madam,

Re: RESEARCH ON EFFECT OF CUSTOMER SERVICE STRATEGIES ON  
CUSTOMER LOYALTY

I am a postgraduate student at Kabarak University, Pursuing a Master Degree in Business Administration (MBA).I am undertaking the above mentioned research proposal .I would be very grateful if you could answer the questions in the interview guide as honestly as possible. The findings of the study will be availed to you upon request on completion of this research. Thank you for your co-operation.

Yours faithfully,

Adikha Lidauli Paul.



## APPENDIX II: QUESTIONNAIRE

### SECTION A: SOCIO-DEMOGRAPHIC DATA OF THE RESPONDENT

1. Gender

Male

Female

2. Age in years.....

3. Marital Status

Single

Married

Separated

Divorced

Widowed

Widow

4. Level of education

High school

College

University graduate

Master's graduate

Doctoral degree

5. How long have you been insured with the company?

less than 5 years

5-10 years

11-15 years

16-20 years

Over 20 years

**SECTION B: QUESTIONS ON CUSTOMER SERVICE STRATEGIES**

Kindly rate your levels of agreement or disagreement with the statements in the tables below using the scale given:

SA=Strongly Agree (1)

A=Agree (2)

N=Not Sure (3)

D=Disagree (4)

SD=Strongly Disagree (5)

Kindly place a tick (√) against the suggested opinion to show your level of agreement or disagreement with it in the that appropriate box in the table

**PART A: QUALITY SERVICE STRATEGY**

<b>Item</b>	<b>Quality Service Strategy</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
i.	The insurance firm provides promised services in an accurately and dependent manner					
ii.	The staff attend/address to my requests promptly.					
iii.	Every employee possess trustworthy behavior that reflect genuine commitments in providing services					
iv.	The staff listen to the my problems carefully providing individualized attention to my needs					
v.	The office opening and closing hours are ideal for me					
vi.	The firm staff are always available on call and at the customer service desk					
vii.	Parking facilities and accessibility are top notch					

**PART B: SERVICE BAY AMBIENCE STRATEGY**

<b>Item</b>	<b>Service Bay Ambience Strategy</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
i.	The photocopier machines are readily available and sufficient for customer use					
ii.	The chairs provided are comfortable for me					
iii.	The office notice board, brochures are clear and easy to understand					
iv.	The staff are inviting and well groomed					
v.	The service bay is silent enough and devoid of unnecessary noise					
vi.	There is sufficient lighting in the service bay (well illuminated) to carry on transactions					
vii.	The working space area is sufficient with proper sitting arrangement					
viii.	The temperature setting in the office suit me					
ix.	The service bay is tidy, clean and well decorated					

**PART C: TECHNOLOGY SUPPORT STRATEGY**

<b>Item</b>	<b>Technology Support Strategy</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
i.	My organization, has a comprehensive database of customers' information					
ii.	The staff gives prompt services to customers irrespective of their status using online media.					
iii.	My organization, informs me of any transaction on my account within five minutes using text messages.					
iv.	The company disseminates information to me (customer) through e-mail and other electronic platforms hence reducing on waiting time.					
v.	The technology support system is user friendly and I seldom experience system breakdown when carrying out transactions electronically.					
vi.	For customer convenience major transactions can be effected online without physical contact with the staff e.g., policy change, premium payment, etc					
vii.	The organization pays much attention to the customers' needs using hi-tech facilities to improve customer satisfaction.					

**PART D: CUSTOMER LOYALTY**

Item	Customer Loyalty	SA	A	N	D	SD
i.	I will always recommend this insurance firm to every person seeking insurance services					
ii.	I seldom consider switching away from this insurance firm					
iii.	I will always use this insurance firm to insure myself against any given risk.					
iv.	This insurance firm is exactly what I need					
v.	I will Say positive things about the insurance firm to other people					
vi.	This insurance firm gives breadth and depth Customer service					
vii.	I will never change this insurance firm even if I found another firm which offers similar services					
viii.	I consider switching to another brand to be very costly and unsecure					
ix.	Premium charges in this firm are fair and reflect the real scenario in the market					