

**THE EFFECTS OF CUSTOMER RELATIONSHIP MANAGEMENT ON
CUSTOMER RETENTION IN THE INSURANCE INDUSTRY IN GHANA:
THE MEDIATING ROLE OF CUSTOMER SATISFACTION**

By

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(MASTER OF BUSINESS ADMINISTRATION – MARKETING)

**A Thesis Submitted to the Department of Marketing and Corporate Strategy,
Kwame Nkrumah University of Science and Technology in partial fulfillment of
the requirements of the degree of**

Master of Philosophy in Business Administration (Marketing)

© August 2016

DECLARATION

I hereby declare that this submission is my own work towards the award of Master of Philosophy in Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for award of any other degree of the university, except due acknowledgement has been made in the text.

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ACKNOWLEDGEMENT

I am immensely grateful to the Omnipotent GOD for his love and protection.

This thesis would not have been possible without the support of certain personalities who deserve my gratitude. I wish to offer my profound appreciation to Dr. Ahmed Agyapong my supervisor, for his valuable suggestions and constructive criticisms of the content, structure and preparation of this report. I am also grateful to the various branch managers of the insurance companies in Kumasi for their support in making this research possible.

Again, to my siblings Prince Ofosu-Siaw and Florence Sarfoa Koranteng's encouragement and moral support. Lastly, to Daniel Kenneth Appiah for his support. I am very grateful for the attention and advice you gave throughout this project work.

Thank you so much.

DEDICATION

I dedicate this thesis to my parents Mr. & Mrs. Ofosu-Siaw, my husband Mr. Alex Kwabena Boateng and my sons Michael Boateng, Gabriel Ofosu-Siaw Boateng, David Boateng and Elijah Ofosu-Siaw for their support throughout this project and my studies.

ABSTRACT

Today, there is a fierce competition in the insurance industry in Ghana, and one of the key issues is the company's ability to practice effective Customer Relationship Management to achieve customer satisfaction in order to retain its existing customers and look for more. The subject of Customer Relationship Management, Customer Satisfaction and Customer Retention has become a global issue. The study sought to examine the effect of customer relationship management on customer retention, with customer satisfaction playing the mediation role. Questionnaire was the main data collection tool used to gather data from 450 customers of the fifteen Non-life selected Insurance Companies in Kumasi. The estimation tool used to test the study hypothesis was Structural Equation Model and STATA 12.0 software was used for analyses. Findings revealed that customer relationship management has a significant positive effect on customer retention. Also, there is a positive and significant correlation between customer satisfaction and customer retention. This shows that the more satisfied customers are the more likely they will stay or stick to a particular policy. Thus, the study result declares that, partial mediation is achieved. The study concluded that both customer relationship management and customer satisfaction are antecedents to customer retention. Customer relationship management is also a significant driver of customer satisfaction in the insurance industry. The study recommended that, the insurance practitioners should invest resources and capacity to intensify the management of customer relationships as this has been shown to impact on profitability. The researcher recommends there should be a further study on the effects of CRM on Customer retention in the life sector of the insurance industry. Another research can be conducted to assess the impact of CRM practises in the insurance industry in Ghana.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Several organizations including insurance companies spend a significant part of their time, energy and resources chasing new business. Even though it is important to replace lost business, grow the business and expand into new markets, one of the primary goals is to keep existing customers and enhance customer relationships (Weinstein, 2002). Thus, the cost of acquiring new customers can be up to 10 times the cost of retaining existing ones, and even a small increase in retention rates can add thousands of cedis to premium revenue.

Experience shows that a customer holding two policies with the same company is much more likely to renew than a customer holding a single policy and – it is impossible to determine which types of customers are profitable and should try to retain. Although finding new customer is very important, the emphasis is shifting towards retaining profitable customers and building lasting relationship with them. Companies have also discovered that losing a customer means losing not just a single sale but also a life time's worth of purchase and referrals. In effect, the double goal of marketing is to attract new customers by promising superior value and retain current customers by delivering satisfaction (Kotler & Armstrong, 2011).

Most insurance product developments are easy to increase and when insurance companies provide nearly similar services, they can only distinguish themselves based on effective customer relationship management (CRM) and customer satisfaction practice. Customer retention is the central concern for CRM. Customer satisfaction,

which refers to the comparison of customers' expectations with his or her perception of being satisfied, is the essential condition for retaining customers (Kracklauer et al., 2004). Therefore, customer retention is an effective and importance tool that insurance companies can use to gain a strategic advantage and survive in today's ever increasing insurance competitive environment.

CRM represents an activity to developed full-knowledge about customer behavior and preferences in order to initiate programs and strategies that encourages customers to continually enhance their business relationship with the company (Parvatiyar A & J. N. Sheth, 2001). The strategies of customer relationship management are anticipated to curtail occurrence of service failures that motivate customer to switch in the insurance industry (Crosby et al., 1990; Jones & Farquhar, 2003; Best, 2002; Mithas et al., 2005; Uppal, 2008 and Sharma et al., 2011). Furthermore Verhoef (2003), study demonstrates that, CRM positively affect customer retention. Verhoef & Donkers (2001), confirm that CRM allows insurance companies to employ strategies with the help of customer databases in administrating personal customer relationships effectively towards retention. Customer relationship management has typically been viewed as an important determinant affecting customer retention. The connection between customer relationship management and customer retention is worth studying in the competitive Ghanaian insurance market.

1.2 Statement of Problem

Insurance companies offer inimitable financial services which promotes the growth of every nation. The services range from the underwriting of risks common in economic entities and the mobilization of large amount of funds through premiums for long term

investments. The risk absorption role of insurers ensures financial stability in the financial markets and provides a sense of security to economic entities. The business world without insurance is unsustainable since risky business may not have the capacity to retain all kinds of risks in this ever changing and uncertain global economy (Ahmed et al., 2010). Indeed, a well-developed and evolved insurance industry is a boon for economic development as it provides long- term funds for infrastructure development of any economy (Charumathi, 2012). The National Insurance Commission, the regulatory body of the Ghanaian insurance sector, has therefore intensified its supervision, field visits, and has adopted a risk-based assessment of insurer's activities. All of these regulatory measures are to ensure that the performance of insurance companies is in sound condition.

In spite of the important role of the insurance industry, there is little information in the industry to help professionals to work to make good policies and address the needs of customers and formulate effective policies. Availability and easy access to accurate statistics on the Ghanaian insurance market remains a big challenge to the sector today. Most Ghanaians therefore are totally at a loss about what actually transpires in the industry. This has affected insurance penetration negatively in Ghana. For instance, in 2008, insurance penetration in Ghana was 1.57%, while South Africa recorded 12.7% (National Insurance Commission [NIC] Annual Report, 2008).

Most of the Ghanaian insurers argue that, the insurance business is drenched however there is high participation of foreign insurance companies indicating the unexploited opportunities in the country (Ansah-Adu et al., 2011). The core argument is that, CRM practices can support organizations to achieve marketing productivity through

establishing strong relationship with the customers in competitive markets (see Parvatiyar & Sheth, 2001; Sheth & Parvatiyar, 1995; Sheth & Sisodia, 2002). Thus, when organizations concentrate on customers by practicing CRM strategies, they can understand their needs and provide greater value which will improve company's position in the competitive market. However, the effectiveness of CRM to achieve customer satisfaction and influence customer retention remains skeptical. Organizations perceive CRM operations as purely technological (see Payne & Frow, 2005) rather than delivering customer needs through organizational plans, staffs and procedures of service (Sharma et al., 2011).

Moreover, Relationship marketing literature is sated with studies that explores on effects of CRM to improve customer retention (Boulding et al., 2005; Mithas et al., 2005, Uppal, 2008 and Sharma et al., 2011); and the effectiveness of CRM from the customer's perspective (Padmavathy, 2012; Palmatier et al., 2006), effects of customer satisfaction on customer retention (Reichheld & Teal, 1996; Best, 1998; Reinartz & Kumar, 2000; Reichheld & Kenny, 1990 and Khan 2012.) and the effects of CRM on customer satisfaction (Mithas et al, 2005; Faed, 2010;Hassan, 2015; Long et al., 2013;Izquierdo et al., 2005; Khedkar, 2015).

Additionally, the impact of CRM practices on different industries have been extensively studied as well in areas such as hotels (Lo et al., 2010), retailing (Gummesson, 2004; Long et al., 2013; Payne et al., 2005; Minami & Dawson, 2008), banking services (Dimitriadis, 2010; Anabila , 2010), tourism (Ozgener & Iraz, 2006), transport services (Cheng et al., 2008), cellular industry (Saadat et al., 2013) and public services (Pan et al., 2006). Despite these numerous studies, there is a relatively low

literature on the effects of CRM on customer satisfaction in the insurance industry (Rastghalam et al., 2014; Verhoef, 2003) and to examine the influence of CRM practices on customer retention in the insurance industry. Furthermore, there is no research conducted to examine the mediation role of customer satisfaction on the relationship between the effect of CRM on customer retention in the insurance industry at large and particularly in Ghana from the customer's perspective (see Abu, 2011).

1.3 Research Objectives

The main aim of the study is to explore the effect of customer relationship management on customer retention on the insurance industry in Ghana with customer satisfaction playing the mediating role. The specific objectives would be as follows:

1. To examine the relationship between customer relationship management and customer retention in the insurance industry in Ghana
2. To examine the relationship between customer satisfaction and customer retention in the insurance industry in Ghana
3. To examine the mediating role of customer satisfaction in the relationship between customer relationship management and customer retention in the insurance industry in Ghana.

1.4 Research Questions

Based on the objectives set above, the study seeks to answer the following questions:

1. What are the relationship between customer relationship management and customer retention in the insurance industry in Ghana?
2. What are the relationship between customer satisfaction and customer retention in the insurance industry in Ghana?

3. What is the mediating role of customer satisfaction in the relationship between customer relationship management and customer retention in the insurance industry in Ghana?

1.5 Significance of the Study

The results of this study would hopefully be significant in the sense that it would enable insurance companies to better understand why customers defect; the effect of customer relationship management and the various motivational factors which could be harnessed to inspire customers to retain them to increase and sustain productivity.

The study would also contribute to the little existing knowledge on customers' retention in the insurance industry in relation to the effects of company's profitability.

1.6 Scope of the Study

The total number of both life and non-life insurance companies in Ghana are forty five (45). The study would be limited to the selected Insurance Companies in Kumasi, Ghana. The customers would comprise the study population and the study would be carried out in the space of 6 months.

1.7 Overview of the Research Methodology

This section outlined the research methodology processes to be used in the study. A discussion of the study's survey research design is presented and its adoption justified. The population and the sample strategies are all covered in the study. It also covers the sources of data which would be used to obtain the data for the study and the tool for the data analysis.

Furthermore, the study combined both primary and secondary data. The secondary data was collected from published literature, journals, brochures, company information etc. The primary data was collected through a survey questionnaire. Policy holders are the target population because they are homogeneous in their use of insurance services. Their opinions will be sought because they would be best to evaluate existing stage of insurance services. Data was collected from 450 customers of some selected Insurance Companies in Ghana, specifically Kumasi, on convenience basis.

1.8 Limitations of the study

In spite of the significant contribution of this study to literature, the study has some limitations. Firstly, this study used subjective measure for the variables in place of objective measures. Nonetheless, subjective measure appears to be most suitable measure for the variables in the context of this research. Lack of reliable company information from staffs with the doubt of such information reaching their competitors coupled with inappropriate documentation by the companies in the non-life insurance companies in Ghana do not make it possible to use objective measure. Despite the limitations, subjective measures of performance have been used extensively by researchers (Cosby et al., 1990; Padmavathy et al., 2012; Wong et al., 2007; Rai et al., 2013) to study large samples. Furthermore, Wall et al. (2004) confirms the validity of subjective measures as alternative for objective measures. Additionally, generalizing the outcome across African countries must be done carefully since the study was limited to an emerging economy in the sub-Saharan African country of Ghana.

1.9 Organization of the study

Chapter one of the study is the introduction chapter which contains the background of the study, the structure of the work, the statement of the problem, objective of the study, problems to come across, and the organization of the study. The chapter two consists of the detailed discussion on the accessible studies by a variety of researchers on customer relationship management, customer satisfaction and customers' retention in an organization. The chapter three of the study contains the research methodology to be applied for the study. It discusses the alternative methods of studying the effects of customer relationship management on customers' retention, with customer satisfaction playing the mediating role and its impact on profitability in the insurance institutions. The fourth chapter of this study consists of the data analysis which would be collected for the study and also comprises of the results and discussions to be extracted from objectives developed for the study. The concluding chapter of this study would consist of summary results, conclusion of the study, recommendations for the insurance industry of the findings and future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Customer Relationship Management

CRM is an acronym for Customer Relationship Management. There is no generally accepted definition of CRM even though CRM is considered to be an essential business approach. Swift (2001, p. 12) viewed CRM as an “enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability”.

Kincaid (2003, p. 41) defined CRM as “the strategic use of information, processes, technology, and people to manage the customer’s relationship with your company (Marketing, Sales, Services, and Support) across the whole customer life cycle”.

Parvatiyar & Sheth (2001, p. 5) defined CRM as “a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value”.

Reinartz et al. (2004, p. 294) conceptualized CRM from the customer perspective as: “[. . .] a systematic process to manage the customer relationship initiation, maintenance, and termination across all customer contacts points in order to maximize the value of the relationship portfolio”.

Padmavathy (2012, p.249) also defined CRM as “[. . .] a set of customer-oriented activities supported by organizational strategy and technology, and is designed to

improve customer interaction in order to build customer loyalty and increase profits over time”.

The definitions above accentuate CRM as a complete set of approaches for administrating customer relations in terms of marketing, customer and support services. The organizations can use information technology and information systems to combine CRM procedures to please customers. For the purpose of this study, CRM will be defined as organization of comprehensive information regarding customers through the use of complicated software and analytical tools to cautiously manage client contact points to maximize profit and retain the customers.

2.1.1 Component of Customer Relationship Management

Kim et al. (2003) propose a framework of CRM from information processing view point in the aspects of relationship initiation, worth, positioning and commitment. The approach suggests that, customer information is crucial in administrating, attracting and retaining successful relations with customers across the developmental phases. The argument continues that, when organizations concentrate on their association with customers, some of the customers will be retain and provide value for the firm in terms of generating higher profits. Therefore, organizations can improve their relationships with customers by properly managing customer information. A related conceptual framework of CRM was anticipated to integrate business procedures, organizational arrangement, investigative structures and technology to represent customers view (Chan, 2005). Kim et al. (2003), in a different study developed a framework of CRME to consist of customer knowledge, interaction, value and satisfaction. The study declares that, business interactions are handled well only when CRM activities aims at satisfying the customers’ personal and distinctive needs. Through incorporation of

business processes and technology, organizations are able to sustain and improve the relations with customers. From functional and organizational capabilities perspective, Reinartz et al. (2004) offered a model for CRM processes based on three different levels of relationships namely; initiation, maintenance, and termination. Payne et al. (2005) further studied the significance of business strategy in CRM implementation. The authors developed a model that assigned the business strategy with customer strategy to establish value for both firm and customers. By so doing, the lifetime value of advantageous clients is maximized.

Literature discuss above suggests that, when organizations implement CRM processes by considering business strategy, organizational motivation and information technology, then customer relations established can be retained. The integration of these elements permits firms to gain knowledge about profitable customers in order to achieve business performance increase.

2.2 Customer Retention

Morgan& Hunt (1994) defined customer retention as the possibilities of a client to be retained by the organization.

Hall (1997) view customer retention as maintaining customers for life. The life span worth of a customer to any business can be appreciated in their financial performance.

Some studies considered Customer retention from a behavioral perspective. Thus, the customer feeling belong and dedicated to the company. For instance, the customer recommends the company to others and willing to repurchase services or products from the organization (Diller, 1996; Diller & MuÈllner, 1998; Gremler & Brown, 1998; Homburg et al., 1999; Oliver, 1999).

According to Keiningham et al. (2007, p 364), customer retention is defined as “customers’ stated continuation of a business relationship with the firm. For Internet service providers (ISPs), it is continuing to use the same provider. For retail banks, it is continuing to maintain an account relationship with the bank. And for discount retailers, it is the continued repeat shopping with the retailer”.

For the purpose of this study, customer retention will be defined as the company’s ability to maintain their obtainable customer base.

2.2.1 Components of Customer Retention

Retaining customer relationships are viewed as one of the crucial possession for companies (Webster, 1992; Collier & Bienstock, 2006). Some previous studies affirms that, maintaining obtainable customers is mostly worthwhile than acquiring new customers (see Rosenberg & Czepiel, 1984; Vandermerwe, 1996). As a result, some researchers have developed interest in examining the strategies for attracting and sustaining good relationships with obtainable customers (Duncan & Moriarty, 1998; Gonzalez et al., 2004). Finn (2005) suggests that, Relationship quality plays an important role in sustaining long lasting relationship. Researchers have studied relationship quality from customer’s perspective (Crosby et al., 1990; Kumar et al., 1995). Sharing information sustains the quality of relationship. Information as a main resource can help organizations to appreciate their customers and reinforce their customer base against their competitors (McKean, 1999; Fruchter & Sique, 2005). Thus, distributing information with customers can make and retain the assurance of customers. Hence, sharing information often with customers can help organization to retain them (Crosby et al., 1990). One of the efficient way to attract prospects is through the assistance of retain customers who offers referrals (Johnson et al., 2003;

Collier & Bienstock, 2006). A referral from existing customers permits the sales force of the organization to penetrate into markets which are untouchable (Boles et al., 2000). However, this strategic business potential of referrals is disregarded by companies (Bachrach, 1999; Connors, 1998) and very little attention has been given to it academically (see Boles et al., 2000). Finn (2005) suggests that, keeping high quality relationship with clients seems to boost their readiness to offer referrals. This leads to achievement of retained relationship. As soon as clients expect continued dealings, the clients will be willing to respond by referring colleagues, family and friends to their companies (Johnson et al., 2003; Washburn, 1996). Noordewier et al. (1990), advocate that when a company expects a customer relationship to transcend, then the current interaction should be fostered. Continuous communication with the same service provider boosts customer willingness to refer others to their service providers. Base on the above academic literature reviewed, it is suggested that, when quality relationship exist between customers and their service providers, the relationship is sustain mainly by the distribution or sharing of information. Customers then feel close and part of the company which boost their moral to provide referrals to their service providers. This happens mainly because customers anticipate future interaction with their service providers. Therefore, the components of customer retention in this study are; relationship quality, information sharing, willingness to provide referrals and anticipation of future interaction.

2.2.2 Benefits of Customer Retention

Abratt and Russell (1999) identified several benefits customer retention provides to an institution. In reality, customer who stays with an institution or company for long is much more profitable than searching for prospects (Reichheld & Kenny, 1990; Rust &

Zahorik1993). Numerous reasons such as reducing high cost of searching and catching the attention of prospects, expanding the volume of sales and profits, and advertising by customers through word of mouth. When customers understand clearly the services of the company, this influences the customer's willingness to stay with the institution hence customer retention. Furthermore, customer retention positively affects the organizations returns, productivity, reducing switching of customer to competitors and introducing fresh prospect (Felvey, 1982; Reinartz & Kumar, 2000). Reichheld and Teal (1996), recommend that when a customer gets use to the company's dealings, they make very important business connections, purchase many products, and become less responsive to price of the products of the company.

In the midst of all these benefits, Kamakura et al. (1991) states cross selling as an important tool for ensuring quality relationship with customers. This leads to increase in product consumption by customers thus cross-selling merely supports customer retention which prevents customers from moving to competitors. When customers stay with the organization for long, it enables the company to appreciate the consumers purchasing behavior in terms of their choices of products and occasion.

According to Beckett et al. (2000), some customers pretend to be loyal to a particular service provider even though they despise their activities because of three main reasons below. Firstly, they are unable to distinguish amongst them. Secondly, customers are enticed by accessibility to the service provider. Thirdly, customers view the cost of changing to a competitor as high, and perceive the exercise tedious and useless.

2.2.3 Inertia as a determinant of Customer Retention

This happens when a consumer constantly buy the same brand anytime shopping. The customer habitually buys the brand and this requires less effort (Solomon, 1994). The consumer does not see the need to waste time to go through the five steps of choosing new brand ; recognizing the need for the product, seeking for information, assessing substitutes, finally deciding to buy and after purchase behavior. It is obvious that, the purchasing processes begins long before real buying takes place and prolongs (Assael, 1998; Kotler & Armstrong 2011). Habitual buying behavior and Inertia can be used interchangeably in this work. Inertia is unconscious behavior, it is defined as particular measure of construct made up of “passive service patronage without true loyalty” (Huang & Yu, 1999). The term true loyalty means the possibility to buy frequently and constantly whiles the cause of inertia or habitual buying is obtaining inertly unconsciously in spite unconstructive thoughts about the brand and product (Chintagunta & Honore, 1996).

Most policyholders in the insurance industry hardly refer to the policies after purchase and usually fail to remember (Crosby & Stephens, 1987). Thus, if the insurer does not contact the client, the latter hardly follow up on the policy which in turn prevents termination of the policy. Therefore, it is believed that, the likelihood for a customer to continue a policy is greater if policy holder passively purchase the product.

2.2.4 High Switching Costs Promotes Customer Retention

Specifically, switching cost is defined as charges associated with altering service with regards to time, financial cost and emotional reasons (Dick & Basu, 1994). It is possible to encounter switching cost when changing from present company to other in the insurance industry (Williamson, 1979). Thus, it is likely to suffer charges during

information search (concerning claim settlement and fiscal strength), and operational cost (attempting to negotiate for fair price on products and managerial charges) (Berger et al., 1989 ; Eckardt, 2008). Such charges forbid customers from switching insurers in effect exercising monopoly on the customers (Williamson, 1979). Consequently, when an insurance company is chosen, switching to another insurer come along with some charges and that reduces the intent of clients to change (Dahlby & West, 1986; Schlesinger & Schulenburg, 1993). Due to the high charges associated with changing service providers, customers are at the mercies of these service providers (Morgan & Hunt, 1994). Since it is expected that switching cost raise, it is possible for customers to stick to the same service company (Ping, 1993; Jones et al., 2000; Ranaweera & Prabhu, 2003). As a result, the higher the switching cost, the service company is privileged to retain their customers.

2.3 Customer Satisfaction

Customer satisfaction is a recognized concept in many areas such as marketing, economics, consumer research and welfare economics. The various definitions of authors on satisfaction denote that, satisfaction is a sentiment resulting from appraising what have been delivered against what was anticipated, as well as the decision to buy to satisfy a need (Armstrong & Kotler, 1996; Bitner & Zeithaml, 2003; Boselie et al., 2002). According to Sureshchandar et al. (2002), satisfaction is mostly derived from feelings one experience after using a product or been rendered a service. Customer satisfaction is also defined as the level of total pleasure or delight experienced by the client, as a result of the capabilities of the service to meet the prospects request, wishes and dreams (Hellier et al., 2003). Customer satisfaction is the total pleasurable reaction (Oliver, 1997). There are basically two types of customer satisfaction as Johnson

(2001) anticipates. Initially, Oliver (1980) recommended that when measuring satisfaction, it should be related to a specific service or product transaction and the conditions that influenced the purchase decision. A further proposed dimension is assessing customer satisfaction depending on the consumer's collective knowledge on the company's product or service (Anderson et al., 1994; Garbarino & Johnson, 1999; Mittal et al. 1999).

Rai (2013, p. 105) defined satisfaction as “a buyer's emotional or cognitive response post-subjective assessment and comparison of pre-purchase expectations and actual performance subsequent to the consumption of the product or service, meanwhile evaluating the costs incurred and benefits reaped in a specific purchase even or over time in course of transacting with an organization”. The definition provided by Rai (2013) would be adopted for this study.

2.3.1 Components of Customer Satisfaction:

In service marketing, different authors have defined service quality from many perspectives. For instance, Berry view it as “the most powerful competitive weapon”, Clave defined it as “the reviving blood for the organization” and Peters term it as “the magic bullet that provides the customer with less expensive services at lower prices” (Highlight et al, 2003). Customers expect a service to be desirable to meet their anticipation or good enough to be able to tolerant (Baglou & Zomorodpoush, 2009; Parasuraman et al., 1988). In the service industry, quality evaluation largely depends on customers' perception and effort to enhance it has led to high quality services which result in satisfaction in an aggressive market (Lewis 1993; Ioanna, 2002; Samavi et al., 2008).

Some other factors also influence customers' satisfaction; offering variety of desire products, accessibility, fair charge, and additional benefits (Baumann et al., 2005). Higher price payment (cost of service) leads to greater perceived utility of the purchased products or services (Bolton & Lemon, 1999). Consequently, customers are likely to stay with the organization due to the notion that, higher cost of service signifies quality service or product. Therefore, cost of service (premium charge) should have positive effect on customer satisfaction (Bolton et al., 2000; Varuki & Colgate 2001). Contrary to this assertion, Ioanna (2002) states insurance companies have set charge for their products in the marketplace since they are selling similar products. As a result, insurers distinguish their activities from their rivals by enhancing their quality of service and not the cost of service (premiums charged for the policy).

Previous studies showed that in assessing customer satisfaction (in both service and product categories), overall satisfaction should not be neglected (Fornell, 1992; Fornell et al., 1996). From literature, overall satisfaction and overall evaluation are used interchangeably and it is built up over time. Satisfaction usually mediates the effects of product quality and service quality on retention (Bolton and Lemon, 1999; Fornell et al., 1996). The components of customer satisfaction are; service quality, cost of service, and overall satisfaction.

2.4 The relationship between Customer Relationship Management and Customer Satisfaction

From literature, Customer relationship management practice can impact on customer satisfaction in three main means. Firstly, CRM permits organizations to modify their services to suit every customer. Customer satisfaction is achieved when product or

services are customized to the taste of the customer. Hence, CRM influence customer satisfaction as a result of perceived service or product quality. Secondly, CRM practices allow organizations enhance the consistency of meeting customers' request on time as well as managing customers' information. Thirdly, CRM practices also enable organizations to control the three main stages (starting, continuing and exiting) of customer relations successfully (Swift, 2001; Mithas et al 2005; Parvatiyar et al., 2001; Kincard, 2003; Reinartz et al., 2004; Anderson et al., 1994; Crosby et al., 1990). According to Fornell et al. (1996), product manufacturing industries are able to achieve higher customer satisfaction as compared to the service companies. As a result, effectively managing client relations is paramount to customer satisfaction. In addition, Khedkar (2015) states that, CRM join together the heads of various customer groups and organizations to efficiently run business. The research findings show that, the application of CRM in any business firm will produce success, increase income and ultimately meet the desires of customers. CRM offers customer satisfaction to the fullest. Effectively managing CRM results in achieving customer satisfaction will compel customers to witness positively about the company. Information technology and information systems help in combining CRM process to satisfy the needs of the customer (Chen & Popovich, 2003; Ngai, 2005). However, changes in the course of time in the relationship established through CRM may affect customer satisfaction. Thus, information gathered from the various interactions with the company may positively or negatively impact on customer's satisfaction levels (Mazursky & Geva 1989; Mittal, et al., 1999).

2. 5 The relationship between Customer Relationship Management and Customer Retention

The establishment of profitable and long lasting relationship with customers is very essential in service industry (Christopher et al., 1991; Bejou & Palmer, 1998; Berry, 1995). Service providers who practice CRM efficiently gain competitive advantage over their competitors and are able to retain their customers (Uppal, 2008; Speier & Venkatesh, 2002; Bhattacharya, 2011; Sharma et al., 2011). Further studies discovered that, retained customers are very crucial business property for companies and this asset cannot be duplicated by competitors. Therefore, there must be strong integration among customer related strategies (acquisition, retention and add-ons) through CRM strategies (Webster, 1992; Kalakota & Robinson, 1999; Kotler et al., 2011; Winder, 2001; Blattberg et al., 2001; Thomas, 2001; Reinartz et al., 2004; Collier & Bienstock, 2006). In Addition, McKim & Hughes (2001) studies classified customer acquirement and customer retention as the main purpose of CRM. West (2001) & Kincaid (2003) findings show that CRM provides a comprehensive set of strategies for managing those relationships with customers that relate to the overall process of marketing, sales, service, and support within the organization. Bradshaw et al., 2001; Massey et al., 2001 defined CRM as a management approach that involves identifying, attracting, developing, and maintaining successful customer relationships over time in order to increase retention of profitable customers. In accordance with literature, many organizations invest greatly in customer relationship management (CRM) strategies to create and cultivate long lasting and beneficial relations with customers.

2.6 Overview of insurance industry in Ghana

Rejda (2008) believes insurance cannot be defined particularly. The researcher opines insurance is the transfer of a risk from the insured to the insurer in exchange for premium for a specific period of time. To consider a risk insurable, it must meet six elements; the exposed units should be large, the damage must happen by chance, and involuntarily, the damage should be quantifiable and determinable, the dent should not be disastrous, the possibility of the loss must be assessable and the premium charge must be reasonable (Rejda 2008).

Abroad insurance companies dominated Ghanaian insurance market before the era of independence. Their headquarters were situated mainly at United Kingdom and ran policies mostly intended to protect British nationals living or doing business in the then Gold Coast. Local knowledge, experience and involvement were very scanty. However, Gold Coast Insurance Company was established in 1955 as the initial Ghanaian insurance company to execute non-life policies.

Afterwards, the state in 1962 formed State Insurance Corporation (SIC) and the government enabled the SIC to enjoy control over all national businesses and import insurance for companies trading in Ghana by enacting laws to enhance the Ghanaian insurance industry. However the laws not effectively enforced (Ansah-Adu et al., 2011).

Later, the Ghana Re-insurance Organization (GRO) came into been and lawfully, all licensed insurance companies had to concede not less than 20 percent of premiums of their general business to it with no commission. Also, not less than 5 percent of every abroad general business contracts needed to be conceded to the organization. This organization only had the authority to award a certificate to any insurer in transacting

any reinsurance overseas. Further restrictions forced foreign insurance companies to have partnership with Ghanaians by assigning about 40 percent ownership to Ghanaians. Finally, majority of the overseas companies extracted entirely from the insurance industry (Ansah-Adu et al., 2011).

From January 2009, SIC and GRO could not totally control the insurance market due to restriction made in the 2006 insurance law enacted (Act 724) as well as the philosophy of international Association of Insurance Supervisors (IAIS). In the act, it is not permissible to merge insurance companies. As a result, all merged insurance companies had to divide into life and non-life (general business and life) companies in December 2008. The act still gives National Insurance Commission (the industry regulator) authority to function in the industry. By July 2009, the industry was divided into 21 general / non-life, 18 life, 2 reinsurance, 38 brokerage, 1 reinsurance broking and 1 loss adjusting companies, and 986 agents. The industry has 12 of life and non-life companies working in Ghana which had foreign involvement. The participation of overseas companies indicates the unexploited opportunities in the country regardless of affirmation by some Ghanaian insurers that the business is drenched. Currently, the number has increased to 48 life and non-life (general business) insurance industries in Ghana and dominated by the non-life, which represents 49 percent of 2013 total premiums received; followed by life insurance with a share of 44 percent (Ansah-Adu et al., 2011).

For some time now, there have not been major changes in non-life companies despite their competitiveness. Insurance companies such as SIC, Star, Enterprise, Metropolitan now Hollard, and Vanguard represents about 50 percent of the insurance market gross as calculated by the gross premium received in 2014. It must be noted that, non-life insurance businesses in Ghana do not compulsorily renew and its renewal mainly

depends on the customer. Correspondingly, aside the aggressive competition in the life section as at 2014, SIC Life, Enterprise life, Star Life and Glico Life more than 70 percent of the market share based on the gross premium received (National Insurance Commission Annual Report, 2014) Currently, Enterprise Life holds the largest market share and still advancing (Ghana National Insurance Commission 2014 Annual report).

2.7 HYPOTHESES DEVELOPMENT

Figure 2.1 below is the conceptual framework developed for this study. Four main hypotheses (**H1:H4**) were propounded and further discussions of the hypothesis follows below.

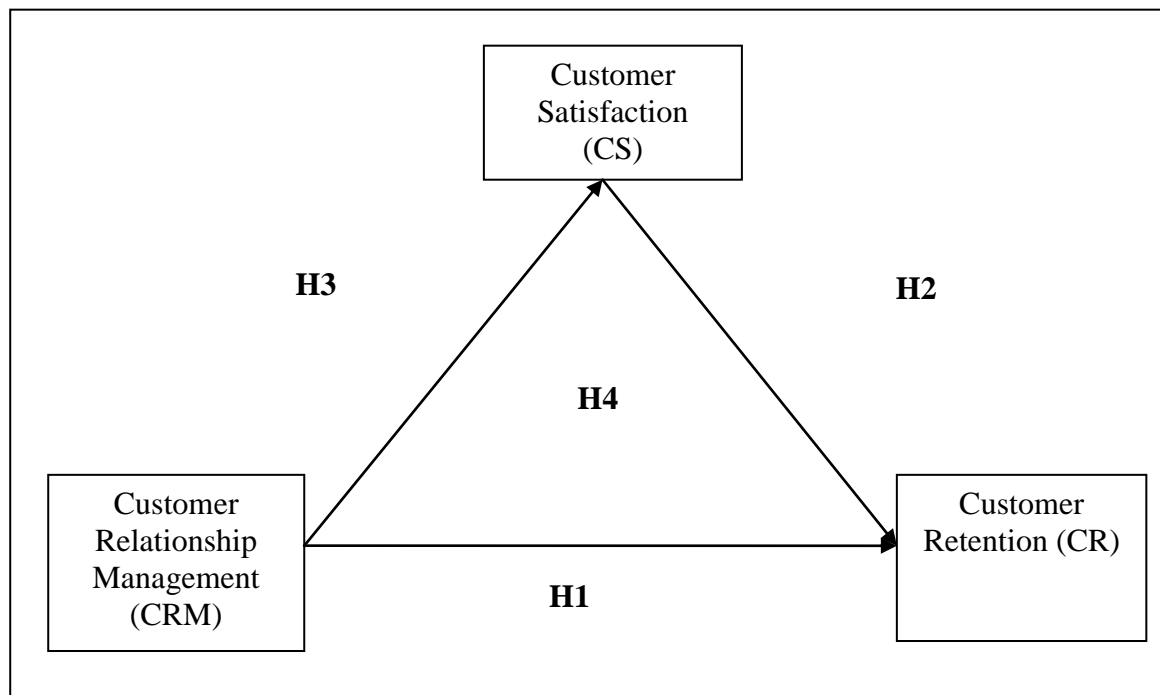
H1: There is a positive effect of customer relationship management on customer retention in insurance industry in Ghana.

H2: customer satisfaction is expected to have a significant effect on customer retention in the insurance industry in Ghana.

H3: There is a positive effect of CRM on customer satisfaction in the insurance industry in Ghana.

H4: Customer satisfaction mediates the effect of customer relationship management on customer retention in the insurance industry in Ghana.

Figure 2.1: Conceptual Frame work



Source: Author 2016

2.7.1 Path 1: Customer Relationship Management and Customer Retention in the insurance industry

The indulgence and practice of CRM are crucial for organizations to promote customer retention (Yim et al., 2004). In a related manner, Faed (2010) declared that the purpose of CRM is to improve customer retention level. Thus, the study affirms that, CRM practices impact on customer retention. Izquierdo et al., (2005) studied the effects of CRM on customer retention. They discovered that, customer who is satisfied about the service rendered (car repair and maintenance) is likely to build a long lasting relationship with the service provider which can improve the organizations fiscal growth.

Keaveney (1995) categorizes the causes of changing service providers into eight; High and deceptive pricing, inconvenience of the service provider, service procedure failures, unsuccessful service encounters, reaction to service futility by company, fierce contest, service provider acting illegally and in unethical manner, and involuntary switching which result from customer moved or the service provider. The strategies of customer relationship management are anticipated to curtail occurrence of service failures that motivate customer to switch in the insurance industry (Crosby et al., 1990; Jones & Farquhar, 2003; Best, 2002; Mithas et al., 2005; Uppal, 2008; Sharma et al., 2011).

Furthermore, Verhoef (2003) studies demonstrated the impact of CRM on Customer Retention. The finding shows that, CRM positively affect customer retention. Verhoef & Donkers (2001) confirm that, CRM allows insurance companies to employ strategies with the help of customer databases in administrating personal customer relationships effectively towards retention. Dewhurst et al. (1999) indicated that the essence of the customer orientation is through the deployment of sophisticated customer management systems. Hellier (1995) tested a customer retention model in the insurance services sector and found relationships among perceived quality, switching costs and repurchase intent (retention). The link between CRM and customer retention is widely accepted. Clearly employing CRM practices in the insurance industry can lead to customer retention. Based upon the above discussion, the following hypothesis is proposed:

H1: There is a positive effect of customer relationship management on customer retention in insurance industry in Ghana.

2.7.2 Path 2: Customer Satisfaction and Customer Retention in insurance industry

According to Sheth & Sisodia, (1999), when customers are satisfied, this can enhance the likelihood of maintaining the customer. Theoretically, higher satisfaction should diminish the perceived benefits of switching service providers, thus produce higher customer retention (Anderson & Sullivan, 1993).Ravald & Gronroos, (1996) declares many service providers implement strategies to improve customer satisfaction with the goal of strengthening ties with customers and increasing customer retention.

Many other studies have revealed customer retention is certainly affected by customer satisfaction (Jones et al., 2000; Bolton, 1998; Oliver, 1980; Kannan & Bramlett, 2000; Tsoukatos & Rand, 2006). Fornell (1992) studied Sweden consumers and concluded that, customer satisfaction is a key factor in determining customer retention in service industries such as banks, insurance, and mail order.

In spite of the obvious lack of an empirical link between customer satisfaction and customer retention in the insurance industry in Ghana, other studies from different researchers in the insurance industry confirm that, customer satisfaction effects customer retention (Joseph et al., 2003; Crosby et al., 1990; Reichheld, 1996). Their studies further suggest that, the insurance companies must frequently observe customer satisfaction of clients by engaging in usual interaction with them since majority of clients expect their insurers to identify them in person and interact accordingly. Customers aim to maximize their benefits from specific service provider (Oliver & Winer 1987). When this is done, the possibility for the customer to stay is greater. Thus, based on these studies, it can also be hypothesized that;

H2: customer satisfaction is expected to have a significant effect on customer retention in the insurance industry in Ghana.

2.7.3 Path 3: Customer Relationship Management and Customer Satisfaction in the insurance industry

A substantial study in marketing has examined the impacts of CRM on Customer satisfaction. CRM practices allow organizations to gather data on customers from the various points of contacts in order to customize services to suit customer's personal needs and desires. This improves customer's discernment of perceived quality and influence satisfaction (Mithas et al., 2005).

In a retail environment, Srinivasan et al., (2005) used a multi-method approach to examine the impact of CRM investments on satisfaction. The findings portrayed that, organizations commitment to CRM investments and capabilities were absolutely linked with satisfaction. Also, Ndubisi & Wah (2005) studied multibank and established that, some customers are satisfied while others are not on main relationship marketing elements such as interaction, quality relationship, capabilities and handling of conflicts. In addition, Molina et al. (2007) portrayed that, banks that practice well established relationship marketing policies perform better than the banks that do not. They used customer satisfaction to measure this finding.

Rastghalam et al., (2014) studied the effects of CRM on customer satisfaction with respect to the entire customers of Moallem insurance company in Isfahan province (India). Their research measured customer satisfaction by the following constructs; service quality, technological services, charge of service, and employees respond to clients. The study concluded that, CRM presents a holistic view of the customer which

helps organizations to capitalize on to establish a successful relationship, have access to market opportunities to increase sales and finally provide customer satisfaction (Maleki & Darabi 2010). Hou et al. (2008) discovered that, CRM positively influenced customer satisfaction in the insurance industry. Thus, through CRM strategies, customers daily problems related to insurance are addressed at any time and promptly.

From the above discussions, it is established that, a good customer relationship management practice in the insurance industry can lead to customer satisfaction. As a result, it can be hypothesized in this studies that,

H3: There is a positive effect of CRM on customer satisfaction in the insurance industry in Ghana.

2.7.4 Path 4; Mediation role of Customer Satisfaction in the relationship between Customer Relationship Management and Customer Retention in the insurance industry

Customer satisfaction and customer retention are vital elements of CRM program (Ness et al., 2002). Many studies have confirmed this assertion that, CRM practice permits organizations to establish efficient management relations so that the activities (designing, producing, marketing and delivering) of the various departments in the organization aim at satisfying and retaining customers (Kotler et al., 2011; Kassaroff, 2000; Creighton, 2000; Uppal, 2008; Anton, 1996; Goldenberg, 2003; Sharma et al., 2011; Vasiliu, 2012; Hasan et.al., 2012). Additionally, Couldwell (1998) describes CRM as integration of business process and technology aimed at evaluating customers from individuals' perspective in order to meet their expectations and retain them.

Other studies result shows the positive impact of CRM on satisfaction and retention towards firm performance (Hooley et al., 2005; Payne et al., 2006; Plakoyiannaki et. al., 2008; Kolis & Jirnova 2013). Reichheld (1996) noted that, customer satisfaction and customer retention have been used to measure the efficiency of CRM in organizations. Best (2002) & Mithas et al., (2005) indicated that CRM practices are intended to bring customer satisfaction and retention in service industry reflecting in the company's revenue. The literature suggests that the existence of relationships among customer-orientation, and CRM will enhance the implementation of customer-related strategies, and of customer retention and satisfaction programs, as well as impacting positively on their success (Vries & Brijder, 2000; Stefanou et al., 2003; Jun et al., 2004; Khalighet al. 2012; Kim *et al.*, 2003).

Hassan et al. (2015) with regards to his studies on Shell Pakistan proposed that, CRM significantly impact on customer satisfaction and customer retention and all variables positively relates. The study concludes that, the implementation of CRM grows a company's market size, enhances outputs, and establishes long lasting customer relationship due to the customer in-depth knowledge gain.

Lombard (2012) discovered that, a unit increase in CRM positively affects customer satisfaction and customer retention in the insurance organization. Literatures suggest insurance industry has never been able to exceed customer expectation even though it serves as reference for assessment. Therefore, there is the need to understand customer expectation in order to retain them (Sherden, 1987; Toran, 1993; Walker & Baker, 2000; Siddiquiet al., 2010). Martey (2014) suggested that, when CRM is practiced successfully, organizations are able to meet customer expectations which automatically

promote customer retention in the restaurant industry in Ghana. Abu (2011) studied CRM as a strategic tool for competitive advantage: a case study of SIC in Ghana. Findings of the study shown that, SIC hardly practice CRM strategies and this explains why customer satisfaction is low and this ultimately affects customer retention. Surprisingly, SIC premium income increases aside the lack of CRM practices which has impacted negatively on satisfaction and retention. Based on the preceding discussion, this study proposes the following hypothesis:

H4: Customer satisfaction mediates the effect of customer relationship management on customer retention in the insurance industry in Ghana.

2.8 Chapter Summary

The mediating effect of customer satisfaction on the customer relationship management against customer retention in the insurance industry in Ghana has been examined. In addition, management of organizations must integrate technology, process and people to achieve a successful customer relationship management. Specifically, the urgency an insurance company attach to the handling of customer complaints by CRM strategies satisfies the customer. As a result, the customer perception about the insurance company increases and the possibility for the insurance company to retain the customer is greater. Chapter three will discuss the methodology to be used to empirically study the mediating effect of customer satisfaction on customer relationship management against customer retention in the insurance industry in Ghana.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The chapter centers on the research designs and discusses the methodology used to test the research question. Specifically, structured survey questionnaire used to gather the data of the study into consideration.

3.2 Research Design

The design of a study starts with the selection of the topic and a model (Robson, 1993). A model offers the study with theories concerning the social world and the process a study should follow (Malhotra & Birks, 2007). Generally, a model proposes genuine problems, resolutions, and criterion of evidence. Hence, a research design comprises theories and methods. A research can be qualitative or quantitative (Creswell, 1994). Quantitative model is also named traditional, positivist, experimental, or empiricist model. It follows the school of thought of scholars such as Comte, Mill, Durkheim, Newton and Locke (Smith, 1993).

On the contrary, the qualitative research follows the works of authors in the 19th Century in the likes of Dilthey, Weber, and Kant and it can also be referred to as constructivist, naturalistic, interpretative, post positivist, or post-modern standpoints (Smith, 1993). This research is quantitative and applies the survey approach in collecting the data via the use of a questionnaire. Quantitative approach grows out of a strong academic tradition that places considerable trust in numbers that represent opinions or concepts (Newton et al., 2002). The research applied quantitative methods of data collection because this method has been used to evaluate the emotion,

assumption or action of people in a particular way and seeks to quantify data and apply statistical analysis (Tull & Hawkins, 1990). Also, it briefly explains, studies relations, and verifies causality among variables. It makes it possible for samples to reliably represent a large population of study. Furthermore, it gives an accurate account of distinctiveness of particular individuals, situations, or groups. The disadvantage is that, information created may not be sufficient for generalization (Yin, 1994).

A survey is a means of collecting information about the characteristics, actions, or opinions of a population (Malhotra & Birks, 2007). The study applies the survey strategy because the thesis uses cross-sectional data from the insurance industry and it is suitable for considering a cross section of the population at one point in time (Easterby-Smith et. al., 1991; Robson, 1993). Also, it helps the researcher to identify and explain statistically, the effects of CRM on customer retention and the significance of customer satisfaction in the insurance industry in Ghana.

3.3 Purpose of the Study

From Literature, the three main purposes under which any investigation is made are: descriptive, exploratory and explanatory purposes. Exploratory study refers to the initial research into an idea to gain in-depth understanding about the matter of interest. Studies that establish causal relationships between variables may be termed explanatory research. The emphasis here is on studying a situation or a problem in order to explain cause and effect relationships between variables. Data could be collected and subject to statistical tests such as correlations in order to have a clearer view of the relationship. In addition, one might collect qualitative data to explain the reasons why one variable affect the other in the relationships (see Saunders et al., 2009; Griffiths, 2004; Romme,

2003). Descriptive study is conducted for the purposes of narrating or accounting for an event or problem. For the purpose of this study, the researcher conducted an explanatory research in attempt to explain statistically the cause and effects relationships between customer relationship management and customer retention in the insurance industry mediated through customer satisfaction.

3.4 Population

The population for this study comprises all customers' of 26 non-life insurance companies in Kumasi (Ghana National Insurance Commission Annual Report, 2014). The population of nonlife insurance customers can be estimated in thousands (see table 3.1 for the list of all non-life insurance companies in Kumasi). Hence the population for the study comprised of customers of 26 non-life / general insurance companies excluding 19 life insurance companies in Kumasi.

Table 3.1: Company Performance - Gross Premiums (Non – Life)

Number	Name of Company	Premiums GHs (Period: 2012 – 2014)			Market Share in Percentage (%)
		2012	2013	2014	
1	Activa International Insurance Co. ltd	16,066,559	21,720,151	26,900,589	3.72
2	Allianz Insurance Co. Ltd	14,222,126	16,666,082	26,624,368	3.31
3	Donewell Insurance Co. Ltd	12,545,982	14,570,013	14,970,003	2.42
4	Enterprise Insurance Co. Ltd	43,178,409	61,330,000	70,398,623	10.07
5	Equity Assurance Co. Ltd	10,792,727	12,608,637	15,696,407	2.25
6	Ghana Union Assurance Co. Ltd	14,519,988	21,856,982	22,348,675	3.38
7	Glico General Insurance Co. Ltd	31,905,202	39,691,703	46,397,194	6.79

8	Imperial General Insurance Co. Ltd	-	966,772	5,571,696	0.38
9	Industrial & General Insurance Co. Ltd	EA	EA	EA	0.00
10	International Energy Insurance Co. Ltd	7,814,808	8,196,429	6,132,835	1.28
11	Metropolitan Insurance Co. Ltd	44,405,519	53,899,625	63,307,559	9.31
12	Millennium Insurance Co. Ltd	4,122,644	7,259,603	6,637,176	1.04
13	NEM Insurance Ghana Ltd	3,750,590	6,203,668	6,782,645	0.96
14	NSIA Insurance Ghana Ltd	7,234,632	8,157,332	5,428,571	1.2
15	Phoenix Insurance Co. Ltd	20,908,895	24,296,304	25,178,385	4.05
16	Prime Insurance Co. Ltd	575,000	2,163,114	5,306,379	0.46
17	Priority Insurance Co. Ltd	27,888	2,135,922	2,597,458	0.27
18	Provident Insurance Co. Ltd	9,842,235	9,793,754	10,462,289	1.73
19	Quality Insurance Co. Ltd	15,520,067	17,170,940	19,356,125	3.00
20	Regency Alliance Insurance Co. Ltd	6,323,879	8,382,758	12,476,495	1.57
21	Saham Insurance Co. Ltd	4,940,299	8,308,085	10,221,468	1.35
22	SIC Insurance Co. Ltd	109,965,628	111,897,149	113,069,892	19.29
23	Star Assurance Co. Ltd	60,895,352	57,005,894	71,228,815	10.89
24	Unique Insurance Co. Ltd	5,020,265	5,726,279	5,983,230	0.96
25	Vanguard Assurance Co. Ltd	41,776,384	53,039,656	58,172,319	8.81
26	Wapic Insurance Ghana Ltd	8,536,786	9,409,454	8,013,773	1.49
	Total	494,891,864	582,456,306	659,262,969	100

Note: * EA – Company under enforcement action

Source: National Insurance Commission (NIC) 2014 Annual Report

3.5 The Sampling Procedure and Technique

The researcher applied multisampling technique in the study. The sampling frame constitutes customers of 15 non-life / general insurance companies out of the total of 26 non- life in Kumasi. This is in accordance with Aslant & Dill man, (1994), that a prerequisite to sample selection is to define the target population narrowly because sample selection depends mainly on the population size, its homogeneity, the sample media, its cost of use, and the degree of precision required. It may not always be possible to know the true population; researchers have suggested that a theoretical sample may be used (Tazewell & Rule, 1991). The selection was based on the lottery procedure where numbers were assigned to each insurance company in the population (see Table 3.1 for the list of the companies). The numbers were folded into 26 pieces into a bowl, shook and selected from the sampling frame. Convenience sampling was used to select 450 customers as sample size for the study from the fifteen selected insurance companies. Table 3.2 below shows the various companies selected, their customer size, and the number of customers selected.

The choice of non-life insurance companies is to ensure homogeneity, relatedness, and heterogeneity and this satisfy the assertion of Malhotra & Birks (2007). This research examines how good customer relationship management can lead to customer satisfaction which in turn leads to customer retention from the customer's perspective. The selected insurance companies appear to be well endowed with modern facilities, finance and qualified personnel to practice effective CRM. Additionally, they have good number of clients in the country at the moment, and therefore their choice gives a fair representation of the entire insurance industry.

Table 3.2 Fifteen Selected Non-life Insurance Companies Customer Size

Number	Company Name	Customer Size (Number of Clients the various insurance companies served in 2013, 2014 and 2015).			Number of customers selected
		2013	2014	2015	
1.	Enterprise Insurance Company Limited	8,047	9,016	6,335	30
2.	Vanguard Assurance Company Limited	8,193	9,174	7,912	30
3.	Star Assurance Company Limited	97,751	101,002	97,834	30
4.	Equity Insurance Ghana Company Limited	15,000	20,000	25,000	30
5.	Metropolitan Insurance company Limited now Hollard	2,200	2,600	3,000	30
6.	Phoenix Insurance Company	80,000	90,000	100,000	30
7.	Provident Insurance Company Limited	3,863	3,926	3,798	30
8.	SIC Insurance Company Limited	28,219	26,295	23,205	30
9.	Wapic Insurance (GH) limited	5,000	6,000	8,000	30
10.	Unique Insurance Company Limited	13,522	13,173	9,972	30
11.	Quality Insurance Company Limited	7,857	7,506	7,246	30
12.	Priority Insurance Company Limited	1,800	5,905	7,100	30
13.	NSIA	8,000	9,000	8,400	30
14.	Donewell Insurance Company Ltd	9,681	9,868	9,224	30
15.	International Energy Insurance Company Limited	2,000	2,652	2,312	30

Source: Author (2016)

3.6 Data Collection Instrument

Data was collected from different sources. Primary data was obtained from the use of questionnaire to collect empirical data in order to investigate the mediating role of customer satisfaction on the effects of customer relationship management on customers' retention in the insurance industry in Ghana. Questions were in closed-ended and open-ended types. The researcher designed only one set of questionnaire for customers of the selected insurance companies in the Ashanti region. In designing the questionnaire, items were selected from literature. Afterwards, thesis supervisor moderated the questionnaire to check content. Additionally, the questionnaire was given to five (5) insurance experts, managers and customers to evaluate. They commented on errors and the researcher made corrections leading to the final questions. The data collection took four weeks (May 2016).

The close-ended questions were developed on a five point Liker scales ranging from 1 (strongly agree/ satisfied) to 5 (strongly disagree / dissatisfied). The open ended questions elicited information about the background of the personnel. The questionnaire gathered information on customer's perceptions of their insurance company, the reasons why customers remain with their company, and the reasons why they might switch to a rival.

The questionnaire was divided into two main sections I and II. Section one (I) is divided into three (3) parts of A, B, C representing Customer Relationship Management Practices, customer satisfaction as mediating variables and Customer retention respectively. The A part of section one (I) is subdivided into five variables adopted from Padmavathy et al., (2012), to measure customer relationship management;

organizational commitment, Customer experience, process driven approach, reliability, and technological orientation.

The B part of section one (I) contains variables such as price, service quality and overall satisfaction adopted from Wong et al., (2007) to measure customer satisfaction as the mediating variables to achieve customer retention in practicing customer relationship management practices. The C part of section one (I) variables adopted from Rai et al., (2013) measure customer retention. The variables are; relationship quality, information sharing, willingness to provide referrals and anticipation of future interaction. Section two (II) sought information on the characteristics of target respondents and other demographic features such as age, gender and number of years of experience as a customer. This background information was kept at the bottom of the questionnaire to avert the possibility of potential sensitivity to the questions thus discouraging respondents can lead to low response rate. According to Malhotra & Birks, (2007), sensitive questions may be embarrassing to respondents especially when it begins a survey instrument and may also create dissatisfaction and disinterest. The questionnaire covered four pages.

From literature, authors such as Padmavathy et al., (2012); Wong et al., (2007); Rai et al., (2013) used this method to study large samples. To overcome the problem of misunderstanding and misinterpretation of questionnaire, the researcher would pre-test the questionnaires to evaluate respondents understanding of the research area.

3.7 Measurement of Constructs

The study focused on investigating the relationship between customer relationship management and customer retention mediated through customer satisfaction. To achieve this general objective three constructs (customer satisfaction, customer retention and customer relationship management) were developed following items adopted from literature.

3.7.1 Customer Relationship Management ($\alpha = 0.830$)

This construct was measured as a multidimensional construct with 5 items. The items for the construct were adopted from Padmavathy et al., (2012). The five items include the following: the insurer attends customer complaints promptly, the insurer takes genuine interest in customer problems, the insurer is co-operative, the insurer delivers services at the earliest convenience, and lastly, the insurer maintains consistent service standards. The respondents were then addressed to state their level of agreement to those statements on a Likert scale of 1-5. 1 denoting strongly agree and 5 denoting strongly disagree.

A confirmatory factor analysis was then performed to investigate the validity of the construct for analysis. Results indicated a good fit with the data. It is shown that the factor loadings of the CRM items ranged between 0.56-0.87. Again, Chi Square (X^2) = 6.472(5), the root mean of squared error of approximation (RMSEA) = 0.026, comparative fit index (CFI) = 0.99, and the standardized root mean squared residual (SRMR) = 0.015. For a good construct, the general requirement is that RMSEA should be less than 0.08 and CFI should be 0.95 or better; whereas SRMR must be less than 0.03. The alternative is to calculate if the chi-square divided by the degrees of freedom

(d.f) is less than 5. However because the chi-square cum degrees of freedom quotient of 5 or a non-significant chi-square (indicative of a good fit) is always difficult to obtain when the sample size is much over 200; it is recommended that it is used in addition to the other fit indices, (see Newsom, 2015; after Hu & Bentler, 1999). Based on these criteria therefore, it is concluded that the CRM construct is valid and robust as all the fit indices are within the recommended thresholds. The same conclusion is made for customer retention and customer satisfaction constructs. See Table 3.3 for details.

3.7.2 Customer Satisfaction ($\alpha = 0.833$)

Customer satisfaction was also measured as a multidimensional construct with items adopted from the work of Wong et al., (2007). In all, five items were identified as best fit for measuring customer satisfaction. They include: the company's cost of policy is reasonable, the company does ensure confidentiality of its clients, you are favorable to the agents overall performance, you are content with your decision of choosing your present insurance policy and finally, overall you are satisfied with your insurance provider. Again, respondents were asked to state their level of satisfaction based on the following statements. A Likert scale of 1-5 was used. 1-denotes very satisfied and 5-denotes very dissatisfied. Confirmatory factor analysis performed showed that all the items were good measures of the proposed construct. For customer satisfaction, X^2 (d.f) 5.42 = (5), RMSEA = 0.014, CFI = 0.999, SRMR = 0.013. See Table 3.3 for details

3.7.3 Customer Retention ($\alpha = 0.889$)

Customer retention was measured using items adopted from the work of Rai et al., (2013). Similar to the previous mentioned constructs, 5 items were identified as best measures of retention. The five items include; you trust your insurer's analysis of

financial products, if problems such as claims arise, your insurer is honest about the problem, you would recommend your insurer to a friend, you would say positive things about your insurer based on your experiences in buying products / services, and lastly you expect the relationship with your insurer to continue a long time. A 5-point Likert scale was used to measure the extent of respondents' agreement to the above statements. Confirmatory factor analysis performed showed that all the items were good measures of the proposed construct. For customer retention, $X^2(d.f) = 8.157(5)$, RMSEA = 0.037, CFI = 0.997, SRMR = 0.012(see Table 3.3 for details)

3.7.4 Control Variables

Age, gender and qualification were used as control variables. Gender was treated as a dummy variable and coded as 0 and 1 representing Male and female respectively. Qualification was also coded 0 and 1 indicating low education (others to JHS) and high education (SSSCE to Postgraduate / Professional).

3.8 Reliability and Validity tests

The reliability and strength of the scales were examined using Cronbach's alpha (α) and confirmatory factor analysis (CFA) respectively. The Cronbach's alpha is used to check whether the information obtained through a survey work hang together or are reliable for analysis. Literature suggests that an alpha value of more than 0.7 is acceptable for a fieldwork. As shown on Table 3.3, results indicate that all the alpha values are beyond the acceptable range. The minimum alpha value that was obtained was 0.830 for customer relationship management, whereas 0.889 being the highest was obtained for customer retention. For all the constructs five items were used and the results showed strong reliability. Furthermore, the confirmatory factor analysis was used to check for

the strength of the construct. That is how fit were the items used to measure each construct? For all the constructs a number of steps were used to ensure best fit; or what has been termed as convergent validity in literature. First, all the items that loaded poorly on each construct were removed. The criterion used was 0.4 as advised by Acquah & Agyapong (2015).

Second, a number of examinations were performed for each construct such that the researcher ensured that only the best fit indices for each CFA model was extracted. A series of modification tests were performed as advised by literature and all items that cross loaded significantly on other items were removed to retain the best fit items. These steps enhanced the strength of each construct and ensured that a reasonable validity was met. Table 3.3 reports the CFA results obtained.

Table 3.3: Scale Reliability Tests

Construct	Alpha (α)	Nos. of Items	Chi2 (d.f)	RMSEA	CFI	SRMR	Factor Loadings
CRM	0.830	5	6.472(5)	0.026	0.998	0.015	0.564-0.875
Customer Retention	0.889	5	8.157(5)	0.037	0.997	0.012	0.645-0.847
Customer Satisfaction	0.833	5	5.42(5)	0.014	0.999	0.013	0.636-0.811

Source: Author (2016)

Note:

CRM = Customer Relationship Management

CFI = Comparative Fit Index; RMSEA = Root Mean of Square Error of Approximation; Standardized root mean squared residual

3.8.1 Construct Validity

The validity of the study instruments was also checked by performing construct validity tests. Construct validity was performed by the application of the confirmatory factor analysis using the items under each construct. The purpose was to ensure that only the

best fit items for each construct useful for further analysis were retained. Thus, it was ensured that all items that loaded below the value of 0.5 as well as those that have a high covariance with other items were removed as shown on Table 3.4 below for analysis. Thus Customer Relationship Management was measured by multidimensional items with factor loadings ranging from 0.56-0.87. The associated Cronbach's alpha was 0.830. The associated fit indices are reported on Table 3.5. Customer Retention was also measured by 5 items with factor loadings ranging from 0.64-0.84. Cronbach's alpha obtained was 0.889. Customer Satisfaction was measured by 5 items with factor loadings ranging from 0.63-0.81. The associated alphas were all above 0.7 indicating strong reliability. Table 3.4 also shows the definition of all the items of each construct and its respective factor loading.

Table 3.4: Validity and reliability test results (full measurement results)

Constructs/Measures	Loadings (t-values)
Customer Relationship Management (CA = 0.830; CR = 0.837; AVE = .513)	
This insurer attends to customer complaints promptly	.756 (30.07)
This insurer takes genuine interest in customer problems	.875 (45.47)
This insurer is co-operative	.714(25.74)
This insurer delivers services at the earliest convenience	.565 (15.67)
This insurer maintains consistent service standards	.630 (19.48)
Customer Retention (CA = 0.889; CR = 0.892; AVE = .625)	
You trust your insurer's analysis of financial products	.645 (21.26)
If problems such as your claims arise, your insurer is honest about the problem	.758(32.71)
Would you recommend your insurer to a friend or family due to the actual performance of the company	.847 (49.47)
You would say positive things about your insurer based on your experiences in buying products / services	.840 (47.83)
You expect the relationship with your insurer to continue a long time	.842(48.32)
Customer Satisfaction (CA = 0.833; CR = 0.839 ; AVE = .513)	
The company cost of policy is reasonable	.636 (19.37)
The company does ensure confidentiality of its clients	.693 (23.34)
In general, you are favorable to your agent's overall performance	.668 (21.45)
You are contended with your decision of choosing your present insurance provider	.758 (29.21)
Overall, you are satisfied with your insurance provider	.811(35.13)

Notes: CA =Cronbach's Alpha; CR =Composite Reliability; AVE = Average Variance Extracted
Author (2016)

Again, it is shown on Table 3.4 above that the associated composite reliability for each construct was also above the recommended 0.7 ranging from 0.837 – 0.892; supporting the Cronbach's alpha result that the responses are strongly reliable. The associated model fit indices for each construct is reported on Table 3.5 below. Generally, it is shown that the items of each construct fits well; as all the fit statistics were within the generally accepted ranges. For example, CFA results for Customer Relationship Management [χ^2 (d.f) = 6.472 (5), RMSEA = 0.026, CFI = 0.998, SRMR = 0.015] shows that the five (5) items used to measure Customer Relationship Management practices of the sampled insurance companies are robust. For Customer Retention, the CFA model fit results show that the retained 5 items are best fit [χ^2 (d.f) = 8.157 (5), RMSEA = 0.037, CFI = 0.997, SRMR = 0.012]. Customer Satisfaction CFA results show best fit items [χ^2 (d.f) = 5.42 (5), RMSEA = 0.014, CFI = 0.999, SRMR = 0.013].

Table 3.5: Model fit indices

CFA model	χ^2	DF	RMSEA	CFI	SRMR
1. Customer Relationship Management	6.472	5	.026	.998	.015
2. Customer Retention	8.157	5	.037	.997	.012
3. Customer Satisfaction	5.42	5	.014	.999	.013

Note: χ^2 =Chi-square; DF= degree of freedom; RMSEA = root mean square error of approximation; CFI = comparative fit index; SRMR=standardized root mean

Author (2016)

The reports of Table 3.4 and Table 3.5 therefore suggests that construct validity has been achieved. Therefore it is concluded that each item measures exactly was it was supposed to have measured.

3.9 Chapter Summary

The chapter outlined the research methodology processes used in the study. A discussion of the study's survey research design is presented and its adoption justified. The population and the sample strategies are all covered in the study. It also covers the sources of data which would be used to obtain the data for the study and the tool for the data analysis. In chapter four the results obtained from this empirical study are summarized and analyzed.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.1 Introduction

This chapter presents the results of the study and follows up with a discussion. The analysis is conducted in the following procedure. The first section involves the discussion of the sample characteristics. In the second section, descriptive and correlation analysis are conducted. The final piece of this chapter then focuses on testing the study hypotheses which expressed the relationship between the variables a priori.

4.2 Sample Characteristics

The work involved a sample of 450 respondents who are customers of the selected insurance companies. A descriptive summary of the respondents shows that most of them are males (380) representing 84.5% of the total sample. This confirms the general notion that females are less likely to patronize insurance services than males in Ghana. Focusing on the Age characteristics of the respondents, it is observed that the majority of the respondents (representing 42.7%) fall within 36-45 age bracket. This is followed by respondents whose ages are 45 years and above. A total 132 respondents representing 29.3% fell within this age class. Again, a total of 107 out of 450 respondents were found to belong to the age class of 26-35 years; representing 23.8%. Only 4.2% of the respondents had ages below 25%. The results indicate that the users of insurance services are likely to be in their mid 30s. That is young people are less likely to use insurance products than matured or aged. Furthermore, results as shown on Table 4.1 indicate that most of the respondents were holders of SSCE (representing

44.2%). This is followed by those who had received some education and are holders of other certificates (21.1%).

Table 4.1: Descriptive Summary

	Categories	Frequency	Per Cent
Gender	Male	380	84.5
	Female	70	15.5
	Total	450	100
Age	Below 25	19	4.2
	26-35	107	23.8
	36-45	192	42.7
	More Than 45	132	29.3
	Total	450	100
Qualification	SSSCE	199	44.2
	HND	44	9.8
	First Degree	56	12.4
	Postgraduate	25	5.6
	Professional	31	6.9
	Others	95	21.1
	Total	450	100

Source: Author (2016)

4.3 Descriptive Analysis and Correlation Results

Table 4.2 reports the descriptive summary and correlation statistics of the variables used for the study. Results indicate that the level of customer satisfaction, customer retention and CRM are moderately high with the mean values of 2.99, 2.76 and 2.70 respectively. The correlation matrix indicates that there is significant positive relationship among the variables. Customer relationship management ($R = 0.60$) and customer satisfaction ($R = 0.74$) were both found to be strongly and positively related

with customer retention. Again, a strong and positive association was found between customer satisfaction and customer relationship management ($R = 0.67$). This implies that any improvement in both CRM and customer satisfaction is expected to reduce customer turnover in the insurance industry. Moreover, the results show that generally customer satisfaction is associated with good CRM practices in the industry.

Table 4.2: Descriptive and Correlation Statistics

	N	Mean	Std.	Highest VIF	1	2	3	4	5	6
1. Age	450		0.84	1.17	1					
2. Gender	450		0.37	1.14	-0.15	1				
3. Qualification	450		2.02	1.20	0.02	0.10	1			
4. CRM	450	2.70	0.57	1.11	-0.25	0.14	-0.07	1		
5. Customer Satisfaction (CS)	450	2.99	0.67	1.75	-0.33	0.19	0.05	0.67	1	
6. Customer Retention (CR)	450	2.76	0.62	1.51	-0.24	0.11	0.04	0.60	0.74	1

Source: Author (2016)

To check whether the strength of the association between the variables will affect the further statistical analysis; a multicollinearity test was performed using the variance inflator factor (VIF) and the correlation statistics. For robustness, it is recommended that the VIF should be below the value 10 whereas the correlation statistics should not exceed 0.7 (Hair. et al., 2014; Pallant, 2007). As shown on Table 4.2, it was only the relationship between customer retention and customer satisfaction that exceeds the correlation value of 0.7; all the rest were within range. The VIF results show that the highest possible inflator factor was 1.75 for customer satisfaction which is significantly

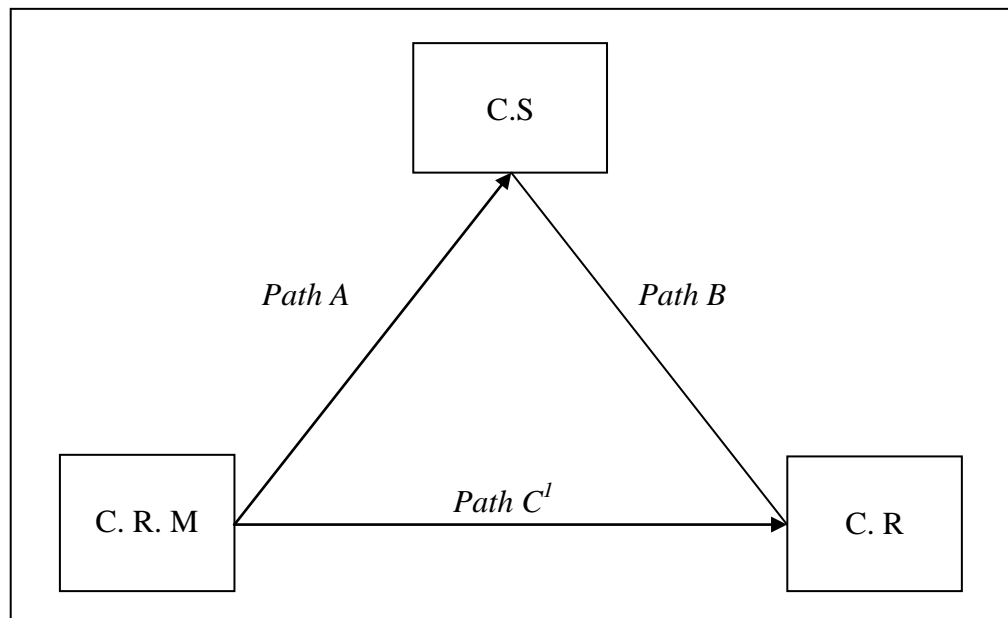
less than the limit suggested in literature. Therefore it is concluded that constructs are valid and the problem of multicollinearity is not a serious threat in this analysis. Meanwhile, age, gender and qualification were used as control variables. Results show that they have a weak relationship with the dependent variable, customer retention. Age was observed to have a negative correlation ($R = -0.24$); whereas both gender ($R = 0.11$) and qualification ($R = 0.04$) were found to have a positive correlation with customer retention.

4.4 Hypotheses Testing

The structural equation model (SEM) was used as the main estimation tool to test the study hypotheses (H1-H4). SEM is a comprehensive statistical modeling tool for analyzing complex relationships (Hoyle, 1995). The advantage of using SEM over traditional regression models is that it can be used to reduce measurement errors by subjecting all variables to a fitness test. When the fitness test of a model is found to be unsatisfactory, SEM allows a thorough search for alternatives until a good fit model is obtain. It also has greater flexibility regarding assumptions; particularly allowing interpretation even in the face of multicollinearity. Moreover, SEM has the appealing capacity of testing models with multiple dependent variables, to include mediating variables (Hatcher, 2005; Kline, 2005) cited in Carvalho & Chima (2014).

The analytical process involved testing if the conceptual framework proposed in this study was valid. Figure 4.1 is a snapshot of the conceptual framework stating the hypothesized relationships (paths) between the observed variables.

Figure 4.1: Conceptual Framework and Paths



Source: Author 2016

Note:

C.S = customer satisfaction; C.R.M = customer relationship management;

C. R. = customer retention

In figure 4.1 above, the direct effect of customer satisfaction on customer retention is shown by path B; which corresponds with hypothesis H2. Path A corresponds to H3 and signifies the effect of customer relationship management on customer satisfaction. Path C¹ denotes the indirect effect of CRM on customer retention through the mediated variable, customer satisfaction. The significance of this path denotes the strength of the mediating role played by customer satisfaction; which corresponds to hypothesis H4.

The results of the structural equation model (SEM) are presented on Table 4.4. It is revealed that both customer satisfaction ($B = 0.562$; $p < 1\%$) and CRM ($B = 0.215$; $p < 1\%$) have a direct and significant effect on customer retention. This implies that any improvement in the level of satisfaction and customer relationship management brings about a significant improvement in customer retention whilst controlling for gender, age and level of qualification. In this instance both the (independent variable), CRM,

and the (mediator) customer satisfaction are significantly related to the dependent variable. Hypothesis H1 which states that there is a positive relationship between customer relationship management and customer retention in insurance industry in Ghana is supported. Likewise, hypothesis H2 (*Path B*) which asserts that customer satisfaction has a significant effect on customer retention in the insurance industry in Ghana is also supported. Meanwhile, the researcher took necessary steps to control for customer specific attributes including the age level, the level of qualification and gender. Results indicated that the demographic factors did not have any significant direct impact on customer retention in the insurance industry in Ghana.

The next step is to examine the relationship between the mediator (customer satisfaction) and the independent variable (customer relationship management). This suggests testing the validity of hypothesis H3 which states that there is a positive effect of CRM on customer satisfaction in the insurance industry in Ghana (*Path A*, see figure 4.1).

According to Table 4.3, it is demonstrated that CRM has a positive and significant impact on customer satisfaction ($B = 0.785, p < 1\%$). Thus hypothesis H3 is supported. In the final part of the analysis, the impact of CRM on customer retention through customer satisfaction was tested. This specifies the indirect effect (*Path C'*) of CRM on customer retention through the mediated variable. Results shows that CRM has an indirect effect on customer retention ($B=0.441, p < 1\%$).

Table 4.3: Structural Equation Model Results

	Beta (<i>T-values</i>)
<i>Customer Satisfaction</i> ←	
Customer Relationship Management (CRM)	.785(18.69)***
<i>Customer Retention</i> ←	
Gender	.107(1.95)
Age	-.025(-1.08)
Qualification	.008(0.8)
Customer Satisfaction (CS)	.562(14.05)***
Customer Relationship Management (CRM)	.215(4.6)***
<i>Indirect Effect (Path C¹)</i>	
Customer Relationship Management (CRM)	.441(11.31)***
<i>Total Effect (Path C)</i>	
Customer Relationship Management (CRM)	.657(15.64)***
<i>Fit Indices</i>	
χ^2	33.909
<i>d.f</i>	13
RMSEA	0.051
CFI	.973
SRMR	.027

Source: Author 2016

Note:

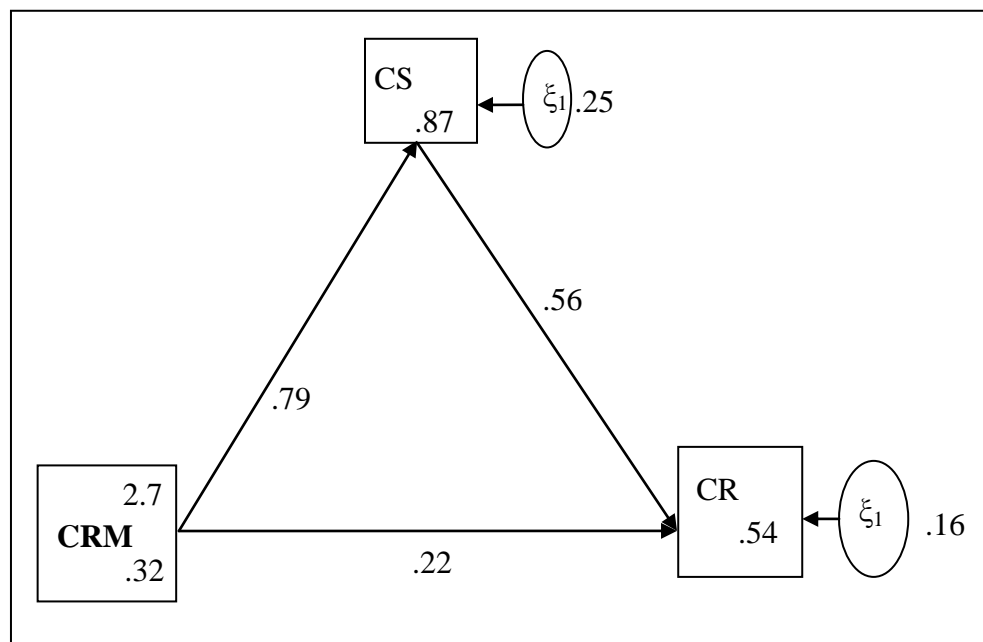
T-values in brackets

*** denotes significant at 1%

According to Hair et al. (2006) a mediated relationship is suggested when the indirect effect is 0.08 or higher. Furthermore when the relationships between the independent variable and the mediator variable; the mediator and the dependent variable; as well as the independent and the dependent variables are significant, a partial mediation is indicated. In line with Hair et al. (2006) specification the results proves that customer satisfaction positively mediates the relationship between CRM and customer retention. Thus hypothesis H4 which states that customer satisfaction significantly mediates the CRM – customer retention relationship is supported. Specifically, the results show that

customer satisfaction partially mediates the relationship between customer relationship management and customer retention. Thus there are two paths through which CRM affects customer retention in the insurance industry; through its direct path and indirectly through customer satisfaction. This leads to a positive and significant total effect of CRM on customer retention ($B = .657$; $p < 1\%$). The path diagram of this relationship is illustrated on figure 4.2.

Figure 4.2: Path Diagram of CRM, CR and CS.



Source: Author 2016

4.5 Mediation Effects

Structural equation model (SEM) was used to establish whether a mediation effect of customer satisfaction was present. According to Baron & Kenny (1986) cited in Han (2009), the following three conditions should be satisfied to establish mediation:

- (1) the independent variable must have a significant and positive relationship with the mediator
- (2) the independent variable should be significantly related to the dependent variable

(3) the mediator must affect both the dependent variable and the independent variable. Then, the effect of the independent variable on the dependent variable should be more weakened in the third condition than in the second. Full mediation holds when the independent variable has no effect when the mediator is controlled.

Following Baron & Kenny's (1986) suggestion, three analyses were carried out in order. According to Table 4.3, it is demonstrated that CRM (independent variable) has a positive and significant impact on customer satisfaction (mediator) ($B = 0.785$, $p < 1\%$). The next step is to examine the relationship between customer relationship management (independent variable) and customer retention (dependent variable). This leads to a positive and significant total effect of CRM on customer retention ($B = .657$; $p < 1\%$). The final stage of the specification indicates that, customer satisfaction (mediator) ($B = 0.562$; $p < 1\%$) have a direct and significant effect on customer retention (dependent variable). In addition, the impact of CRM ($B = 0.215$; $p < 1\%$) on customer retention decreased when customer satisfaction is controlled. Even though the coefficients decreased, the value is statistically significant. However, results shows that CRM has an indirect effect on customer retention ($B=0.441$, $p < 1\%$). This specifies the indirect effect (*Path C¹*) of CRM on customer retention through the mediated variable (customer satisfaction) (see Figure 4.1). Specifically, the results show that customer satisfaction partially mediates the relationship between customer relationship management and customer retention. Thus there are two paths through which CRM affects customer retention in the insurance industry; through its direct path and indirectly through customer satisfaction.

In line with Baron & Kenny's (1986) specifications, the results prove that customer satisfaction positively mediates the relationship between CRM and customer retention. The path diagram of this relationship is illustrated on figure 4.2. Based on the results discussed, it is understood that there is a partial mediation of customer satisfaction in the relationship between customer relationship management and customer retention.

4.6 Discussion of Results

This work has established the significance of customer relationship management and customer satisfaction on customer retention.

Firstly, the strategies of customer relationship management are anticipated to curtail occurrence of service failures that motivate customer to switch in the insurance industry (Crosby et al., 1990; Jones & Farquhar, 2003; Best, 2002; Mithas et al., 2005; Uppal, 2008; Sharma et al., 2011).

Furthermore, Verhoef (2003) studies demonstrated the impact of CRM on Customer Retention. The finding shows that, CRM positively affect customer retention. Verhoef & Donkers (2001) confirm that, CRM allows insurance companies to employ strategies with the help of customer databases in administrating personal customer relationships effectively towards retention. Dewhurst et al. (1999) indicated that the essence of the customer orientation is through the deployment of sophisticated customer management systems. Hellier (1995) tested a customer retention model in the insurance services sector and found relationships among perceived quality, switching costs and repurchase intent (retention). The link between CRM and customer retention is widely accepted. This study has empirically demonstrated that, customer relationship in insurance industry is vital to maintain and grow a wider customer base(see Kotler et al., 2011; Kassanoff, 2000; Creighton, 2000; Uppal, 2008; Anton, 1996; Goldenberg, 2003;

Sharma et al., 2011; Vasiliu, 2012 ; Hasan et.al., 2012). Bhattacharya (2011) conclude that, CRM implementation in organizations reduce cost and increase company performance and profitability through customer retention.

Secondly, Rastghalam et al. (2014) studied the effects of CRM on customer satisfaction with respect to the entire customers of Moallem insurance company in Isfahan province (India). The study concluded that, CRM presents a holistic view of the customer which helps organizations to capitalize on to establish a successful relationship, provide customer satisfaction and have access to market opportunities to increase sales (Maleki & Darabi 2010). Hou et al. (2008) discovered that, CRM positively influenced customer satisfaction in the insurance industry. Thus, through CRM strategies, customers daily problems related to insurance are addressed at any time and promptly. Customer relationship management requires the coordinated efforts of department in managing the needs and aspirations of customers. This work shows that CRM will also impact positively on customer satisfaction Crosby et al., 1990; Jones & Farquhar, 2003; Best, 2002; Mithas et al., 2005; Uppal, 2008; Sharma et al., 2011.

Moreover, customer relationship management practice can impact on customer satisfaction in three main means. Firstly, CRM permits organizations to modify their services to suit every customer. Customer satisfaction is achieved when product or services are customized to the taste of the customer. Hence, CRM influence customer satisfaction as a result of perceived service or product quality. Secondly, CRM practices allow organizations enhance the consistency of meeting customers' request on time as well as managing customers' information. Thirdly, CRM practices also enable organizations to control the three main stages (starting, continuing and exiting) of

customer relations successfully (Swift, 2001; Mithas et al 2005; Parvatiyar et al., 2001; Kincard, 2003; Reinartz et al 2004; Crosby et al., 1990).

Thirdly, this study confirms the assertion of other researchers that, customer satisfaction positively and significantly affects customer retention in the insurance industry in Ghana. Thus, in spite of the obvious lack of an empirical link between customer satisfaction and customer retention in the insurance industry in Ghana, other studies from different researchers in the insurance industry declares that, customer satisfaction effects customer retention (Joseph et al., 2003; Crosby et al., 1990; Reichheld, 1996). Their studies further suggest that, the insurance companies must frequently observe customer satisfaction of clients by engaging in usual interaction with them since majority of clients expect their insurers to identify them in person and interact accordingly. Customers stick to a particular service provider in order to maximize their benefits from that specific service provider (Oliver & Winer 1987). In addition, Anderson et al. (1994) concluded that there is a strong relationship between customer satisfaction and profitability. Fornell et al. (1996) observed that, product manufacturing industries are able to achieve higher customer satisfaction as compared to the service companies. As a result, effectively managing client relations is paramount to customer satisfaction and retention in service industries such as insurance and banks. This work has acknowledged that CRM is a major antecedent to client satisfaction which by itself can cause customer retention to accentuate (Uppal, 2008; Speier & Vankatesh, 2002; Bhattacharya, 2011; Sharma et al., 2011).

Fourthly, the results of this study reveals that, CRM directly and indirectly affect customer retention in the insurance industry. Thus, it supports Lombard (2012)

declaration that, a unit increase in CRM positively affects customer satisfaction and customer retention in the insurance organization. Literatures suggest insurance industry has never been able to exceed customer expectation even though it serves as reference for assessment. Therefore, there is the need to understand customer expectation in order to retain them (Sherden, 1987; Toran, 1993; Walker & Baker, 2000; Siddiqui et al., 2010). Martey (2014) suggested that, when CRM is practiced successfully, organizations are able to meet customer expectations which automatically promote customer retention in the restaurant industry in Ghana. Abu (2011) studied CRM as a strategic tool for competitive advantage: a case study of SIC in Ghana. Findings of the study shown that, SIC hardly practice CRM strategies and this explains why customer satisfaction is low and this ultimately affects customer retention. Surprisingly, SIC premium income increases aside the lack of CRM practices which has impacted negatively on satisfaction and retention.

4.7 Studies Contribution to Literature

This study makes four important contributions to literature; first, the study explains the mediation role of customer satisfaction in the relationship between customer relationship management and customer retention and its importance in the non-life sector of insurance industry in Ghana. Second, there are few publications on customer relationship management that evaluates antecedents and consequences of customer relationship management on customer retention by non- life insurers in Ghana. The findings can help decision makers in insurance services organizations by focusing on the mediating effect of customer satisfaction as a decision tool in the insurance industry (Joseph, 2003; Abu, 2011). Third, in the field of insurance marketing channels, this study adds up to research conducted on the relationship between CRM and Customer

Retention from the customers' perspective. Fourth, the findings of the research are important for decision makers in the field of non-life insurance sales departments in the industry.

4.8 Theoretical Implications

Theoretically, the findings of the mediation effects on the relationship between Customer Relationship Management and Customer Retention revealed that, customer relationship management has a significant positive effect on customer retention, directly and indirectly through customer satisfaction. This suggests that, insurance companies can reduce customer switching tendencies in the sector by practicing effective CRM practices. Also, CRM can help the companies customized their insurance products for their customers, ensure consistency in providing service and effectively control the stages of relationship building. These findings affirm the works of Mithas et al., 2005; Reinartz et al., 2004; Kotler et al., 2011; Padmavathy et al., 2012.

Consistent with other studies, the findings of this study highlight the critical role of information sharing in influencing customer retention (Morgan & Hunt, 1994). Thus, regularly sharing Information certainly impact on the worth of the relationships between non-life insurance companies and customers, making clear their limitations and opportunities. These increases in customer perceptions of the insurer can help develop a sense of closeness and ease in the relationship. When a staff of the insurance companies handles the customer properly, each party feels comfortable and it is likely to divulge personal and company information to the client. This mutual disclosure can lead to a stronger relationship between the staff and the customer and the company at

large. Regular communication with customers enhances relationship to erase any emotional insecurity incurred from market volatility. Thus, often interaction leads to higher customer satisfaction. This study's results confirm that CRM significantly and positively influences customer satisfaction, which in turn affects customer retention. This conforms to the theory of the positive influence of quality relationship, and repurchases intention leading to customer retention (Crosby et al., 1990; Wong et al., 2007; Lusch & Brown, 1996; Boles et al., 2000; Yu et al., 2016). The study also empirically support the link between customer relationship management and customer satisfaction on customer retention put forth by Padmavathy et al. (2012). Additionally, the researcher found that, customer satisfaction is strongly linked with customer retention (Fornell, 1992; Rai et al., 2013; Ioanna, 2002).

4.9 Practical Implications

The findings of the study suggest to managers that, effective practice of CRM improves customer perception about the insurance company when they are satisfied which in turn increase customer retention and company's profit. In effect, many service providers implement strategies to improve customer satisfaction with the goal of strengthening ties with customers and increasing customer retention (Ravald & Gronroos, 1996). Many other studies have revealed customer retention is certainly affected by customer satisfaction (Jones et al., 2000; Bolton, 1998; Oliver, 1980; Tsoukatos& Rand, 2006). When relationship quality is good, customers will have a long lasting relationship with their various insurance companies and will provide referrals. In addition, Table 4.3 reveals that, CRM (independent variable) has a positive and significant impact on customer satisfaction (mediator) ($B = 0.785$, $p < 1\%$). There is a positive and significant total effect of CRM on customer retention ($B = .657$; $p < 1\%$). Customer satisfaction

(mediator) ($B = 0.562$; $p < 1\%$) have a direct and significant effect on customer retention (dependent variable). Furthermore, the impact of CRM ($B = 0.215$; $p < 1\%$) on customer retention, even though decreased when customer satisfaction is controlled, the value is statistically significant. The results indicate that CRM has an indirect effect on customer retention ($B=0.441$, $p<1\%$). This specifies the indirect effect (*Path C'*) of CRM on customer retention through the mediated variable (customer satisfaction) (see Figure 4.1). Thus there are two paths through which CRM affects customer retention in the insurance industry; through its direct path and indirectly through customer satisfaction. The findings are very crucial for policy makers and important authorities in formulating policy. Additionally, non-life insurers need to create and develop long lasting relationships with customers in the insurance industry to gain profit.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key findings, conclusions and recommendations to improve practice in the insurance industry in Ghana.

5.2 Summary of Key Findings

This section summarizes the key findings of the study. The key findings are presented according to the research objectives. The purpose of this study was to examine the effects of customer relationship management and customer satisfaction on customer retention in the insurance industry in Ghana. To achieve this purpose, three research objectives were formulated. They include: (1) to estimate the relationship between customer relationship management on customer retention in the insurance industry; (2) to investigate the relationship between customer satisfactions on customer retention in the insurance industry; and lastly, (3) to ascertain the mediating effect of customer satisfaction on the customer relationship management versus customer retention. Data was collected from a sample of 450 customers from 15 insurance companies was selected in Ghana. The structural equation model was used to analyze the data.

5.2.1 The Relationship between Customer Relationship Management and

Customer Retention

It was realized customer relationship management has a significant positive effect on customer retention. This suggests that a potential remedy for the insurance companies to reduce customer turnover or switching tendencies in the sector is through setting up a

strong customer relationship management in the company. The descriptive analysis demonstrated that the levels of customer relationship management and customer retention on their own were moderate and requires further improvement.

5.2.2 The relationship between customer satisfactions on customer retention

At the end of the study, it was evident that there is a positive and significant correlation between customer satisfaction and customer retention. This shows that the more satisfied customers are the more likely they will stay or stick to a particular policy. Descriptive summary however illustrated that the level of customer satisfaction was moderate. The need for the insurance companies to be more customer-oriented or focused is shown by the evidence produced.

5.2.3 The indirect effect of customer relationship management on customer retention through customer satisfaction

It was observed that apart from the direct effect of customer relationship management on customer retention, there is an indirect relationship between customer relationship management and customer retention through customer satisfaction. Thus it was observed that customer satisfaction plays a mediating role in the relationship between customer relationship management and customer retention. The reasons for this assertion are that the evidence shows that CRM was positively and significantly related to customer satisfaction which in turn had a strong positive impact on customer retention. Further, CRM on its own had a positive impact on customer retention. This reveals that customer relationship management has two paths to influencing customer retention; either on its own path or through customer satisfaction. According to literature, this shows that customer satisfaction is mediating the relationship between

customer relationship management and customer retention. However, since CRM has two paths, one denoting its own path; then customer satisfaction is partially moderating the relationship.

5.3 Conclusions

From the study results, it can be concluded that both customer relationship management and customer satisfaction are antecedents to customer retention. Customer relationship management is also a significant driver of customer satisfaction in the insurance industry. An empirical study on the importance of CRM and customer satisfaction on customer retention in the insurance industry in Ghana has been largely unexplored in literature. However this study shows that improving CRM practices has the potential of enhancing customers' satisfaction and customer retention.

5.4 Recommendation

It is recommended that the insurance practitioners should invest resources and capacity to intensify the management of customer relationships as this has been shown to impact on profitability. Specifically the improvement of CRM has a double-line path both of which has the potential of increasing the customer base and thereby profit levels. There is no necessary need for bearing extra cost in marketing and advertising when strong CRM practices are implemented. Therefore managers are advised to use CRM as their major business strategy. The importance of using CRM as business strategy is that it does not lead to additional cost to reach customers and gaining competitive advantage. This is because it is an activity that considers the functionary departments in the organisation and how to strengthen or tweak them towards service quality. Lastly, there is the need for the insurance companies to identify customer retention challenges,

customer purchasing, and buying behaviour as the first step to building strong customer relationship management practices. The researcher recommends there should be a further study on the effects of CRM on Customer retention in the life sector of the insurance industry. Another research can be conducted to assess the impact of CRM practises in the insurance industry in Ghana.

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APPENDIX I

SURVEY QUESTIONNAIRE

This questionnaire is meant to collect data for academic study at Kwame Nkrumah University of Science and Technology. This study is to investigate the effects of customer relationship management on customer retention in the insurance industry in Ghana: The mediating role of customer satisfaction. Your response to this questionnaire would be highly appreciated and information given will be treated confidential. The response is arranged in a five (5) likert scale ranging from 1 to 5 corresponding to 'strongly agree,' 'agree,' 'neutral,' 'disagree,' or 'strongly disagree' respectively. Please circle () only one response appropriately. Thank you.

SECTION I (adopted from Padmavathy et al. (2012), Wong et al. (2007) and Rai et al. (2013))

PART A					
Customer Relationship Management					
Organizational commitment					
This insurer regularly uses personal information to provide customized products/services	1	2	3	4	5
Employees of this insurer often interact with customers to assess service performance	1	2	3	4	5
This insurer carefully evaluates customer evolving needs	1	2	3	4	5

Customer experience					
This insurer attends customer complaints promptly	1	2	3	4	5
This insurer takes genuine interest in customer problems	1	2	3	4	5
This insurer is co-operative	1	2	3	4	5
Process – driven approach					
This insurer delivers services at the earliest	1	2	3	4	5
Conducting transactions correctly and rapidly is very common with this insurer	1	2	3	4	5
This insurer provides value-added information along with its products/services	1	2	3	4	5
Reliability					
This insurer maintains consistent service standards	1	2	3	4	5
This insurer provides reliable services	1	2	3	4	5
Technology orientation					
This insurer uses latest technology (mobile application internet services) to offer quality services	1	2	3	4	5
The company has technological capability and innovative processes to meet your expectations	1	2	3	4	5

PART B					
Customer Satisfaction					
<p>The response is arrange in a five (5) likert scale ranging from 1 to 5 corresponding to 'very satisfied, 'satisfied,' 'neutral,' 'dissatisfied,' or 'very dissatisfied' respectively.</p>					
Pricing					
The company's cost of policy is reasonable	1	2	3	4	5
You are not sure that the policy charges of a new insurance provider will be better for you.	1	2	3	4	5
Service quality					
The company's service delivery process is highly standardized and simple.	1	2	3	4	5
The company provides sufficient range of insurance products (Motor and property, and others)	1	2	3	4	5
The company does ensure confidentiality of its clients	1	2	3	4	5
Overall satisfaction					
The company never fails to fulfill your expectations	1	2	3	4	5
In general, you are satisfied with your insurers after sales and follow –up performance	1	2	3	4	5
In general, you are favorable to your agent's overall performance	1	2	3	4	5
You are contented with your decision of choosing your present insurance provider.	1	2	3	4	5
Overall, you are satisfied with your insurance provider	1	2	3	4	5

SECTION C					
Customer Retention					
<p>The response is arranged in a five (5) likert scale ranging from 1 to 5 corresponding to 'strongly agree,' 'agree,' 'neutral,' 'disagree,' or 'strongly disagree' respectively.</p>					
Relationship quality					
Your company keeps their promises	1	2	3	4	5
Your company puts your interests before theirs when preparing your proposal	1	2	3	4	5
You trust your insurer's analysis of financial products	1	2	3	4	5
If problems such as your claims arise, your insurer is honest about the problem	1	2	3	4	5
Information sharing					
Your insurer keeps you very well informed about the performance of your financial product (e.g. regular report)	1	2	3	4	5
Your insurer explains financial concepts and recommendations in a meaningful way	1	2	3	4	5
Your insurer never hesitates to give you as much information as you like to have	1	2	3	4	5
Your insurer does not hesitate to explain to you the pros and cons of the financial products he/she recommends to you	1	2	3	4	5
Overall, you and your insurer are highly interacted	1	2	3	4	5
Willingness to provide referrals					
You are willing to give other prospective customers' information to your insurer	1	2	3	4	5

Your insurance company would be your “first choice” to contact whenever you want to buy any insurance products	1	2	3	4	5
Would you recommend your insurer to a friend or family due to the actual performance of the company	1	2	3	4	5
You would say positive things about your insurer based on your experiences in buying products / services	1	2	3	4	5
Anticipation of future interaction.					
You are willing to discuss the value of your insurance policies with your insurer in the next year	1	2	3	4	5
You are willing to work with your insurer for restructuring your policy to better serve your needs in the next year	1	2	3	4	5
You expect the relationship with your insurer to continue a long time	1	2	3	4	5

SECTION II
Personal Information about respondent (Please tick the most appropriate answer)
BACKGROUND INFORMATION:
Gender (1) Male (2) Female
Age (1) 18-25 (2)26-35 (3)36-45 (4)46-60
Qualification (1) SSCE (2) HND (3) First Degree
(4) Postgraduate (5) Professional (6)
Others...

Contact: 0244 839400