CUSTOMER RELATIONSHIP MANAGEMENT AS A STRATEGIC TOOL FOR

COMPETATIVE ADVANTAGE: (A CASE OF SIC INSURANCE COMPANY

LIMITED)

By

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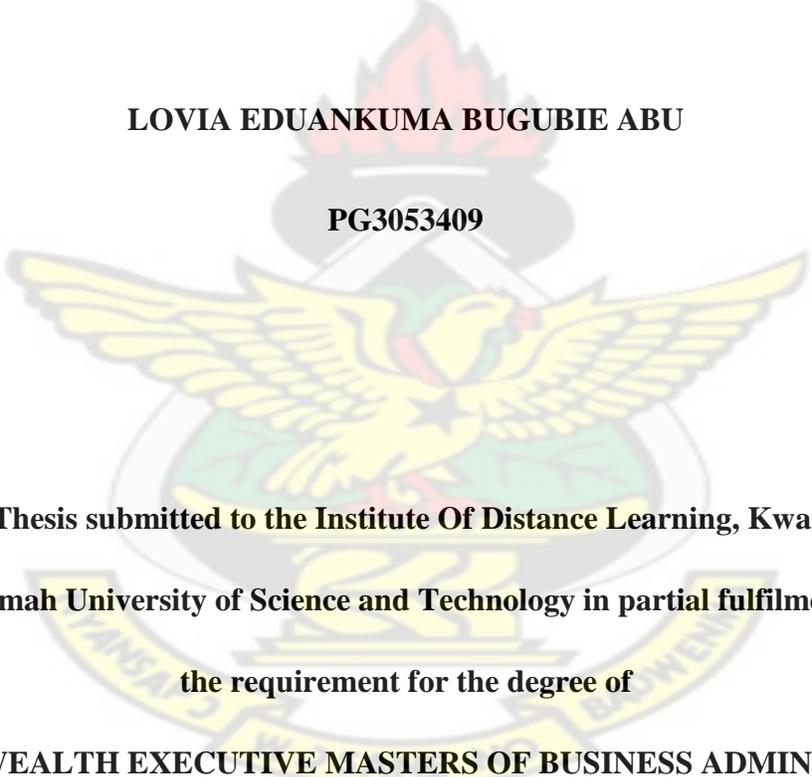
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DECLARATION

I hereby declare that this submission is my own work towards the Executive Masters Of 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 the award of any other degree of the University, except where due acknowledgement has been made in the text.

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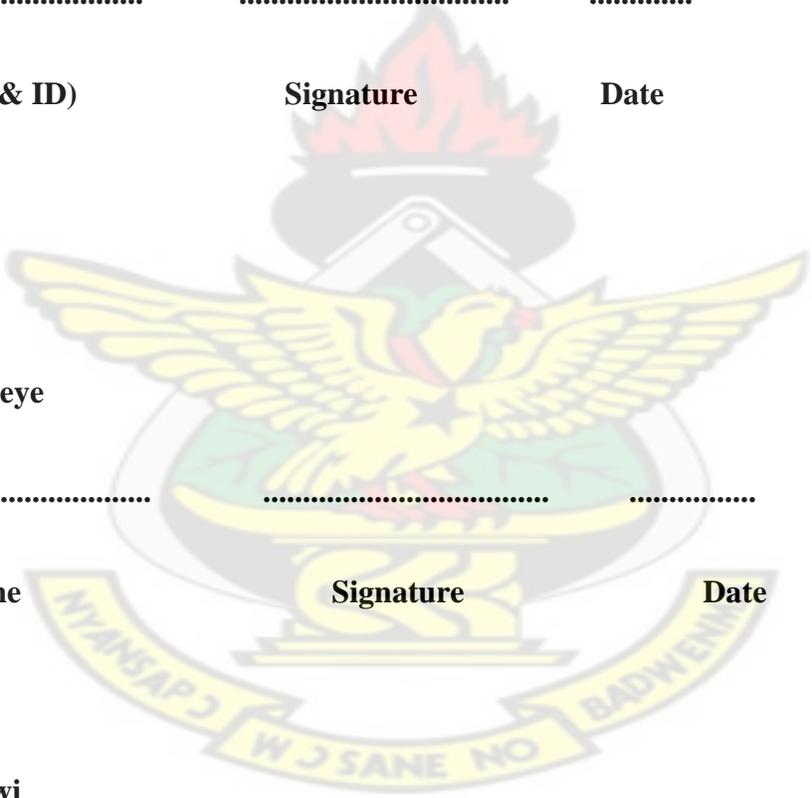
ABSTRACT

The upsurge of competition coupled with dynamism and uncertainties within the business environment has brought to light the need for organizations to be more proactive and customer focused to enhance corporate image, business growth and ensure profitability. Customer Relationship Management (CRM) implies an effort to maintain a life time quality relationship with all customers for mutual benefit. It also involves business strategy, people, processes and performances. In this regard, the underlying factors of CRM are the integration of distinctive competences, resources and capabilities. According to the literature review for the purpose of this research, customers are key partners in any business but getting them is difficult. For any company to grow, the customers must be satisfied. This study, therefore, sought to determine how customer service has impacts on premium income and market share by using SIC Insurance Company Limited. Descriptive techniques assisted the researchers to transform raw data into a form that made them easy to present and interpret. They range from descriptive tables that showed socio-demographic characteristics of respondents to tables that show data related to the research questions and objectives. After a careful examination of the major findings of the study, the following were observed. Most customers do not normally stay for more than three years with SIC. Most individual customers are not satisfied with the process of settling claims, little knowledge about the insurance products and means of sending renewal notices. About 48% of customers are not satisfied with the customer service of SIC. There is no complaints department/section in SIC apart from the marketing department. Complaints are mostly made verbally and are not treated with urgency and dealt with promptly and timely. It is therefore recommended that, SIC should set up a department which would be solely responsible for customer service and will undertake the management of the customer complaints and emergencies. SIC should revise the way they notify customers about renewals by using channels that are convenient to the customer. Also, the claim department which is the core of insurance should be a separate entity to handle all claims issues. Conclusively, the project even suggests that investigations must be conducted to find out why the premium income is raising, even though customers are not satisfied with SIC customer service.

DEDICATION

I dedicate this work to my husband Ibrahim Bugubie Abu, my children Shayne and Shaquille

Bugubie Abu, who inspired and provided the needed motivation to finish this work.

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The two months of meticulous and hard work contribute to the completion of this work, a requirement for the E-MBA programme. Writing a thesis of this nature has indeed broadened my knowledge and at the same time involved many challenges.

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Am also grateful to my family members, and staff of SIC-Dansoman branch who in many ways contributed and supported me both physically and spiritually. To you I say thanks

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CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND TO THE STUDY

This chapter provides an introduction to the study. It discusses the background of the study, mainly drawn from the level of competition in the insurance industry. It then discussed the research problem, research questions, objectives as well as scope and possible limitations of the study. The study further examines the effect of customer relationship management on the demand for insurance product in the Ghanaian Insurance industry with reference to the SIC Insurance Company of Ghana Limited.

The upsurge of competition coupled with dynamism and uncertainties within the business environment has brought to light the need for organizations to be more proactive and customer focused to enhance corporate image, business growth and ensure profitability. Today companies are going beyond designing strategies to attract new customers and create transactions with them but rather using customer relationship management to retain current customers, build profitable and long-term relationship with them. One marketing consultant puts it this way: 'the only value your company will ever create is the value that comes from customers- the ones you have now and the ones you will have in the future. Without customers, you don't have a business.' Companies would not only want to create profitable customers, but to 'own' them for life, capture their customer lifetime value and earn a greater share of their purchase. Thus the ultimate aim of Customer Relationship Management is to produce high customer equity. Kotler and G. Amstrong, define Customer Equity as the combined discounted customer lifetime values

of all of the company's current and potential customers. That is the more loyal the firm's profitable customer, the higher the firm's customer equity. A good customer relationship management is essential for all businesses.

In the days of homogeneous mass market, traditional insurance companies assessed value based on total premium of major product lines, counting on economies of scale in marketing spending and healthy margins to deliver profits. The continuous existence and growth of organisations and for that matter, Insurance Companies depends largely on sustained premium income generation through the patronage of insurance products by the public. To achieve this, insurance companies must deliver quality and innovative services that meet the needs of the consumers of such services. More recently, the insurance industry is no longer seen as selling product; but now seen as creating profitable customers.

Customer Relationship Management (CRM) implies an effort to maintain a life time quality relationship with all customers for mutual benefit. It also involves business strategy, people, processes, performances. In this regard, the underlying factors of CRM are the integration of distinctive competences, resources and capabilities.

Although, customer retention and loyalty have been a sales and marketing principle for quite a long time, Customer Relationship Management (CRM) is actually a tremendous step forward in creating a new thinking every employee must be customer focused. David Packard, late cofounder of Hewlett-Packard, said, 'Marketing is far too important to be left only to the marketing department.' Today, firms are linking all departments in the cause of creating customer value through cross-functional customer teams. According to

Greenberg (2001) in order to understand CRM, you must also understand the changing nature of the customer, because customers are not what they always use to be.

Another factor giving rise to relationship marketing development concepts stems from technological advancement, growth of service market, and increase recognition of the potential benefits for both the firm and the customer (Berry, 1995).

The main philosophy of relationship marketing is doing business that focuses on keeping and improving relationships with current customers rather than spending resources on prospecting. This philosophy assumes that customers prefer to have an ongoing relationship with one organisation rather than switching continually among provider in their search for value.

1.2 STATEMENT OF THE PROBLEM

The difficulty in building customer relationship has created low confidence and trust in the insurance market today. The complexity and peculiarity of insurance contracts as well as the nature of the product remains a major barrier to the provision of satisfactory services to consumers of insurance product. Furthermore, market information is either not available or scanty and too technical for the ordinary person to understand.

In view of the competitive nature of the Ghanaian insurance market, there is the need to develop a more proactive approach by insurance companies in marketing their product and services. The strategy should not just aim at getting the product to the client but also develop a means of keeping the client to become loyal to the company. According to Khalifa et al (2000) relationship marketing emphasize that customer retention can substantially reduce marketing cost and contribute to firm's profitability because it is

always cheaper to retain a customer than to acquire a new one. Thus, a system must be put in place that gets closer to the client hence building personal relationship with existing and other prospective customers.

Is this the situation observed in the Ghanaian Insurance Sector? A cursory look at Insurance in Ghana and in particular SIC Insurance Company Limited (AA rated) shows that this is not the case. It rather identified the following problems:

- Inability of SIC to predict their customers' needs and find solutions to them before clients request for them.
- Disparities in the quality of services rendered to various segments of clients in the various branches.
- Front-line service relation officers exceeding the Insurance stipulated turnaround time.

This study therefore seeks to bring to light ways of addressing them to help the company effectively manage it customer relations and highlight the benefits or impact of customer relationship management (CRM) in relation to competitive advantage and profitability.

1.3 OBJECTIVES OF THE STUDY

The broad objective of the research is to evaluate the potential of CRM in solving some of the problems faced by customers as well as its impact on profitability of SIC Insurance company Limited.

1. To find out the level of commitment of top management and staff in customer service issues.

2. To ascertain whether the SIC Insurance Company practice relationship marketing.

3. To find possible improved measures in claims settlement procedures.

4. To find out if SIC Insurance Company carry out a customer satisfaction survey regularly.

1.4 RESEARCH QUESTIONS

Following from the problem statement, the following research questions were proposed;

1. How would CRM benefit clients of SIC Insurance company Ltd?

2. Does CRM affect customer satisfaction and loyalty?

3. How beneficial is CRM to SIC Insurance Company Ltd?

4. Does CRM have an impact on insurance marketing?

5. Do insurance companies build long term relationship with their clients and how are the relationships managed over time?

1.5 PURPOSE OF STUDY

This study draws attention to the key elements of relationship marketing. Due to competition and customers has become sophistication. Marketing must also improve if it is to serve this new environment and help the insurance company compete and win. Customers are increasingly educated, competent and connected to technology. To expand insurance relationships, relationship management helps the marketer to be able to react, adjust, and satisfy customer demands on the spot. Qualifying customer needs and

credibility in offering a solution are prerequisites for even being in the running. New customer demands have made insurance coverage and services conversations far more complex, requiring a wide range of product knowledge, sales techniques, customer insight, and company-wide awareness. And the customer expects a fast response.

Relationship marketing must have clear accountability for premium result and underwriting quality. This requires information sweet spots that connect home office and field decision-making capabilities. A sales and relationship management function with the right information, at the right time, driven by the right incentives, is formidable. Unfortunately, many insurance companies do not optimize sales time and speed of execution, Berry, Leonard (1983).

1.6 SIGNIFICANCE OF STUDY

Relationship marketing as research has shown has a strong relationship with sales growth and profitability. Value creation indeed has become an issue in modern management and for any business to withstand the soaring competitive and unpredictable environment it must constantly assess its relationship marketing strategies thus its strength and weaknesses. Stakeholders are increasingly becoming concerned about the long term survival of firms. The study is therefore predicted on the following significance:

- It is a requirement for the award of Executive masters degree.

- It will serve as reference material for future researchers in similar study.

- It will serve as the basis for further study on Customer Relationship management in the Insurance industry.

▪ It is to serve as a blueprint for SIC Insurance Company Limited to improve upon it services.

1.7 THE SCOPE OF STUDY

This research study will be conducted within SIC Insurance Company Limited to have an in-depth understanding and appreciation of their Customer Relationship Management (CRM) practices. The study will also identify some innovative measures and technology delivery channels that SIC have deployed to ensure convenient Insurance.

1.8 LIMITATION OF RESEARCH

Though the insurance industry is vibrant and has lot of organisations operating in the sector, this study was limited to the State Insurance Company Limited. The State Insurance Company Limited is countrywide and has branches all over the country but this study was limited to the Ring Road Branch. Specifically, the sampling for the study was limited to the three areas within the branch. The financial backing for the research was inadequate. Cost of printing, getting research materials and time was a major problem. Being a mother, wife, worker and a student at the same time was a challenge for follow-up on respondents to retrieve questionnaires, and time to visit my supervisor.

1.9 ORGANIZATION OF THE STUDY

The study is organized under five chapters, **Chapter one** deals with introduction. It comprises the conceptual orientation and background to the study. **Chapter two** consists

of literature review relevant to the subject matter. **Chapter three** outlines the methodology of the research; it describes the method used in researching the project that is the method used in collecting the research data. **Chapter four** deals with the report of findings of the study analysis of data collected. **Chapter five** gives the summary; conclusion and recommendations arrived from the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter includes literature review on Customer Relationship management. It focuses on providing the reader with the necessary information about the relevant literature that is connected to our research problem. It provides theories found which covers our research objective.

2.1 THE ORIGIN OF CUSTOMER RELATIONSHIP

During the industrialization era of the 1920s, the marketing theory pointed particularly to mass marketing because of the nature of mass manufacturing and inception of mass marketing use (radio). The concept continued to expand through the 40s and 50s. It gave corporations an opportunity to approach a wide customer with different needs into buying the same product. Mass manufacturing created a gap between firms and customers. From the firm's perspective, customization was not economically viable and did not promise greater profits. In addition, individual customer data was not available and there was often very little to almost no interaction between the customer and the firm. Moreover, firms were not open to customer-feedback. Therefore, there was a lack of understanding about the customer service or their needs from the product apart from functionality and durability. Services marketing pioneers proposed the concept of relationship marketing as means to narrow the gap between companies and their customers. Leonard Berry was the first scholar in services marketing who coined the phrase "relationship marketing" (Berry, 1983). However, the concept had been oriented towards how to acquire customers

(Storbacka *et al.,* 1994). As a result, such relationships are not necessarily long term relationships where profitability is the main goal of the relationship. The phrase became popular in the late 1980s and early 1990s due to the shift of focus from customer acquisition to customer retention (Morgan and Hunt, 1994; Sheth and Kellstadt, 2002). By comparing relationship marketing (RM) with the traditional transaction marketing, the following can be derived:

- In RM the focus is not on service encounters or transactions.
- RM is focused on retaining customers and enhancing the relationship with the customers.

Figure 2.1 shows a historical timeline of the marketing evolution. There are also other accounts for the emergence of RM, such as the economics of customer retention, the ineffectiveness of the mass media, and higher expectations from customers (Reichheld and Sesser, 1990; Shani and Chalasni; 1992). Furthermore, Sheth and Kellstadt (2002) categorise the main reasons for the emergence of RM:

1. The energy crises of the 1970s and economic inflation

2. Emerging of service marketing

3. Supplier partnering

Later, they also mentioned three other factors that influenced the course and definition of RM, as:

1. Impact of internet and information technology (IT)

2. Selective and targeted relationship (customer segmentation and customisation)

In the past thirty years, there has been a significant number of research and practices in the marketing that have focused on the importance of relationships, networks and

interactions. As a result, theories have emerged that contribute to the traditional marketing management. Service marketing and the network approach to business-to-business (B2B) had relatively more than impact on marketing development rather other theories. There were also influences from non-marketing areas such as total quality management (TQM), lean production, customer value chain, balanced scorecard, intellectual capital and organization theory that further enriched RM.

Figure 2.1 Marketing changes through the last decades

1970s	1980s	1990s

| Energy Crisis | Emergence of Service marketing | Internet & IT | Outsourcing Customers | Segmentation |

| | | | Customer Purchasing Behaviour | |

| Excess Capacity | Material Cost | Highway Total Quality management (TQM) | | |

| | Relationship Marketing (RM) | Enterprise Resource Planning (ERP) | Customer Relationship Management (CRM) | |

| Customer Acquisition | Customer Retention | Customer Loyalty |

(Source: Sheth and Kellstadt, 2002)

Initially, the concept of the relationship marketing (RM) emerged within the fields of services marketing and industrial marketing (Ford, 1980; Christopher *et al.*, 1991;

Gummesson, 1991; Lindgreen *et al.*, 2004). The concept emphasises on customer satisfaction and customer retention as the long-term value for the firm (defensive marketing) rather than customer transactions (offensive marketing) (Kotler, 1991; Varva, 1992). In other words, defensive marketing focuses on reducing customer defection (churning) and increase customer loyalty, whereas offensive marketing focuses on obtaining new customers and increase customers " purchase fr

Wernerfelt, 1987). Nowadays, relationship marketing (RM) is considered as a strategy (Berry, 1983; Gummesson, 1993) in which it aims to enhance customer relationship and profitability (Grönroos, 1994; Storbacka *et al.*, 1994; Rap and Collins, 1990; Blomqvist *et al.*, 1993). Saren (2007) defines customer relationship (CR) as "the creation, maintenance and reproduction of tastes, dreams, aspirations, needs, identities, desires, morality and hedonism". The concept of RM received considerable criticism, at the beginning, but it is acknowledged that it has made a shift in marketing. According to Gruen (1997):

"… the introduction of the relation marketing concept focused business on seeing customers as the centre of the universe and the organisation around them … RM reorients the positions of suppliers and customers through a business strategy of bringing them together in co-operative, trusting and mutually beneficial relationships."

Furthermore a selection of RM definitions is listed in Table 2.1.

Table 2.1: RM definitions Source   Definition

Berry (1983)

"Attracting, maintaining and – in multi-service organizations – enhancing customer relationships" (p. 25)

Lusch and Vargo (2006)

"Marketing is the process in society and organizations that facilitates country exchange through collaborative relationships that create reciprocal value through the application of complementary resources".

Grönroos (1990, 1994)

"Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties are met. This is achieved by a mutual exchange and fulfillment of promises."

Grönroos (2007)

"… marketing is to identify and establish, maintain and enhance, and when necessary terminate relationships with customers (and other parties) so that the objectives regarding economic and other variables of all parties are met. This is achieved

	through a mutual exchange and fulfillment of promises."
Morgan and Hunt (1994)	"Relationship marketing refers to all marketing activities directed to establishing, developing and maintaining successful relational exchanges."
Porter (1993)	"Relationship marketing is the process whereby both parties – the buyer and provider – establish an effective, efficient, enjoyable, enthusiastic and ethical relationship: one that is personally, professionally and profitability rewarding to both parties

As a result, companies were expecting to gain more market share by shifting to customer orientation from the traditional practices (Bose, 2002; Ahn *et al.*, 2003). More importantly, emergence of the One-to-One and the Customer Relationship Management (CRM) concept highlighted the difference between customers; hence attention needs to be paid to how they perceive added value service attributes (Weitz *et al.*, 1995). RM relies upon the acquisition of customer needs and desires with particular relevance to customer satisfaction which, in turn, leads to long-term relationship. According to Gummeson (2008), "RM is the overriding concept for a new marketing type of marketing and CRM as techniques to handle customer relationships in practice." Moreover, He defines CRM as:

"CRM is the values and strategies of RM – with special emphasis on the relationship between a customer and a supplier – turned into practical application and dependent on both human action and information technology."

Following, Table 2.2 lists a selection of CRM definitions as follows:

Table 2.2: CRM definitions Source	Definition
Payne and Frow (2005)	"CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology and application."
Eggert and Fassot (2001)	"e-CRM embraces the analysis, planning and management of customer relationships

with the aid of electronic media, especially

the internet, with the goal of the enterprise

to focus on select customers."

Despite the advantages that RM offers, practitioners and academics have yet to propose a roadmap to create sustainability and competitive advantages that RM promises to offer (Ganesan, 1994; Morgan and Hunt, 1994). Therefore, it is important to recognise how the competitive advantages can be built through relationship marketing.

2. THE MEASURES DEFINING CUSTOMER RELATIONSHIP

2.0 The Customer Satisfaction-Retention-Loyalty Chain (SRLC)

The satisfaction-retention-loyalty-chain (SRLC) is a key concept that needs to be understood due to its link to customer relationship management (CRM) and, in turn, profitability (Figure 2.2). The concept has been popular since the early 1990s, when measuring and managing customer satisfaction became important to companies (Heskett *et al.*, 1994). The key point is that improving the performance of service attributes will generate satisfaction (Mousavi *et al.*, 2001). Increased customer satisfaction levels will lead to greater customer retention rate, which is a key determinant for customer loyalty, which may increase the expected profit (Rust and Zahorik, 1993; Anderson and Mittal, 2000). Despite the self-evident nature of these positive links, the empirical evidence of research shows only mixed support (Zeithmal, 2000). There is a lack of research investigating the relationship between perception measures (service attribute quality, customer satisfaction) and action measures (word-of-mouth behaviour, purchase loyalty and long term customer relationship profitability).

Figure 2.2 The service quality-customer behaviours chain

| Service Performance | → | Customer Satisfaction | → | Customer Retention | → | Customer Loyalty | → | Profit |

(**Source: Heskett *et al.* 1994)**

2.1. The Behavioural and Financial Consequences of Service Quality

Provision of a good quality of service is considered as a key to success in today's competitive business environment (Reichheld and Sasser, 1990; Parasuraman *et al.*, 1985; Dawkins and Reichheld, 1990). During the 1980s, the primary emphasis of organisations was focused on improving service quality towards customer expectations (Parasuraman *et al.*, 1985). As a result, several methodologies and management framework were proposed (Zeithaml *et al.*, 1996) such as: total quality management (TQM); quality function deployment (QFD); failure modes and effects analysis (FMEA); six sigma (zero defects); PDCA (plan-do-check-act) or Deming cycle. However, there is no consensus on the way to estimate the impact of service quality on financial performance (Zeithaml *et al.*, 1996; Rust *et al.*, 1995). The relationship between these two variables is neither straightforward nor simple (Zahorik and Rust, 1992). Research on the direct relationship between customer satisfaction and profitability has revealed mixed results ranging from positive to no effect (Christopher *et al.*, 1998; Zeithaml, 2000; Jones and Sasser, 1995). The findings lack in depth analysis and fail to answer questions like: How will service quality attribute be paid off (return on investment)? Or, how much should the company invest in service quality to maximise profitability?

There are two approaches for addressing these questions: offensive marketing and defensive marketing (Fornell and Wernerfelt, 1988; Rust and Zahorik, 1993; Zahorik and

Rust, 1992). Such approaches do not have their roots in either industrial or service marketing but have emerged from the traditional consumer goods marketing (Storbacka *et al.*, 1994). Offensive marketing focuses on acquiring new customers and increase customer's transactions (purchase frequency), whereas defensive marketing is focused on minimising customer switching behaviour. This study evaluates the defensive impact of service quality through customer retention in order to measure the financial impact of service quality for the firm.

The basic assumption is that there is a direct and strong relationship between service quality attributes and customer behaviours, for instance; repurchase intention (Fornell and Wernerfelt 1987, 1988; Reichheld and Sasser 1990; Anderson and Sullivan 1990; Grönroos, 1990). The assumption is based on the idea that customer satisfaction can be predicted and assessed as the difference between perception and expectation. Therefore, if the service is performed poorly, then the difference between customer perception and expectation will be negative or the customer will be dissatisfied. If the difference is positive, a customer will be satisfied or desired. Moreover, this relationship is relied upon the assumption that the relationship between service qualities attributes and customer satisfaction is linear and asymmetric.

In reality, what is vital to understand for a manager is whether service quality attributes have different or same impact on customer satisfaction? There is no consensus about the nature of this relationship. Figure 2.3 presents three commonly found relationships between services attributes performance and customer satisfaction.

Figure 2.3 Service attributes performance – customer satisfaction link
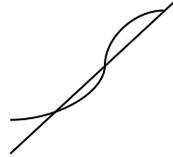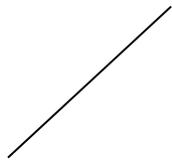
|		
Performance	Performance	Performance

(Source: Anderson and Mittal, 2000)

In most customer satisfaction programs, the relationship between service attributes, performance and customer satisfaction is assumed as linear and symmetric process (Goodman and associates 1995). However, there are some other studies that explain the non-linear and asymmetric relationships, For example, Mitall and Baldasare (1996) in health care; Danaher (1998) in airline industry; Mittal, Ross and Baldasare (1998) in automotive industry; Bolton and Lemon (1999) in entertainment, and Kumar (1998) in business-to-business marketing that explain the relationship between performance of service attributes and customer satisfaction. Research reveals that there is a significant difference between the key drivers of customer satisfaction and dissatisfaction (Shiba *et al.*, 1993; Dutka, 1993; Gale, 1994; Oliver, 1997). According to two-factor theory of Herzberg (1959), job satisfaction factors can be classified into two groups: "motivators" (increase job satisfaction) and "hygiene factors" (prevent dissatisfaction). Two-factor theory has also been adopted in marketing theory, where multi-attribute models are used to understand the construct of customer satisfaction. These models imply that service attributes do not have the same importance from customer perspective. In the context of customer satisfaction, the impact of low attribute-level performance on overall satisfaction is greater than attributes with high performance (Mittal *et al.*, 1998). This

relationship has explained through prospect theory (Kahneman and Tversky, 1979) which

describes how individuals form decisions and react to losses and gains, shown in Figure

2.4. However, later studies developed the three-factor theory (e.g., Anderson and Mittal,

2000; Matzler and Sauerwein, 2002). As a result, service and product attributes fall into

three groups: basic, performance and exciting attributes (the three-factor theory). The

theory originally developed by Kano (1984) based on Herzberg's two-factor theory.

Figure 2.4 S-shaped value functions in prospect theory
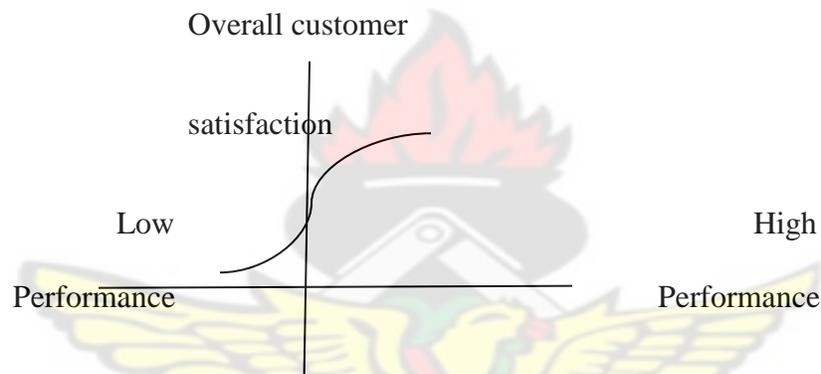
(Source: Matzler and Renzl, 2006)

2.1.2 Customer Satisfaction (CS)

According to the service management literature, customer satisfaction is the result of a

customer's perception of the service quality (Blanchard and Galloway, 1994; Heskett *et

al.*, 1990) relative to the expectation (Zeithaml *et al.*, 1990). Moreover, Looy *et al.* (2003)

defines customer satisfaction as: "The customer's feeling regarding the gap between his

or her expectations towards a company, product or service and the perceived performance

of the company, product or service." Both the service management and marketing

literature suggest that there is a strong relationship between customer satisfaction,

customer behavioural intentions (e.g., switching and word-of-mouth) and, in turn, profitability (Yi, 1990), shown in Figure 2.5. By improving product and service attributes performance, customer satisfaction level should increase (Mittal *et al.*, 1998; Wittink and Bayer, 1994) which, in turn, leads to greater customer retention (Zeithaml *et al.*, 1996; Anderson 1994). Accordingly, improved customer retention generates more profit (Anderson and Mittal, 2000). Despites it importance, there seems to be little experimental research that quantifies the complex relationships.

Figure 2.5 The satisfaction-profit chain

Attribute Performance → Customer Satisfaction → Customer Retention → Profit
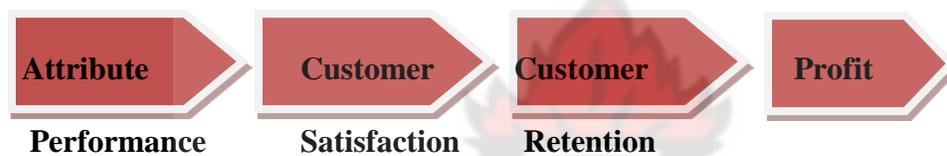
(Adopted from Anderson and Mittal 2000)

Customer satisfaction can be interpreted as an overall evaluation of service quality attributes or service attribute performance (Fornell *et al.*, 1996; Johnson and Fornell, 1991; Boulding *et al.*, 1993). Several studies discussed the relationship between two constructs of service attribute performance and overall customer satisfaction (Anderson and Sullivan, 1993; Oliva *et al.*, 1995; Oliver, 1993; Mittal *et al.*, 1998). It is argued that the relationship in most cases is nonlinear and asymmetric. More importantly, there is a strong relationship between customer satisfaction and customer future intentions (e.g. retention) and profitability (Anderson and Sullivan, 1993; Bearden and Teel, 1983; Boulding et al., 1993; Oliver, 1980; Yi, 1990; Rust *et al.*, 1994). Figure 2.6 illustrates the link between service quality attributes and customer attitude and behaviour (Storbacka *et al.*, 1994). Such comprehensive approaches to model the customer relationship

profitability are lacking, as most studies have only focused on discrete aspects of the conceptual framework.

Figure 2.6 From service quality to customer relationship profitability
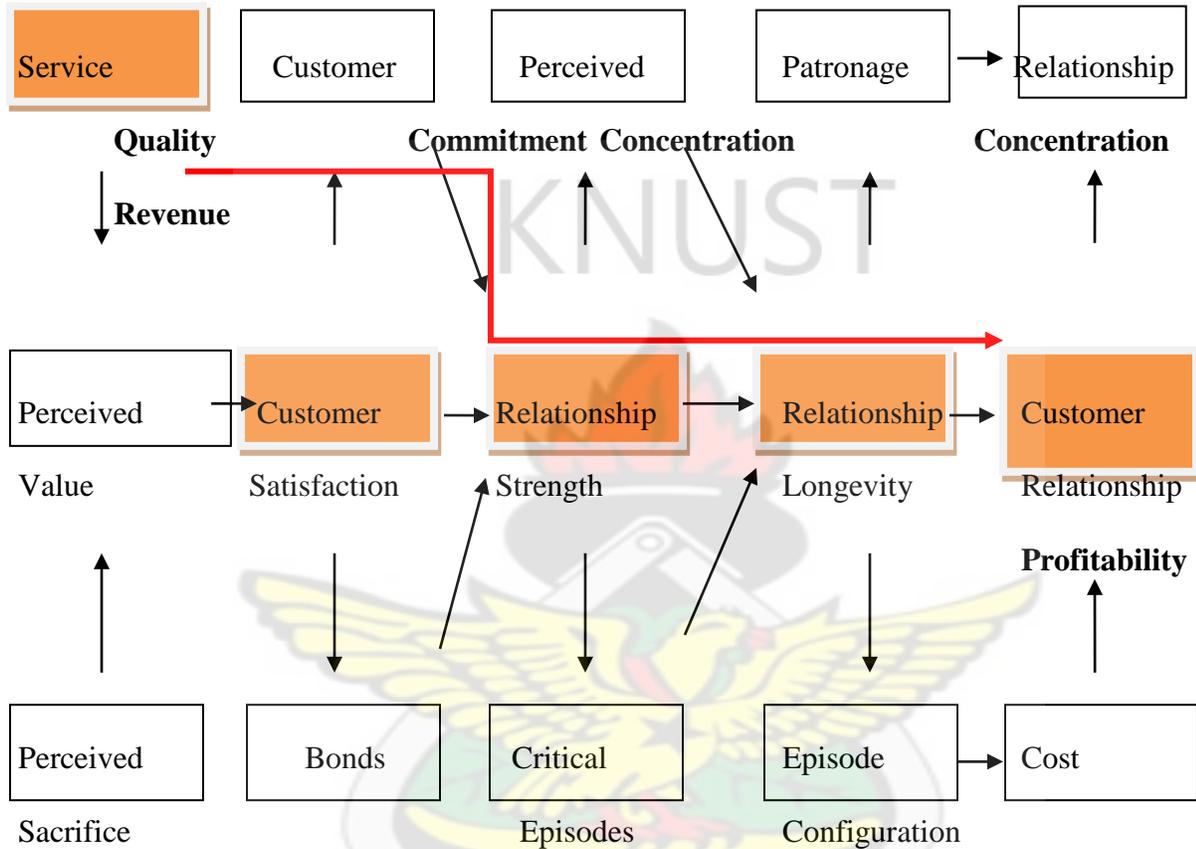
(Adopted form Storbacka *et al.*, 1994)

2.2.4 Customer Retention (CR)

Since 1990s the subject of customer satisfaction and customer retention, and their relationship with company ″s financial pe many managers. By interpreting customer behaviours like retention to profit, firms move

closer to the inter-dependent variable – profitability (Reichheld and Sasser, 1990; Reichheld *et al.*, 2000). In addition, the marketing domain has increasingly shifted from transactional approach (the value of an individual sale) to relationship marketing approach (the value of long-term relationships and repeat purchases).

Table 2.3 presents the shift from transactional marketing to relationship marketing. More important, relationship marketing acknowledges that existing and new customers require different strategies.

Table 2.3: Transaction approach and relationship approach (Adopted from Peck *et al.* 2000, p. 44)

Characteristics	Transactions focus	Relationships focus
Focus	Obtaining new customers	Customer retention
Orientation	Service features	Customer value
Timescale	Short	Long
Customer service	Little emphasis	High emphasis
Customer commitment	Limited	High
Customer contact	Limited	High
Quality	An operations concern	The concern of all

Sources: Adopted from Peck *et al.* 2000, p. 44

Research in this area revealed that there is an asymmetric and non linear relationship between customer satisfaction and customer retention. Even though, customer dissatisfaction may have a greater impact on retention than customer satisfaction, It should be noticed that a number of factors such as type of industry, market competition,

switching costs and risk factors may change the dynamics between customer satisfaction and retention. Retention and defection are like two sides of the same coin. Retention rate can be defined as the average likelihood that a customer repurchases product/service from the same firm. The defection or churning rate is defined as the average likelihood that a customer switches or defects from the company to another company. Equation 2.1 and 2.2 explain this further.

Retention rate (%) = 1 – (1/ Average lifetime duration)   (2.1)

Average retention rate (%) = 1 – Average defection rate   (2.2)

Lowering customer switching rates can be profitable to companies. Research confirms that retaining customers is a more profitable strategy than acquisition of new customers (Fornell and Wernerfelt, 1987 and 1988). Further, Reichheld and Sasser (1990) emphasis on zero customer detections (churning) as an overall performance:

"Ultimately, defections should be a key performance measure for senior management and a fundamental component of incentive systems. Managers should know the company's defection rate, what happens to profits when the rate moves up or down, and why defections occur." (p. 111)

The financial impact of customer retention assessed based on two assumptions. First, acquiring new customers is more expensive than retaining existing customers as it involves advertising, promotion and start-up operating expenses (Anderson and Sullivan, 1990; Reichheld and Sasser 1990). New customers, therefore, are more likely to be unprofitable for a period of time after acquisition. Second, existing customers are more likely to generate more profit to companies through cross-selling and word-of-mouth. A study from Rose (1990) reveals that a customer that retain with company minimum 10

years is on average three times more profitable than a customer with 5 years customer history.

2.2.5 Customer Loyalty (CL)

Marketing literature uses a wide range of terms to describe loyalty and methods to measure it. Terms used interchangeably in business include loyalty, customer retention, and switching behaviour. To this list other related terms include: relationship strength (Patterson, 1998) and continuance commitment (Shemwell *et al.*, 1994). There is also the lack of distinction between measures of customer loyalty and related factors such as customer satisfaction. Andreassen and Lindestad (1998) defined loyalty as "an intended behaviour caused by the service and operationalised loyalty as a repurchase intention and willingness to provide positive word-of-mouth". Moreover, Jones and Sasser (1995) have also found customer satisfaction as the key element in securing customer loyalty. Customer loyalty has been described in service management and marketing literature. The service management literature defines loyalty as the behaviour that can be seen in various forms such as relationship continuance, cross-selling, up-selling, and word of mouth or customer referral (recommendation). This type of behaviours increase profitability through enhanced revenues reduced costs to obtain new customers and retained existing customers, and lower customer-price sensitivity (Reichheld and Sasser, 1990; Hallowell, 1996). While marketing literature has defined customer loyalty into distinct ways (Jacoby and Kyner, 1973). The first defines customer loyalty as an attitude which indicates an individual's overall attachment to a product, service, or brand (Fornier, 1994). The second defines loyalty as behaviour can be evaluated in form of

repurchase, word of mouth, and increasing the scale and scope of a relationship. However, the behavioural view of loyalty is similar from both service management and marketing point of view. In this thesis, we examine the behavioural rather than attitudinal loyalty (word of mouth). This approach is intended to, first, to include behavioural loyalty in the conceptualisation of customer loyalty that has been linked to customer retention (switching intention) and satisfaction, and second, to make the demonstrated service quality attributes- customer satisfaction-retention-loyalty relationship providing managers and decision makers interested in customer behaviours linked to firm performance (Figure 1.2).

Despite of several studies into customer loyalty, there is no consensus on the most appropriate way to measure loyalty. Existing studies in customer loyalty can be classified into three groups regardless of definition, measurement, and limitation. These three groups are: (1) loyalty as repeat purchase and word of mouth behaviour (Liljander and Strandvik, 1993), (2) loyalty as a combined composite of repeat patronage and attitudinal component (Dick and Basu, 1994), and (3) a psychological prospect of loyalty (Czepiel, 1990). In this study, customer loyalty is defined as customer word of mouth (WOM) behaviour. Jones and Sasser (1995) discuss that WOM is one of the most important factors in acquiring new customers.

Despite the benefits that accrue from WOM, many organisations can not yet link the service quality-customer satisfaction to WOM. This is due to the fact that satisfaction plays as a mediating attitude between service quality attributes and customer's word of mouth. More importantly, customer retention is not the same as customer loyalty. Customer retention rate is measured on a period-by-period basis and it is used as an

indication of customer switching behaviour or intention, whereas customer loyalty has a much stronger theoretical meaning. If a customer is loyal toward a service or a brand, he or she has a positive emotional or psychological disposition towards this brand. Customers might continue to purchase a particular brand but this may be purely out of convenience or inertia. In this case, a customer may be retained, but not necessarily stay loyal to the product or service.

2.2.6 BENEFITS OF CRM

According to Chen and Popovich (2003), CRM applications have the ability to deliver repositories of customer data at a much smaller cost than old network technologies. Throughout an organisation, CRM systems can accumulate, store, maintain, and distribute customer knowledge. Peppard (2000) noted that effective management of information has a very important role in CRM because it can be used for product tailoring, service innovation; consolidate views of customers, and for calculating customer lifetime value.

CRM systems assist companies evaluate customer loyalty and profitability base on repeat purchase, the amount spent, and longevity. Bill (2003) added CRM makes it practicable for companies to find unprofitable customers that other companies have abandoned or jettisoned. This position is supported by Galbreath and Rogers (1999) that CRM helps a business organisation to fully understand which customers are worthwhile to acquire, which to keep, which have untapped potential, which are strategic, which are important, profitable and which should be jettisoned. Greenberg (2004) emphasised that CRM can increase the true economic worth of a business by improving the total lifetime value of customer, adding that successful CRM strategies encourage customers to buy more product, stay loyal for longer periods and

communicate effectively with a company. CRM can also ensure customer satisfaction through the allocation, scheduling and dispatching the right people, with the right parts, at the right time (chou et al., 2002).

According to Swift (2001), companies can gain many benefit from CRM implementation.

He state that the benefits are commonly found in one of these areas:

1. lower cost of recruiting customers: The cost of recruiting or obtaining customers will decrease since there are saving to be made on marketing, mailing, contacts, follow-up, fulfilment services and so on.

2. No need to acquire so many customers to preserve a steady volume of business: The number of long-term customers will increase and consequently the need for recruiting many new customers will decrease.

3. Reduce cost of sales: The costs regarding selling are reduced owing to existing customers are usually more responsive. In addition, with better knowledge of channels and distributions the relationship become more effective, as well as that cost for marketing campaign is reduced.

4. Higher customer Profitability: The customer profitability will get higher since the customer wallet-share increase, there are increases in up-selling and follow-up sales, and more referrals come with higher customer satisfaction among existing customers.

5. Increased Customer Retention and Loyalty: The customer retention increase since customers stay longer, buy more and buy more frequently. The customer does also often take initiatives which increase the bounding relationship, and as result the customer loyalty increase as well.

6. Evaluation of Customers profitability: a firm will get to know which customers are profitable, the one who never might become profitable, and which ones that might be profitable in the future. This is very important since the key to success in any business is to focus on acquiring customers who generate profit and once a firm has found them, never let them go (ibid)

Curry and Kkolou (2004) refer o the major benefit and reasons for adoption of CRM which include: customers from the competition will come to prefer your organisation; a simplified, customer-focused internal organisation will simplify the infrastructure, shrinking the workflow and eliminating non-productive information flow; and profits will increase from more and more satisfied customers and a more compact, focused company. There are companies that adopt CRM systems just because it is the most advanced technology and they think they have to have it since their competitors have it (Chou et al, 2002). Some statistics that motivate this behaviour are resumed as follows:

- ❖ By Pareto's principle, it is assumed that 20% of a company's customers generate 80% of its profits.
- ❖ In industrial sales, it takes an average of 8-10 Physical calls in person to sell to a new customer, 2-3 calls to sell to an existing customer.
- ❖ It is 5-10 times more expensive to acquire a new customer than obtain repeat business from existing customer. For example, according to Boxton Consulting Group (Hildebrand, 2000), the cost to market to existing web customer is $6.80 compared to $34 to acquire a new web customer.

❖ A typical dissatisfied customer tells 8-10 people about his or her experience source (Paul Gray and Jongbok Byun, centre for research on information technology and organisation, University of California, March 2001)

Getting to 'know' each customer through data mining techniques and a customer-centric business strategy helps the organisation to proactively and consistently offer (and sell) more products and services for improved customer retention and loyalty over longer periods of time. Pepper and Rogers (1999) refer to this as maximizing 'lifetime customer share', resulting in customer retention and customer profitability.

2.2.7 Customer Value

Real customer relationships, those that result in the customer feeling a genuine sense of loyalty to the firm, are predicted on a series of satisfying experiences with the company.

Relationships are not developed overnight. Until the customer sense some attachment to the company, then no relationship can be said to exist. What, then, drives customer satisfaction? Surely it is the ongoing creation of value in the mind of the customer. (Bristol Group, 2004)

Woodruff (in Chi et al. 2004) defined customer value as a customer-perceived preference for, and evaluation of, product attributes, attribute performance, and consequences in terms of the customer's goals and purposes. According to (Chi et al), there have been limited studies to examine the differential effects of individual dimensions of customer value on the specific dimensions of CRM performances. They argued that investigating key dimensions of customer value and their effects is very critical and important since the delivery of superior customer value can involve significant costs for firms. Even though they recognize the fact that superior customer value can lead to higher profits, they may be a bit sceptical since it can lead to profit

reduction. Delivering superior customer value has become an ongoing concern in building and sustaining competitive advantage by driving customer relationship management (CRM) performance. Driven by demanding customers, keen competition, and rapid technological change, many firms have sought to deliver superior customer value, and base on this the role of the customer has changed from that of a more consumer to a multi-faceted role as consumer, co-operator, co-producer, co-creator of value, and co-developer of knowledge and competencies, which implies a much more important position of the customer than ever hence, firms are seeking to retain existing customers and attract new customers by targeted value creation activities. (Chi et al, 2004)

Ryals (2001) affirms that CRM create value for the customer. The customer benefit from products and or service offers which are targeted to meet individual needs and from implements in customer service. There are a number of ways in which customer service can be improved through CRM. Ryals (2001) affirms that CRM create value for the customer. The customer benefits from product and or service offers which are targeted to meet individual needs and from improvements in customer service. There are a number of ways in which customer service can be improved through CRM. This includes reliability, security, efficiency, and communication as well as quality control and service monitoring. CRM systems also act as an 'organisational memory' about the customer. This can benefit the customer by reducing the amount of repetitive form-filling that the customer has to do. Customer preference can also be kept on record, making placing an order quicker and easier for the customer. The use of CRM to provide added value to customers can be directly linked to improved profitability and value-based marketing for the company. Apart from the value CRM creates for the customer, it can also bring operational benefits and boost company performance; this, in turn, can increase customer satisfaction and

long-term success through longer and closer relationships. In addition, customer data analysis enables organisations to identify the customers it does not want to have. On an average 90% of bank clients, for example, are loss-making. Companies have known for a long time that customer profitability varies and that not all customers are equally desirable. However, it is only with the advent of powerful systems that they are able to quantify and track customer profitability, and forecast customer lifetime value at the level of the individual customer. Previously, companies could only say that customer of a certain type was likely to be more commercially attractive; now they can pinpoint the individuals who are the most attractive customers. These are the customers with whom it is vital to retain long-term relationships. One American retail bank carried out a customer profiling and targeting exercise using data mining techniques. The impact on direct mail campaigns was dramatic. Campaign costs fell by one third and response rates doubled the number of new accounts increased by 33% and the profitability of these new accounts by the same amount. Defection rates fell by 5% and the lifetime value of these new customers grew by an estimated 20%. By combining an understanding of customer purchasing drivers and customer profitability, companies can tailor their offerings to maximize the overall value of their customer portfolio. It is suggested that it is impossible to create sustained value for a firm's shareholders unless value is being created for its customers. In fact, they suggest, service has been enhanced because, through the use of technology, the customer can now deal with the firm in a much more convenient way. Access is available through several channels and is guaranteed 24 hours a day, seven days a week. (Bristol Group, 2004). This then raises a fundamental question about the type of value companies should create for their customers. For example, Kotler (1997) argued that customer value can be understood in terms of product value,

service value, employee value, and image value. However, this approach is largely derived from the standpoint of a firm not that of customers, or at least not totally customer based.

The broad theoretical framework developed by Sheth et al. In Chi et al (2004) was somewhat different in that they suggested five dimensions of value from the customer's perspective (social, emotional, functional, epistemic, and conditional) as providing the best foundation for extending the value construct. However, it is worth nothing that not all these dimensions have equal significance at any time, although they are related in some sense. As a result present study, therefore, posits that customer value can be better understand in terms of four key dimensions, each of which may play a different role in the customer perception process and thus contribute differently to the performance of CRM.

The next figure illustrates the types of value that a customer can experience.

Fig.1 The Type of value that a customer can experience (Chi et al, 2004. p117)

Customer Value
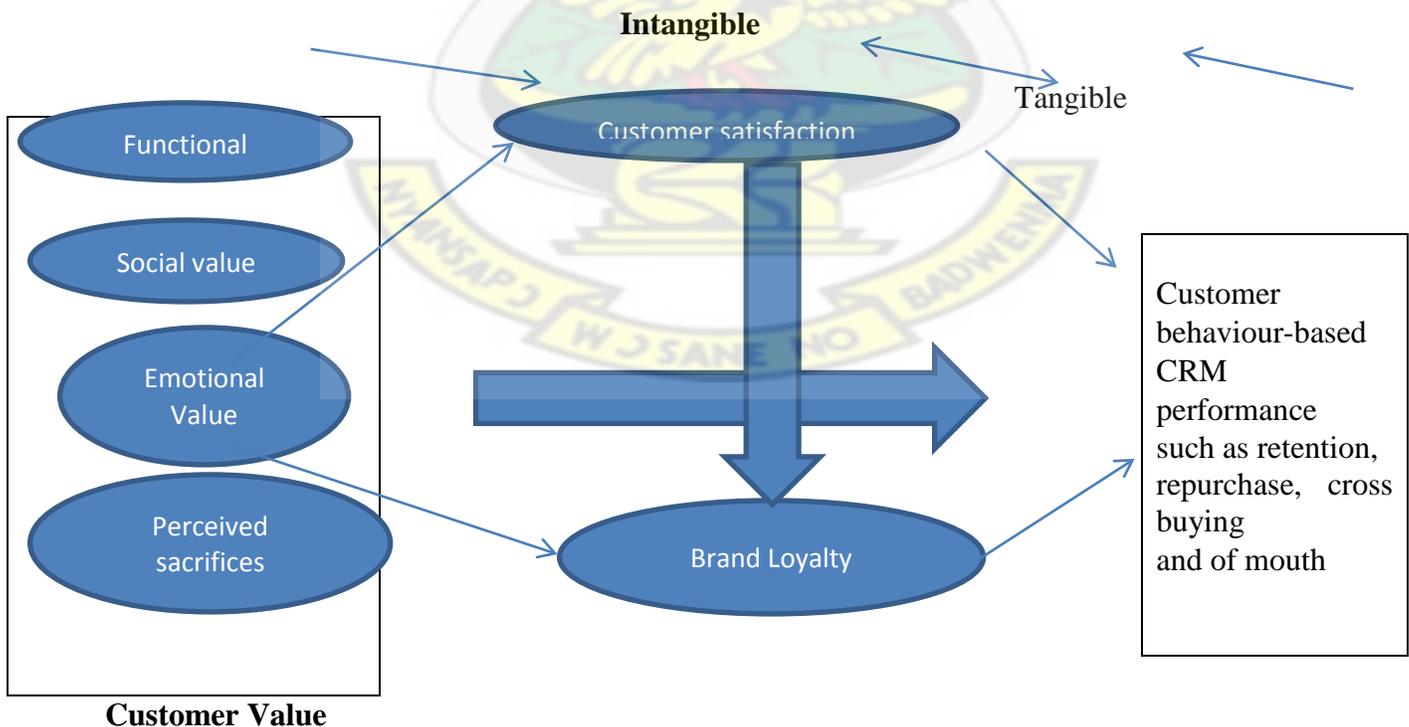
Sources: (Chi et al, 2004. p117)

2.2.7 Functional Values

Functional value refers to the utility derived from the perceived quality and expected

performance of the product or service, and perceived sacrifice refers to the loss derived from the product or service due to the increment of its perceived short-term and long-term costs. Functional value pertaining to the customer's acquisition and use of the product is generated by price, convenience, access or technology. Unfortunately, competitors can most easily duplicate functional value (Bristol Group, 2004) customers are becoming more value-oriented and are not simply influenced by high quality or lower price and value for money represents, therefore, the simplest and most easily copied form of functional value. Thus, creating functional value offers a fleeting competitive advantage. (Bristol Group, 2004).

Social value refers to the social utility derived from the product or service. Emotional value refers to the utility derived from the affective states that a product or service generates.

Barnes (2004) has noted that emotional value is much more lasting form of value which elicits an emotional response from customers. It is less easily duplicated by the competition and generally contributes to less emphasis on price. When firm employees qualified, friendly helpful employees' value is created every time a customer is made to feel welcome, important and valued. The creation of such emotional value for customers is fundamentally different from the creation of functional value through price reductions, increased convenience and technology. Both forms of value are important. However, genuine customer relationships cannot be formed on the basis of functional value alone. Customer relationships require an emotional connection

with the firm if they are to thrive. The emotional value is the more lasting, yet the more difficult to create. A reliance on technology alone will not do it. (Barnes, 2004)

2.3 BUSINESS PROCESS

A business process refers to the collection of tasks or activities that together result in a desired business outcome (Hammer, 1996). It could also mean a process refers to a group of activities that convert organizational inputs (e.g. human resource) into desired outputs. The process component of CRM is the most delicate because inappropriate automation of the CRM business process will only speed up the errant process. While most companies do not have customer – facing business in place (i.e., processes that directly interface with the customer during the purchase, payment, and usage of the company's products and services), many times these business processes need to be updated or even replaced. (Goldenberg, 2002). Processes are often difficult to implement and manage formally in an environment with many sales and marketing people. Bu clearly, consistent processes are essential to all areas of customer relationship management and despite the technological perspectives discussed in the previous section; the philosophical bases of CRM are relationship marketing, customer profitability, lifetime value, retention and satisfaction created through business process management. (Chen and Popovich, 2003). According to them CRM is a continuous effort that requires redesigning core business process starting from the customer perspective and involving customer feedback. In fact, companies have been repeatedly warned that failure is eminent if they believe that CRM is only a technology solution (Goldenberg, 2000). To realize effective process change a company needs first to examine how well existing customer-facing business processes are working. Then the company needs to redesign or replace broken non optimal process with ones that have been created and/or agreed upon internally (Goldenberg, 2002). Also, processes need to be constantly

reviewed for acceptability from both customers' point of view and organization's perspective. Optimizing customer relationships requires a complete understanding of all customers; profitable as well as non profitable, and then to organize business processes to treat customers individually based on their needs and their values (Renner in Chen and Popovich 2003). Companies pursuing a CRM initiative often make the dangerous mistake of trying to correct their own customer-facing process deficiencies. The do this, not by agreeing internally on how users would like a process to be done, but rather by purchasing CRM software that contains one or more business processes that have been pre-built by the CRM vendor. By doing this, they force the "not-built-here" process upon system users. (Goldenberg, 2002)

2.3.1 People

While both technology and business processes are both critical to successful CRM initiatives, it is the individual employees who are building blocks of customer relationships. (Chen and Popovich, 2003). The people component is the most difficult component given the sensitivity of users to change. CRM systems, which support and/or automate integrated customer process, often, imply changes in the way users do their day-to-day jobs. Users who have not properly understood the reasons for the change, who do not receive sufficient information about the change, or who do not get sufficient trained on the change will often be adverse to that change. The story of "the rotten apple spoiling the lot" is relevant here since negative feedback can substantially harm a CRM system's success (Goldenberg, 2002). An organization's customer management, people need to be recruited, managed, developed and motivated within a supporting structure. Commitment from top level management is a requirement crucial to the success of CRM. As a result customer centric management requires top management support and commitment to CRM throughout the entire CRM implementation (Chen and Popovich 2003).

CRM projects require full-time attention of the implementation project team with representatives from sales, marketing, manufacturing, customer services, information technology, etc. (Chen and Popovich 2003). In addition, projects teams require not only sponsorship by top management but also a project champion that can persuade top management for continuous change efforts (Al-Mashari and Zairi, 1999). In general, project teams assist companies to integrate their core business processes combine related activities, and eliminate the one that don't add value to customers.

CRM initiatives require vision and each and every employee must understand the purpose and change that CRM will bring. Re-engineering a customer-centric business model requires cultural change and the participation of all employees within the organization. Some employees may opt to leave; others may have position eliminated in the new business model. Successful implementation of CRM means that some jobs will be significantly changed. Management must show its commitment to an ongoing company-wide education and training program. In addition to employee skill and knowledge, education boosts motivation and commitment of employee and reduces employee resistance. Additionally, management must ensure that job evaluations, compensation programs, and reward systems are modified on a basis that facilitate and reward customer orientation. After all, how people are measured will determine their behavior. (Chen and Popovich, 2003).

By rethinking the quality and effectiveness of customer-related processes, many organizations began to eliminate unnecessary activities, improve outdated processes, and redesign activities that had failed to deliver the desired outcomes. Then, by re-creating the process through an understanding of the capabilities of technology, the outcomes were more predictable and

promises for ROI more substantial and realistic. The metrics for success became the improved effectiveness in serving the customer.

2.3.2 STATE OF THE INSURANCE INDUSTRY IN GHANA

COMPANY OVERVIEW

Sic Insurance Company Limited is one of the oldest non-life (general business) insurance companies in Ghana. State Insurance Corporation was incorporated in February 1962 by 1962 (Act 232). It was incorporated in Ghana in February 1962 by Executive Instrument (E, 1) No.17, which was passed under the statutory Corporation Act, 1962 (Act 232). It was established as a corporate body by legislative instrument 424 of 1962 with an initial paid-up capital of One (1) million Ghana cedi. On August 28, 1995 the corporation was converted into a public liability company and renamed State Insurance Company of Ghana Limited. It was re-registered under the code, 1963 (Act 179) and currently has a paid up capital of 25 billion Ghana cedi. They went public in 2007, when the government of Ghana offered 60% of its share; its IPO was oversubscribed by97%. The government of Ghana retained 40% equity after it listed on Ghana Stock Exchange. As at September 2009, the company asset totalled Gh185.374 million with a gross premiumGH56.877 million. Recently, the companies management is on the project to expand its operations across the West African sub region targeting Sierra Leone and Liberia as the most viable opportunities.

Its business operation covers fir, motor marine, aviation, general accident and policies for the hospitality industry.SIC is a leading provider of general of non-life insurance products in Ghana with an estimated Market consortium, the clients and other stakeholders as well as the overseas re-insurers.

CHAPTER THREE

RESEARCH METHODOOGY

3.0. INTRODUCTION

This chapter discusses the methodology for the study; issues to be discussed include Sources of data, Research Approach, and Sampling plan. Research Instrument Research Administration, Problems and Analysis of the data will also be addressed.

3.1. THE STUDY AREA

Data for this research was gathered from both primary and secondary sources.

3.1.1. Primary source

Information from the management of SIC through questionnaires and personal interviews served as the primary source.

3.1.2. Secondary source

The secondary source was gathered from facts concerning customer relationship matters in SIC Insurance Company of Ghana Ltd and publications that relate to CRM in general. These were obtained from libraries, internet and from newspaper articles and publications.

3.2. Research Approach

Questionnaires, interviews, reports and question guides were the main tools used in generating the data for this study. A descriptive and qualitative analysis was also used for this research because of the unwillingness of some members of staff to release or give vital information of the company to the researcher. Since the data collected were qualitative in nature owing to the fact that they were given orally, the researcher used qualitative method in the analysis.

3.3. POPULATION AND SAMPLING TECHNIQUES

3.3.1. Sampling population

The population consists of the staff of SIC Insurance Company of Ghana Ltd in Accra, specifically the Ring Road West office. The researchers focused on the Marketing, Corporate and the Broker Relations department. A number of 120 staff and customers served as the total population for the mentioned departments.

3.3.2. Sample Size

The sample size was a total of 65 respondents, which is made up of 45 Males, 20 Females employees of SIC Ghana ring road west branch. In all forty questionnaires were distributed to customers and 25 were distributed to the staff.

3.3.3. Sampling Procedures

Sample size of 65 was selected using the stratified sampling method. The choice of this sampling procedure was because it has no personal bias and it is scientific and objective. Under this method, the researcher categorized the staff of SIC according to their already existing Departments. The structured questionnaire was administered to the staff in each department depending on the availability of the staff and to the customers' sample. The

raw data from the field survey was entered into analytical software (Statistical Package for Social Sciences and Excel) and the results and its analysis are presented in chapter four (4) of this work.

3.4. RESEARCH INSTRUMENTS

For this research, two set of well designed questionnaires for the staff and customers was administered to collect the information from the management, staff and customers of SIC ring road west. The questionnaire was open ended, semi structured type.

3.5. RESEARCH INSTRUMENTS

The respondents were contacted on one-on-one basis to ascertain the cross cultural conflict resolution policies and procedures available for staff of SIC Insurance Company of Ghana limited.

It became necessary in some cases to seek official assistance in getting an offer to complete questionnaires. This became necessary particularly at SIC whose operations put them in competition. The official approval had to be sought to allay fears that the researcher was not representing the interest of any other Insurance Company but the one under the study.

3.6. ANALYSIS OF DATA

Data analyses were done by the use of Microsoft excel office 2010XP-intergraded. In order to ensure logical completeness and consistency of responses, data editing was

carried out each day by the researcher. Identified mistakes and data gaps were rectified. The technique for data analysis was the frequency distribution and percentages, which were used to determine the proportion of respondents choosing the various responses. This was done for each group of items relating to the research questions. The proportions showed the popular views of employees on the various sub-issues. Tables, charts and graphs were also used to ensure easy comprehension of the analysis.

3.7 INSTRUMENT VALIDITY AND RELIABILITY

Instrument Validity pertains to the ability to accurately measure what it intends to measure based on objectives of the study. Due to this, the questionnaires that were sent out were discussed by the researchers with the respondents. The researchers gave explanation to the respondents before they answered the questionnaires. Because of the explanation given, all the participants were ready to answer the questions. This was purposely done to achieve the meaning of data reliability.

3.8. LIMITATIONS

Collection of primary data from SIC is very difficult. Problems such as secrecy and fear on the part of interviewees and respondents affect the results of study. It was also difficult to get the number of employees during interview.

- The researcher's difficulty in meeting the time schedule for this work was due to the limited time had from work and also difficulty in finding time that was convenient for both the researcher and the supervisor to meet on a regular basis.

- The absence of or inaccessibility to relevant records and reports on SIC's activities within the past ten years become a limiting factor during the conduct of the research.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION

The presentation and discussion of the findings are done in a chronological order to enhance the reader's understanding of the result at a glance. The chapter presents the data, which have been collected and analyzed using tables and graphs for its interpretation in relation to the research questions. It also highlights some of the customer relationship programs used by the Management of SIC Ghana limited and the general perceptions of the respondents.

4.2. SOCIO DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Table 1 below, explains the age composition of the staff and Customers of SIC who are the major respondents of this study using graphs and tables for explanation.

Table 4.1: Gender distribution

| GENDER	FREQUENCY	PERCENTAGE
Male	45	69
Female	20	31
TOTAL	65	100

Source: field study, 2011

Table 1 contains information about the gender distribution of the respondents. Out of 65 respondents as sample size, 45 representing (69%) were males and 20 representing (31%) were females, implying that males formed the majority of the workforce at SIC head

office in Accra. According to Simon Baron-Cohen, a Cambridge University Professor of Psychology and Psychiatry, "the female brain is hard wired for empathy, while the male brain is predominantly hard-wired for understanding and building system". This implies that with 69% of the workforce being males, it is obvious that well structured programs will be laid down to help improve the customer relationship thus increasing customer retention and loyalty. This is illustrated by figure 1. below.

Figure1. **Gender distribution**

|	1	2
■ Male	45	69
■ Female	20	31
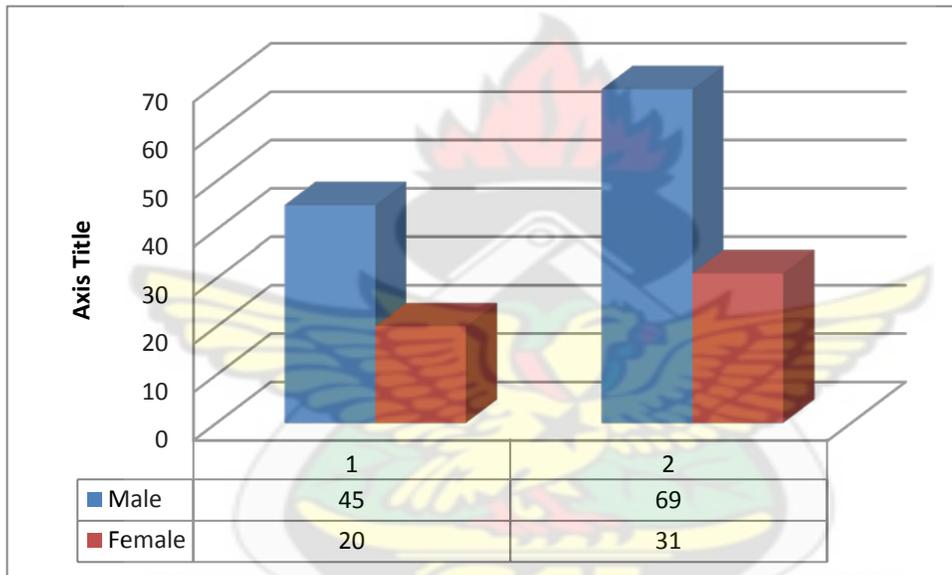
Table 4.2: Age distribution of respondents

AGE	FREQUENCY	PERCENTAGE
20-30	28	43
31-40	15	23
41-50	13	20
51-60	7	11
61-70	2	3

TOTAL	65	100

Source: field study, 2011

Figure2. Age distribution of respondents
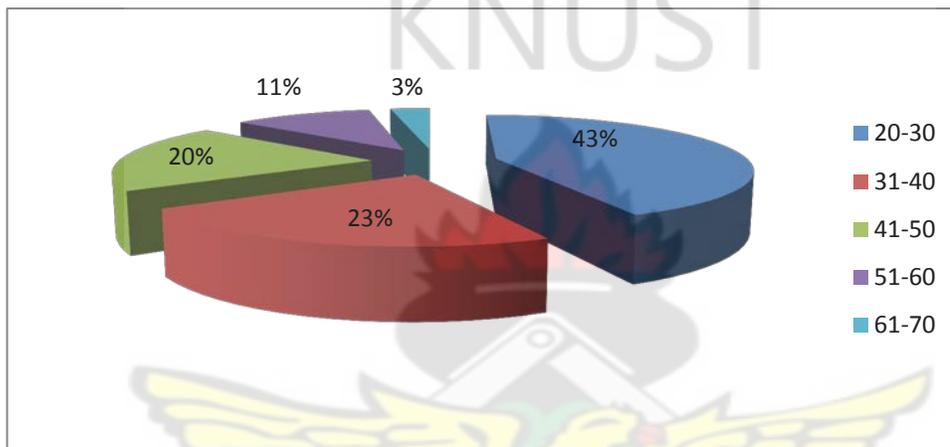
Analyzing the data from the questionnaire, the following was obtained from table 1. Forty three   (43%) of respondents were between the ages of 20-30 years, twenty-three (23%) were between 31 and 40 years, twenty (20%) were between 41 and 50 years, and 11% between 51 and 60 and 3% above 60. With a cumulative of 66%, the majority of the workforce falls between 20 and 40 years. This again shows that the company is more vibrant and innovative since new ideas are introduced by fresh and young staff to develop good customer relationship management platforms and programs. The data shows age distribution of the respondents. This is illustrated in figure 2 above.

4.3 INSURANCE POLICY

Table 4.3 Insurance policy

Response	FREQUENCY	PERCENTAGE
Motor	25	63
Non-Motor	5	12
Both	10	25
TOTAL	40	100

Figure3. **Insurance policy**
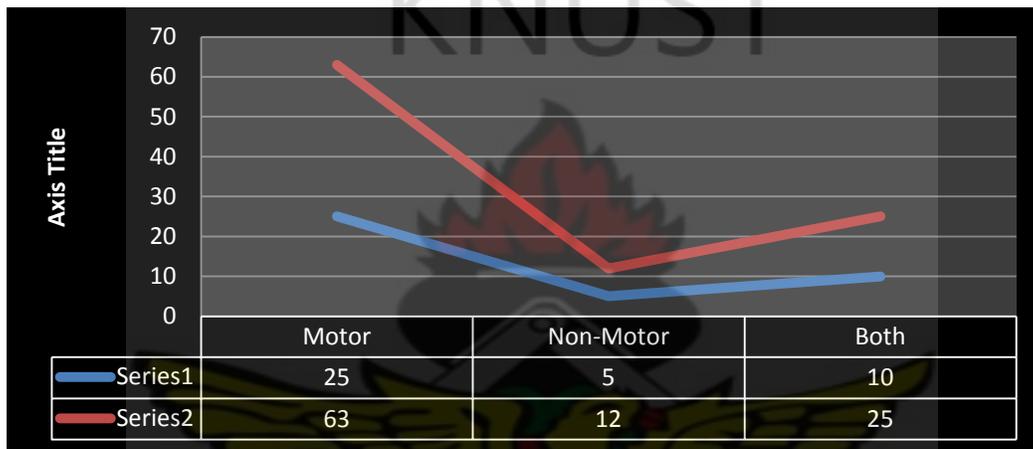
Source: field study, 2011

The table above also shows the highest insurance policy purchased by customers of SIC Insurance Company Limited. Out of the forty respondents, 63% of them had motor insurance with SIC whilst 12% hand Non-Motor insurance policy. Respondents who had purchased both policies with SIC insurance were 25% of the total respondents. Nine out of the ten corporate respondents fall into this category. It is realized that majority of respondents purchase the motor policy more than the non –motor policies of the company whiles few of the respondents purchased both policies of the company.

4.4 YEARS OF INSURANCE

Table 4.4 Years of Insurance

response	FREQUENCY	PERCENTAGE
One year	5	12
1-3 years	21	53
Over 3 years	14	35
TOTAL	40	100

Source: field study, 2011

Table 4.4 shows the years that customers have kept their loyalty to SIC. More than 50% of the customers have spent between one to three years with SIC and then left to other companies. Meanwhile 35% have been with the company for more than 3 years. This shows that more than half of the customers leave before the fourth year of insurance and renew or start a new policy with a different insurance company. 12 % of the respondents have spent usually one year with SIC. That is quite an insignificant number. This illustrated in figure 4 below

Figure4. Years of Insurance
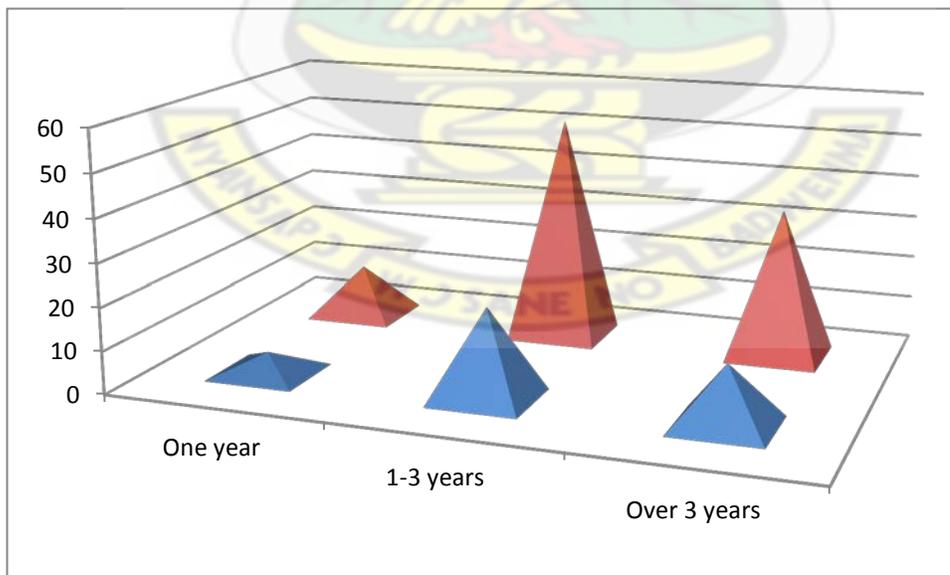
Source: field study, 2011

4.5 OCCASIONS OF FILLING CLAIMS

Table 4.5 Occasions of filling claims

Response	FREQUENCY	PERCENTAGE
Yes	32	80
No	8	20
TOTAL	40	100

Source: field study, 2011

Majority of the respondents have had the occasion of filling in claims with SIC insurance company according to Table 4.5. 32 respondents representing 80% of the respondents have filed in claims with the company. Only 8 respondents representing 20% of the respondents have not filed in claims with the company. This indicates that, there are many filing in of claims in the company by the customers or policy holders.

4.6 SATISFACTION IN THE SETTLEMENT OF CLAIMS

Table 4.6 Satisfaction in the settlement of claims

Response	FREQUENCY	PERCENTAGE
Yes	12	37.5
No	20	62.5
TOTAL	32	100

Source: field study, 2011

It is rather unfortunate when most claimants are not satisfied with the procedure of claims settlement in SIC. Twenty out of the thirty two respondents who answered this

question have not been satisfactorily served. Whilst 12 representing 37.5 are satisfied with the way the company processes its claims.

4.7 OPPORTUNITY TO COMMENT ON PLEASURES OR DISPLEASURES

Table 4.7 Opportunity to comment on pleasures or Displeasures

Response	FREQUENCY	PERCENTAGE
Yes	13	32.5
No	27	67.5
TOTAL	40	100

Source: field study, 2011

Customers are not usually allowed to voice out their pleasures or displeasures in any form. From the response in Table 4.7, less than half of the respondents have had the opportunity to talk about the way they feel, they represent 32.5%. The respondents who never had the opportunity to express the way they feel are 67.5% of the total respondents. It is certain that there are no means by which customers officially voice out their complaints.

4.8 MEANS OF SENDING RENEWAL NOTICES

Table 4.8 Means of sending renewal notices

| Response	FREQUENCY	PERCENTAGE
Post	25	71.4
E-mail	0	0
Telephone Call	0	0
Text messages	5	14.4

Other	5	14.4
Total	35	100

Source: field study, 2011

Table 4.8 presents respondents who have had the occasion of renewing their policy (ices) with SIC. From the analysis, 35 respondents have above one year policy with SIC. Out of the 35 respondents, 25 representing 74.1% receive their renewal notices through the post. The other five have to call the offices, agents or brokers for the amount due them in order to have an idea about the premium they are suppose to pay. And five received by text messages. To this the respondents made it clear they do not receive the renewal notices sent to them through the post, and those who received by text are very few due to wrong data base information on some customers and that does not reflect the actual renewal premium to pay. This illustrated by figure 5 below.

Figure 5.Means of sending renewal notices
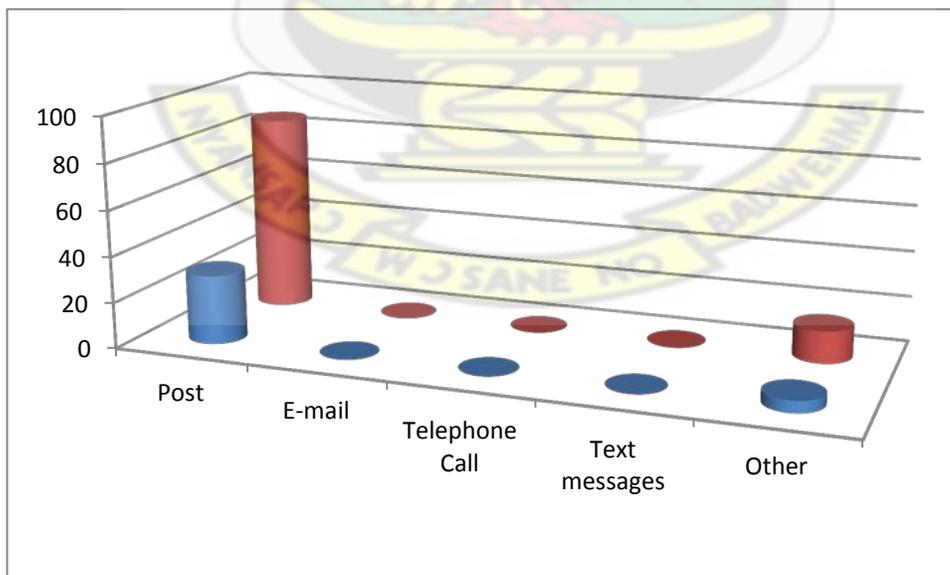
Table 4.9 Satisfaction with the means of receiving renewal notices

Response	FREQUENCY	PERCENTAGE
Yes	10	31
No	22	69
TOTAL	32	100

Source: field study, 2011

From table 4.9, it is obvious from the respondents that majority of them, 22 representing 69% are not satisfied with the posting of renewal notices. These respondents have been with the company for more than two years and yet are not satisfied with the posting of renewal notices. Ten out of the 32 respondents, representing 31% of the respondents are happy with the means of sending renewal notices. It is very important in customer relationship management to make customers satisfied.

4.10 Satisfaction with SIC's customer relation management

Table 4.10 Satisfaction with SIC's customer relation management

Response	FREQUENCY	PERCENTAGE
Satisfied	12	30
Not satisfied	19	48
Not sure	9	22
TOTAL	40	100

Source: field study, 2011

Figure 6.Satisfaction with SIC's customer relation management
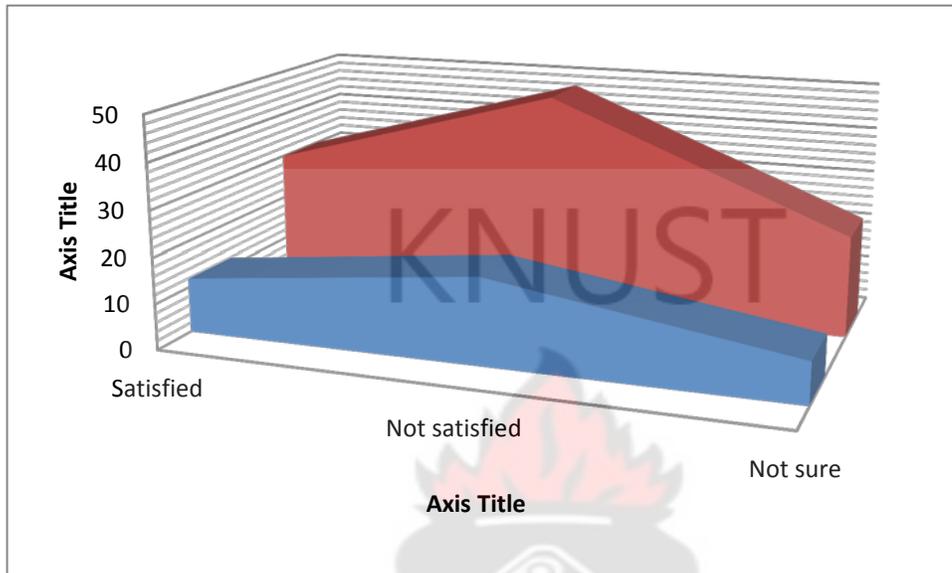
Source: field study, 2011

From the data above 19 respondents representing 48% are not satisfied with the customer relation management services management in SIC. Meanwhile, 30% that is 12 respondents are satisfied with the customer service and are likely to renew their policy with SIC insurance. Nine representing 22% are not sure whether they are satisfied or not with the customer service of SIC. They are thus undecided whether to renew their policy or not.

4.11 MAJOR FINDINGS OF THE STUDY (STAFF)

Table 4.11 Opportunity for customers to file complaints

Response	FREQUENCY	PERCENTAGE
Yes	6	24
No	19	76

TOTAL	25	100

Source: field study, 2011

From the analysis, staff who responded positively to whether they give customers the opportunity was 24% whilst 76% responded in the negative.

4.12 MEANS OF FILING COMPLAINTS

Table 4.12 Means of filing complaints

Response	FREQUENCY	PERCENTAGE
Yes	6	24
No	19	76
TOTAL	25	100

Source: field study, 2011

Form the analysis above, 84% of SIC staff responded that they always investigate and analyze complaints. 16% of the staff said they do not investigate and analyze the complaints. Majority of the staff who indicated that they investigated and analyzed the complaints said they always consider it a priority to satisfy the customers by providing the required information they need or clarify any doubt. This will in a long run help improve customer relationship management at SIC.

4.13 Timely and proactive response to customer's needs and wants

Table 4.13 Timely and proactive response to customer's needs and wants

Response	FREQUENCY	PERCENTAGE
Yes	19	76
No	6	24
TOTAL	25	100

Source: field study, 2011

Table 4.13 gives an indication that staff of SIC give proactive and timely response to the needs of customers. This is shown by 76% of staff, who represent majority of them. The minority (6 respondents) did not answer in the affirmation since they do not respond timely and in proactive, manner to the needs and wants of customers.

4.14 HOW EMPLOYEES CONSIDER COMPLAINTS

Table4.14 How Employees consider Complaints

Response	FREQUENCY	PERCENTAGE
Opportunities	14	56
Troubles	11	44
TOTAL	25	100

Source: field study, 2011

Though 84% of the staff investigate and analyze complaints 56% out of the staff consider complaints as opportunities. They consider it an opportunity to talk to customers and get them to voice out the bad perception they have about insurance so they could educate them. This is illustrated by figure 6 below.

Figure 6
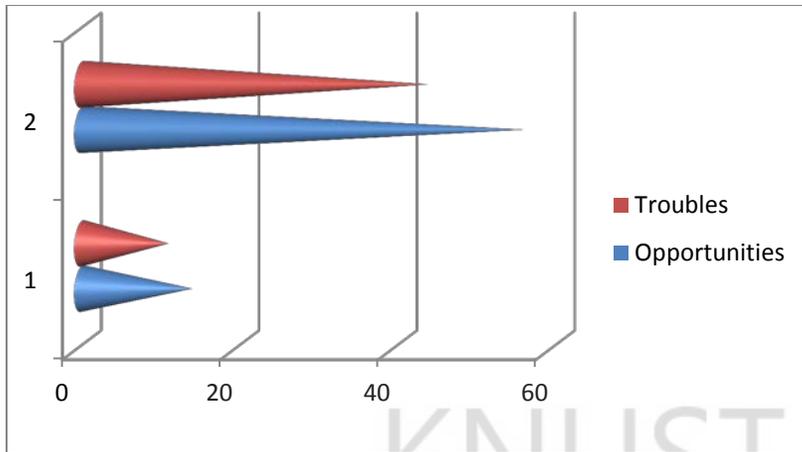
Source: field study, 2011

4.15 CUSTOMER VISITATION AFTER SALES

Table 4.15 Customer visitation after sales

Response	FREQUENCY	PERCENTAGE
Yes	10	40
No	15	60
TOTAL	25	100

Source: field study, 2011

Visiting of clients is not a usual practice of the staff of SIC as indicated in table 4.15. Most staff that represent 60% of the respondents who said they do not visit clients after sales. It seems they are only interested in the sales. Perhaps there might be a reason for their inability to visit clients after sales.

4.16 FREQUENCY OF VISITATION

Table 4.16 Frequency of visitation

Response	FREQUENCY	PERCENTAGE

Weekly	0	0
Monthly	2	20
Quarterly	6	60
Once a while	2	20
TOTAL	10	100

Source: field study, 2011

From table 4.16, ten respondents visit their clients after sales. Out of these respondents, 2 visit them on monthly bases after sales; six respondents also responded that they visit respondents quarterly. They represent majority of the ten respondents who visit clients. This approach will help clients build trust and loyalty and therefore enhance the relationship with company.

Table 4.17 Enquiry about satisfaction of clients

Response	FREQUENCY	PERCENTAGE
Yes	17	68
No	8	32
TOTAL	25	100

Source: field study, 2011

Enquiry about satisfaction of client is a very important thing to the staff of SIC. From the data above, majority of the staff finds out about the satisfaction of clients after sales. Whiles the minority of the staff representing 32% do not inquire about the satisfaction of their clients.

Table 4.18 Customer relationship management as a subunit under Marketing Department

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	25	100.0	100.0	100.0
	No	0	0	0	0

According to the table above, one can conclude that SIC has a customer relationship management department as a subunit under marketing department which enables the organization to facilitate the formulation and implementation of policies and activities regarding customer loyalty and satisfaction.

4.19 OBSERVATION

It was observed from the branch that customers waste too much time being attended to in the Insurance hall. It was also observed that SIC service package was good but rather the turnaround time in delivering the services was the main problem.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0   SUMMARY OF FINDINGS

The preceding chapter was devoted to the analysis and interpretation of the data obtained by the research instrument. The purpose of this final chapter therefore, was to review the research process in relation to the research objectives and questions, in order to present a summary of the research findings, and draw conclusions, followed by recommendations which will be based on the findings of the study. The recommendations will enable management and staff of SIC to be able to enhance the job analysis process in order to improve on job performance in the institution.

5.1 SUMMARY OF FINDINGS

After a careful examination of the major findings of the study, the following were observed; most customers do not normally stay for more than three years with SIC.

Most individual customers are not satisfied with the process of settling claims and means of sending renewal notices. About 48% of customers are not satisfied with the customer service of SIC. There is no customer complaint department / section in SIC apart from the marketing department. Complaints are mostly made verbally and are also backed by anger. Most verbal and formal (written) complaints are not treated with urgency and dealt with promptly and timely.

Employees analyze and investigate complaints since they appreciate the importance of complaints and feedback and most of them consider complaints as an opportunity. There

is no department set aside for follow ups and most employees do not follow up on the customers after sales to find out whether customers have any problem and are satisfied or not. Few employees (32%) categorize the feedbacks they get from customers. Premium income of SIC has been rising for the past five years. Customer relationship management / customer service can be improved through training staff, empowering staff, getting customer complaints, hiring good people and delighting customers.

5.2 CONCLUSIONS

Based on the research it is identified that the need to improve customer relationship management with more emphasis on customer complaints and feedback to improve customer satisfaction, loyalty and reduce costs since customers of SIC are not satisfied with their customer service.

Due to the business undertaken by insurance companies as service providers, it is important to find out the needs of the customer and providing department or special attention to them since they are the main reason for being in business.

SIC knowing the importance of customer feedback to employees should consider more seriously their system for customer complaints for growth in business.

Though there is increase in premium income there is the needs to improve customer relationship management for the company to stay in business.

5.3 RECOMMENDATIONS

To minimize the problem of dissatisfaction in SIC, there should be a department solely responsible for customer relationship management / customer service where customers

can walk in at any point in time to lodge complaints and ask questions. It is important that SIC train personnel purposely for handling complaints, especially claims settlements, and also follow up on customers after sales. They should also conduct surveys, send thank you notes etc. these will help the company know its strength and weakness so they can build on their strength and improve on their weakness to face these competitive markets.

It is also important for SIC to have a look at the means by which renewal notices are sent out to customers. There are so many new means by which notices can be sent out. It is usually best to send them through two or more different means such as by telephone, by post or text messages.

It is also recommended that periodical education in the process of claims should be made to customers prior to the filing of claims so that it will reduce the period in which claims are processed. It is also important that the attention given to the corporate bodies should be equally given to the individual customers. SIC should continue to investigate and more importantly improve on the analysis of complaints and the promptness used to resolved complaints for customers thus enhancing good customer relations management.

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APPENDIX 'A'

QUESTIONNAIRE FOR STAFF OF SIC

I am a final year student at the KNUST-Distance learning pursuing an Executive MBA in Business Administration. In partial fulfilment of an award of a 2nd degree I am conducting a survey on the topic "customer relationship management a strategic tool for competitive advantage on the premium income of SIC insurance company limited (focus; ring road west office). I would be very grateful if you could spend a few minutes of your precious time to fill the attached questionnaire to assist me complete the project.

Please be assured that your views will be treated as confidential and used for academic purposes only.

For Staff

Please tick [ ] the box below or fill in blank space where necessary and applicable.

BIO STATISTICS

1 Sex: a. Male   (   )   b. Female   (   )

2. Age: ………………

SECTION 'A' (How do employees of SIC deal with customer complaints)

1. Does your organisation give your external customers the opportunity to file complaints?

a. Yes (   )
b. No (   )
c. Not sure (   )

2. Which of the following forms do external customers file in   complaints?

a. Verbally   b. Writing   c. E-mails   d. Survey

3. Does your company investigate and analyze complaints?

a. Yes (   )
b. No (   )

4. If yes in above, please explain how the investigation is done
………………………………………………………………………………………
……………
………………………………………………………………………………………
……………

5. Does your company ensure timely and proactive response to customer needs

a. Yes (   )
b. No (   )

6. How will you consider complaints?

a. Trouble   b. Opportunity

Please explain your answer……………………………………………………………

Section B (to investigate the importance of customer feedback to employees at SIC)

1. Do you visit your external customers after sales?

a. Yes ( )
b. No ( )

2. How often?

a. Weekly   b. monthly   c. Quarterly   d. Once a While

3. Do you enquire about the way they feel about your services?

a. Yes ( )
b. No ( )

4. Does your company have a separate department for Customer relationship management

a. Yes ( )
b. No ( )
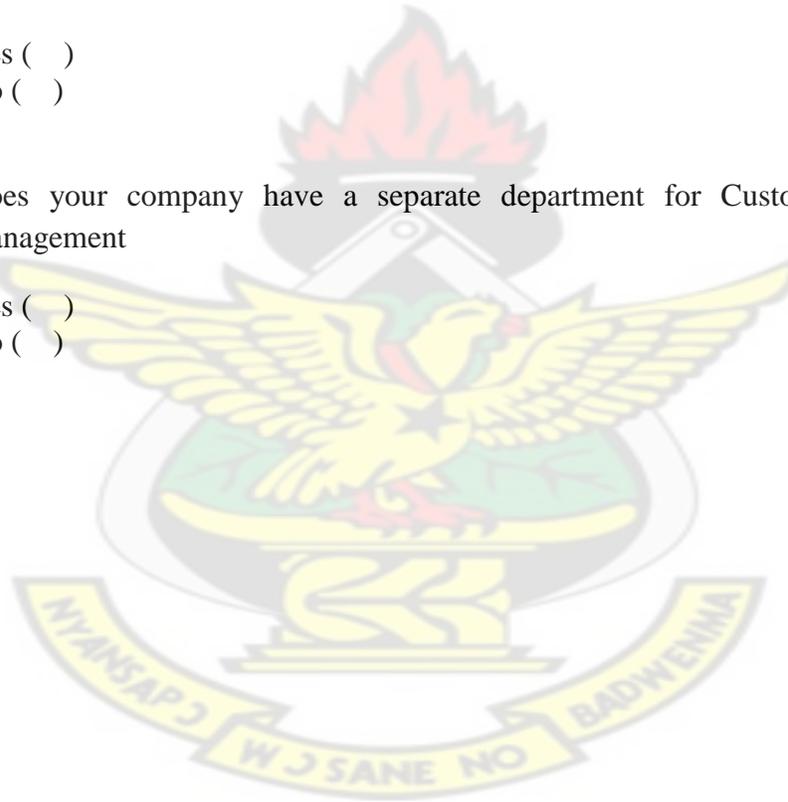
<u>APPENDIX 'B'</u>

<u>QUESTIONNAIRE FOR CUSTOMERS OF SIC</u>

I am a final year student at the KNUST pursuing an MBA in Marketing. In partial fulfilment of an award of a 2nd degree I am conducting a survey on the topic "customer relationship management a strategic tool for competitive advantage on the premium income of SIC insurance company limited (focus; ring road west office). I would be very grateful if you could spend a few minutes of your precious time to fill the attached questionnaire to assist us complete the project.

Please be assured that your views will be treated as confidential and used for academic purposes only.

For customers

BIO STATISTICS

1 Sex: a. Male ( ) b. Female ( )

2. Age: ………………

3. What Insurance policy do you have with you SIC?

a. Motor ( ) b. Non-Motor ( ) c. Both ( ) d. Others…………….

Section A (to investigate how customers are with the complaints system and customer service of SIC)

5. How long have you had a policy with this company?

   a. Below one year   b. 1-3 years   c. over 3 years

6. Are you satisfied with the way your claim was handled?

   a. Yes ( )   b. No ( )

7. Where you allowed/asked to put in your displeasure about their services?

   a. Yes ( )   b. No ( )

8. If yes, how was it handled?

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

9. By what means do you receive your renewal notice?

   a. By mail   b. E-mail   c. text message   d. call   e. other

10. Are you satisfied with the means by which SIC sends its renewal notices?

    a. Yes ( )   b. No ( )

11. Thinking about your decision to have purchased this policy, are you

    a. Satisfied   b. not satisfied   c. not sure