RESEARCH TITLE:

CUSTOMER LOYALTY PROBLEMS IN THE INSURANCE INDUSTRY A CASE OF DATA ANALYTICS

COMPILED BY

NAME	**: MABURUTSE TSUNGIRIRAI**
STUDENT ID	**: 006327B**
PROGRAM	**: FELLOWSHIP**
SUPERVISED BY	**: MRS SAMANTHA SHONHIWA**

DEDICATIONS

I dedicate this dissertation to my late parents May and Joyce Chivaviro. My prayer is that this achievement will fulfil what you dreamt for me all those years as you always strived to give me the best education ever.

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ABSTRACT

Insurance is selling service, and service is intangible hence the need for insurance companies to find and have ways which help them remain afloat in a competitive industry. Insurance companies are slowly realising that the customer is important and its loyalty to them more than just maintaining a brand name. Considering this, the purpose of this study was to bring out the importance of insurance companies tracking their customer behaviours and finding methods of how best to retain the same customers. Looking at the challenges being faced by the customers in an environment which has been badly affected economically like any other developing countries. The research has been limited to the top four insurance companies and their customers in which the researcher has given recommendations which the insurance industry will require to incorporate in their analysis of data to be able to enhance their growth in such an environment.

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CHAPTER ONE 1

1.0 **INTRODUCTION**

Insurance is a contract which enables transfer of risk from one party to the other. In view of this process there is an element of trust and relationship that is created during the process. The relationship require nurturing and it is in this view that the researcher will present why it is important to maintain the relationship for the insurance industry and enhancing growth.

Maintenance involves servicing, repairing, or replacing when the need arises. Customers in the insurance industry require these constant checks and best advice from their service providers so that they are kept satisfied and understand reason to remain with the same insurer.

Timothy L Keingham et al. (2008, Vol 49 pg51) points out that "good companies understand that the road to growth runs through customers — not just attracting new customers, but holding on to the ones you have, motivating them to spend more and getting them to recommend your products and services to the people they know. However, it is one thing to believe that customers are the driving force for profitable growth. It is altogether different to know how to measure and manage the customer relationship effectively. Using the right customer metrics is essential to assessing and monitoring how companies deliver for customers and determining customers' new and unmet needs. Most companies do a relatively poor job of managing their relationship with their customers. It is not that they do not care, but rarely do they have any insightful information they can act upon to make the relationship more valuable. As a result, understanding how customers perceive the relationship and anticipating what they will do is typically no more reliable than reading tea leaves. In a world where managers are looking to analytics to help clarify their most critical decisions, this presents a challenge: How do companies measure how customers really feel and what they are likely to do? More importantly, what impact can this information have on the business?

Most companies lack good information about their customers — for example, most do not have good customer databases and, of those that do, almost none tie customer survey information to customer behaviour information. Therefore, it is not surprising that growth is often so unpredictable, leaving companies scrambling for useful ways to measure their customer relationships so they can predict how customers will behave — and how successful their business will be in the market"

Insurance is selling service, and service is intangible hence the need for insurance companies to find and have ways which help them remain afloat in a competitive industry. Insurance companies are slowly realising that the customer is important and its loyalty to them more than just maintaining a brand name. Having the same customer for years also help in getting referrals which are in some instances now, insurance companies are rewarding their existing customers for any referrals made. Most insurance companies marketing initiatives are being driven by providing what the customer requires and it is an indication that they are realising how important the customer is in their businesses for effective growth. Whilst insurance companies have taken this route and realising the importance of customer loyalty, the researcher has also realised that having an in-depth analysis of the customer behaviour will help the insurance industry to monitor and make informed decisions on where their opportunity for growth lies hence analysis of data can be a solution to this.

1.1   BACKGROUND OF STUDY

Juliana Ndumi Mukembi (2017, pg1) explains that customers are the background of any organization. For businesses to operate they need customers who buy products which they purchase. Having the same customers for a longer period help organizations to build their brand and this leads to even getting more referrals from existing clients and build a stronger book.

Organization's performance analysis over a given period can help them identify the gap which customer loyalty is impacting on their growth. There is no effective customer growth in insurance companies due to inconsistency customer loyalty. Companies in the industry are mostly becoming similar in the way they operate and on what they are offering to the customer and this is making customers move from one service provider to the other without noticing or realizing any difference to reason for remaining with the same insurer.

A customer is someone who buys products in exchange for a fee, and they do that for different reasons. Customers decide to make purchases, and, in the process, they look for convenience. Convenience which can be in terms of cost, answering the question is what they are paying for within what they want or require to spend? They can also look for convenience in terms of

time, answering the question of whether what they require will not make them spend much of their time looking for it as time is of essence. They look for convenience of location, is what they require not far from their reach. It is very imperative for the insurance companies to be cautious of such qualities to what their product offering is, the key driver being answering the questions to what the customer needs.

Customers also look for value when they make purchases. Value to a customer can also be in different ways as the needs differ from one person to another. Some customers define value as the dollar value, is what they are getting equivalent to what they are paying? To some value is on service, some customers do not look at the dollar value, but they can pay anything if they are getting service they require within the most possible convenient time. To other customers promptness of being served define what value is. Insurance companies will need to have an appreciation of what brings growth through their product offerings and the researcher has identified that analysis of data for customer behaviour is very imperative and contributes immensely to the growth of insurance companies.

Customers are looking for convenience and value for their money hence the movement from one insurer to the other has made customers not being able to enjoy the benefits of being with the same insurer for example No Claim Bonuses and loyalty discounts to mention some.

Customers move from one insurance company to the other seeking for value and convenience. There is need for awareness of the importance of customer loyalty to the customers and the benefits that they deem to enjoy by the insurance companies as the movement seeking for such benefits is impacting on the growth of the insurance companies.

Insurance companies require to engage in brand awareness rigorously and to educate their customers on benefits of being loyal but also at the same time giving them what they seek as insurance is an intangible service. They need to keep their existing customers and to be able to be identified by the potential customers through referrals which is a benefit which brings growth. Acquiring a new customer costs more than retaining an existing one. They also require monitoring their performance pattern from their financials and take necessary and preventative steps where customer retention is affecting their growth and profits.

1.2 STATEMENT OF THE PROBLEM

Loyal customers mostly share positive experiences which they encounter to others which helps in acquiring new customers and in turn also contribute to increase of sales enhancing growth

of an organization. Insurance business is what we call referral business, a satisfied customer brings in another customer. A satisfied customer is a customer that an insurance company will keep. If an insurance company is going to satisfy and keep customers who will make referrals to new clients, data analytics must be extensively used to tap into the advantages that customers loyalty has.

1.3 RESEARCH OBJECTIVES

- To critically examine the importance of customer loyalty in an insurance industry.
- To measure the impact of customer loyalty to an insurance industry.
- To explore the effects of customer loyalty to an insurance industry.
- To recommend how customer loyalty can be used to enhance growth.

1.4 RESEARCH QUESTIONS

- What role does customer loyalty play in the insurance industry?
- What is the impact of customer loyalty to an insurance industry?
- Has customer loyalty hindered growth in the insurance industry?
- Can customer loyalty enhance growth?

1.5 RESEARCH METHODOLOGY

1.5.1 PARTICIPANTS:

- Insurance Customers
- Insurance Underwriters
- Insurance claims personnel

1.5.2 METHODS:

- Questionnaires - The researcher will use questionnaires because they are easy to analyse and simple in administering, this method of collecting data allows the participants give unbiased opinions as it is anonymous, though there have the risk of getting dishonest answers.
- The researcher will also use desk research as a method of data collection for statistics.

1.6 STRENGTH AND WEAKNESSES OF THE STUDY

The researcher will be collecting data from insurance underwriters and insurance claims service personnel, these people whom I am going to be collecting data from are knowledgeable about customer loyalty as they are service departments who interact with customers always.

The researcher will be using random financial reports to measure impact of loyalty on growth.

The researcher will also be collecting data from the insurance customers who are the purchasers of insurance products.

1.7 SCOPE OF THE RESEARCH

1.7.1 Delimitation

The study is bringing the awareness of the importance of customer loyalty to the short-term insurance industry and its impact on growth of the insurance companies.

There is limited study locally on this topic and on this study the researcher will refer to literature from other markets, the only material the researcher is going to use locally is what they have observed in their field of work.

1.7.2 Limitations

- Time Constraint - the researcher will have limited time; this is due to other work commitments.
- Finance – the financial resources required for preparation of questionnaires will be a limiting factor.
- Data collection – the researcher will also be limited because of the method of data collection used, that is of using questionnaires. The response rate is usually not favourable.

1.8 DEFINATION OF TERMS

- Customer – a person who buys goods or services from a shop or business.
- Loyalty - your feelings of support or duty towards someone or something.
- Insurance company – it is an entity which pools funds together for different customers to then make good a loss when an eventuality happens.

2.0   INTRODUCTION

The chapter discusses theoretical and pragmatic literature as done by other authors in the subject of customer loyalty in a comparative and argumentative form. The chapter seeks to highlight points which are uniform and at the same time separating the views among different authors linking these with the researcher 's current study of determining how not tracking customers has hindered growth in Insurance companies.

Customer loyalty is very beneficial to the organisation as there is always improvement to what the organisation offers as they always strive to make the customer satisfied. Innovation of new products always come up as the world is ever changing especially with the use of new technology. There is always competition within the organisation as to ways of keeping their existing customers as well as getting new customers through referrals and even better product offerings which in turn is an increase in sales as they enjoy the greater part of the customer expenditure within the same organisation resulting in growth.

Customers always seek for products which bring satisfaction to what they are paying for and to enjoy benefits of being loyal with an organisation.

2.1   DEFINATION OF KEY TERMS

2.1.1   Insurance

Insurance is transfer of risk from one party to the other for purposes of compensation if any accidental misfortune happens. Most people find it very important to take out insurance because any loss or damage could spell disaster for the owner. Those who take up the risks in exchange of a payment are the insurance companies, these are what constitute the insurance industry. Those who transfer their risks for a fee are the customers.

> Howard Kunreuther et al. (1997, p149) explains that, "Risk is inherent in all human activities, both personal and professional. While the number and variety of risks have grown and changed dramatically throughout history, the basics remain the same: risk of loss of life, limb, health, livelihood, or property due to predictable events (reduced income upon reaching the mandatory retirement age) or to unpredictable events (loss of life in an earthquake).

There are some risks that governments, corporations, and individuals choose to retain, consenting to pay for any losses that result from those risks. There are many more risks that exposed parties would prefer not to retain. Insurance can often be used as a policy tool to transfer these risks to another party. It has the added advantage that it can encourage the entity through premium reductions to invest in cost-effective risk reduction measures".

The two parties, which is the insurance companies, and the customers hence constitute the insurance industry.

2.1.2 Service

Service is an action done by someone to satisfy the needs or wants of the other and it is intangible. There are different types of services which can be offered, and insurance is one of them. Offering something that is intangible requires a certain level of quality such that is it appreciated by the recipient to the extent of creating a relationship which are inseparable.

According to Abtin et al. (2016, pg 41) the findings illustrates that in today's competitive world, customers are in the centre of companies' attention and their satisfaction is the main factor in gaining competitive advantage. The fundamental prerequisite for achieving customers' satisfaction is to fully meet or exceed their needs, wants, desires, expectations, and their willingness to purchase products. To gain competitive advantage, the companies should pay more attention to customers' needs and meet them better than their rivals.

This research is to further investigate the impact of relationship on customer loyalty by them being satisfied and affecting the growth of an organisation. The way service is rendered has an impact on the way customers behave afterwards.

The researcher having noted that service is intangible Dr Muhammad et al. (2016, pg18) suggests that assessing the quality of services is most times difficult because of their intangible nature as compared to product which can be inspected and evaluated before sales. Therefore, researchers are eager to develop a suitable measure to evaluate service quality but unfortunately, to date there is not universally accepted measure exists (Pollack, 2009). Kanovska (2009) argued that organizations have been trying their level best to identify customer needs and provide better services to satisfy customers and get competitive advantage in the market.

Whilst assessing the quality of the services according to their view is difficult as they are intangible, the author is of the view that good service can be measured by the growth and performance as repeat sales also has a major effect on company performance.

2.1.3 Customer Satisfaction

Dr.K.Chandrasekar 2 et al. (2019, pg976) point out that measuring customer satisfaction is critical in the process of serving the customer. The importance of improving service quality in the industry is highly considered for achieving objectives of the industry in whole. Service quality considerations are comparatively less among insurance industry due to various reasons. An in- depth analysis of the service quality perceptions of customers is essential to achieve sustainable growth for the company. The perceived quality is normally assessed based on service quality dimensions such as tangibles, reliability, responsiveness, assurance, and empathy.

> Abtin et al. (2016, pg. 42-43) states that, "Relationship marketing is a long-term approach that its main objective is providing superior customer value over the long period of time and the primary success criterion is to develop long-term customer satisfaction (Kotler et al., 1999). Customer satisfaction is achieved through consumption and purchase experience (Sharma & Patterson, 2000). Customer satisfaction can be considered as the final basis in the modern marketing; therefore, the success of each business institution depends heavily on identifying and satisfying the superior customers' needs and demands. Customer satisfaction can lead to behaviours such as loyalty and positive word of mouth advertising (Abdul-Mauhmin, 2002)".

Dr. Muhammad et al. (2016, pg20) Customer satisfaction is one of the key themes in management and marketing research and according to the author in last two decades researchers found significant relationship between customer satisfaction and customer loyalty. Luo and Bhattacharya, (2006) have examined the theoretical and conceptual foundation of customer satisfaction and found that customer satisfaction is a key driver for customer loyalty. A satisfied customer is a repeat customer who is always loyal, Furthermore, many other empirical researches provide strong evidence that customer satisfaction plays a key role in

business success and organizations with high number of satisfied customers enjoy high revenue thereby indicating that growth is affected (Abu-Elsamen et al., 2011). Chadha and Kapoor (2009) conducted research in marketing theory and found that customer satisfaction strongly influence customer loyalty

2.1.4 **Customer Loyalty**

Trust and satisfaction have a great impact on the loyalty of a customer, and this also drives the revenue growth of an organisation. Lack of having customer information and their behaviours makes it very unpredictable that growth is also linked to it, thereby proving to an extent that collection of data to make analysis of customer behaviour is critical for insurance companies

Bruce Cooil et, al. (2008, pg53) findings shows that unlike earlier methodologies, today's most popular metric, the Net Promoter Score, focuses not on quality, satisfaction, or value, but on how customer word of mouth — both negative and positive — can advance growth. It is based on the idea that word of mouth can be managed to create a buzz around a brand or a product, and that by keeping close track of that information, companies can develop ways to become more successful

Abtin et al. (2016, pg43) indicates the effect of Customer Satisfaction on Customer Loyalty. Customer loyalty is considered as a key business strategy and greatest asset of each company that guarantees company's success and improves its level of profitability. In today's fast paced world of constant change, creating and maintaining customer loyalty need more attempts. Electronic commerce is considered to reduce entry barriers and provides an excellent opportunity for customers to see and select the proper supplier (seller). Most of old trade organizations do not consider the new customer service techniques and therefore lose their own existing customers. Moreover, organizations should not assume that customer loyalty management is equal to customer management for profitability. Loyal customers are considered as great marketers and valuable source for selling (Maghsoudi, 2003).

In a world which is evolving the researcher has also noted that not moving with times in use of technology to reach out to the upcoming generations where they do everything online distinguishes their appetite for loyalty with the old guards. Companies require to match their brand offering with what is trending to enable them to keep up float thereby increasing their

growth by having customers who are loyal to them. Technology also helps companies to have data which they can easily analyse to make decisions on how to keep their businesses growing and identify new way which they need to penetrate.

Dr Muhammed et, al. (2016 pg21) points out that Abu-Elsamen et al., (2011) has argued that many professional beliefs are on retaining customers by increasing customer satisfaction and customer loyalty as core marketing strategy. Furthermore, researchers argue that service quality and customer satisfaction are most core marketing priorities since they are essential for customer loyalty, such as positive feedback from customer, repeat sales (Han and Ryu, 2009; Liu and Jang, 2009b). In addition, Ryu et al., (2012) found that service quality enhances the level of customer satisfaction. Dick and Basu (1994) explain the three different types of attitudes in the form of three different types of loyalty. Relative attitudes explain that product characteristics are the main reason which influence repeat purchase. Whilst relative attitudes according to the author consist of two dimensions: attitude strength which evaluate the characteristics of the product and attitudinal differences which explain that if customer find great difference between alternative products the customer attitudes is more relative, the researcher is of the opinion that if a product or service offering is given without satisfaction of to the customer it may dampen the level of loyalty an organisation may expect. Pritchard and Howard (1997) conducted research in tourism context and found relationship between customer satisfaction and true loyalty. Furthermore, Selnes (1993) argued that in some segment's customer loyalty can be derived from brand reputation whereas in other segments customer loyalty may be derived from customer satisfaction. Albert and Msida (2000) studied customer loyalty, service quality and customer satisfaction.

Narges Delafrooz et al. (2017 pg257) suggests that customers-representative loyalty happens when a sale representative can consistently transfer the better value appeared in sale to customer. Really loyal customers are those who have such a strong feeling toward a company that practically do not consider the rivals. Such a real loyalty is a psychological inclination that results in repeated purchases, positive word of mouth communication (WOM) to others and higher probability of future application (Rapp et al., 2013). In the present critical situation of the world economy, gaining customer trust is a vital element for the insurance industry and even in the short-term liquidity is considered as target because it guarantees the organization's

survival. In mid and long term, the insurance company's target should be unifying the customers' trust and managers' goals in the form of raising customers' loyalty. Regarding the mission and philosophy of insurance companies, moving from traditional marketing and outlook toward customer to a value-based outlook is necessary. To define the dimensions of loyalty between customer and companies, definition of Rapp et al., 2013 was used: • Purchase repeat, increase of size of purchase from companies in the future, recommending others to purchase from companies. Customer loyalty results in positive WOM advertisement, building obstacles against rivals, empowering the company against competition threats, increasing sale and income, and decreasing customers' sensitivity to marketing efforts of rivals (Seyyedin, 2013).

Based on findings of the research, if other insurance companies increase social media usage in their companies, it will increase social media usage by representatives of those companies and consequently by customers. Frequency of interaction or in fact spending more time for customer has an increasing impact on their participation and social media usage. In this regard, companies can be honest about their processes and promises to customers and avoid promising what they are not able to fulfil. This transparency cultivates a certain level of trust and relationship which results in a customer being loyal.

2.2 CUSTOMER LOYALTY THEOREMS

Loyal customers spend money on your products, loyal customers buy new products whenever they are released into the market and loyal customers speak highly of your company to potential customers thereby bringing new business to your organisation. Loyalty pays but the customers behave differently in any given context. Several scholars have come up with different ways to define this behaviour and the researcher will discuss on the various theorems in which customers can be categorised.

Asiamah Eric et al. (2016 pg 54) point out that, "Customer loyalty to firms has been found to be financially rewarding and strategically effective for achieving long-term relationships with customers (Moisescu and Allen, 2010) researchers and practitioners have focused attention on different dimensions of customer loyalty such as its nature, antecedents and moderator". The insurance industry and any other market in Zimbabwe have not been spared from these theorems which are cognitive loyalty, affective loyalty, conative loyalty, and action loyalty.

Asiamah Eric et al. (2016 pg. 56-57) indicated that, "According to Oliver (1999) customer loyalty is "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour" (Oliver 1999, p. 34). He explains that loyalty consists of attitudinal and behavioural dimensions, in which attitudinal dimension has three main stages: cognitive, affective, and conative loyalty. Oliver's (1999) brand loyalty framework presents a structure of attitudes that include intentions, cognition, and emotion. The model postulates that consumers first become cognitively loyal, proceed to become affectively loyal, then they become conatively loyal, and finally they exhibit loyalty behaviour described as action or behavioural loyalty. Oliver (1999) argues that consumer loyalty is formed in a progressive manner and in identifiable sequential stages in the order of cognitive loyalty, affective loyalty, conative loyalty, and action (behavioural) loyalty. This implies that consumer loyalty behaviour starts as attitudinal loyalty, which later leads to behavioural loyalty".

Cognitive loyalty is when the customer is attracted to the brand and what it offers. The customer seeks to satisfy their value expectations preferring one brand over the other. Their judgement to any other product is based on what the brand can offer, they eventually become emotionally attached. This then drives the customer to the second stage of loyalty which is affective loyalty. The customer develops a commitment to the brand emotionally, hence any product that is offered if it is from the same brand despite it being inferior, they have an attachment with. At this stage what the customer is attached to is the brand and not the product which is subjected to be switched to another if they develop another interest with a competitive brand. This then concludes that affective loyalty is not lasting hence a deeper level of commitment is required which is conative loyalty. According to Asiamah Eric et al. (2016, pg. 57) "Conation describes the consumer's commitment or plan to repurchase a specific brand in the near future". Customers may not repurchase what they require because of it being outdated and not being able to meet their everchanging needs hence an organisation requires to constantly be upgrading their products to meet what the customers require. The last level of loyalty is action loyalty. Asiamah Eric et al. (2016, pg58) states that "at this stage, the consumer is not only ready to act but also ready to overcome any possible obstacles that might prevent him or her from obtaining the product or service in order to use the preferred brand".

The stages of loyalty indicate that customers behave differently and in the insurance industry in Zimbabwe most companies are surviving because of their affective customers. The product offerings are the same with no competitive edge and the market of insurance purchasers is very small. Customers can easily switch to another brand hence growth is hindered. This has been peculiar to the Zimbabwean environment due to the political, economic, social, technological, environmental, and legal framework within its market. Hence the need to have proper data analysis to monitor how customers behave.

The environment in Zimbabwe has not spared the insurance market as those who purchase the products for short term insurance are the middle class and the upper class. The political situation has not enabled many to view short term insurance as a need but as a luxury. This has had impact on the incomes as most have no jobs or have no belongings to take out insurance for. The market has only enabled those who have certain type of assets, mostly commercial businesses and maybe to a few individuals due to statutory requirements being forced to take out insurance, hence knowing a certain brand which had been dominant in the product offering within the market which they need make them affective customers.

The everchanging technological advances the insurance market has been modifying the same old products which gives them an advantage over the other, with customers who then seek for convenience in terms of time value and promptness easily switching from one insurer to the other. The insurance companies in Zimbabwe require a paradigm shift on how they utilise data for analysis in measuring how their customers behave. Having the same product offering and not differentiating the approaches on how to handle customers have impacted on their growth. Customer loyalty is one major aspect which require proper data analysis. Data analytics helps companies make informed decisions in a competitive market as to where their efforts and focus need to be. Companies identify new opportunities without missing out on what their customers require, they make smarter business moves which are more efficient and in return having happy customers who remain loyal and get profits thereby having significant growth.

2.2.1 Conceptual Framework
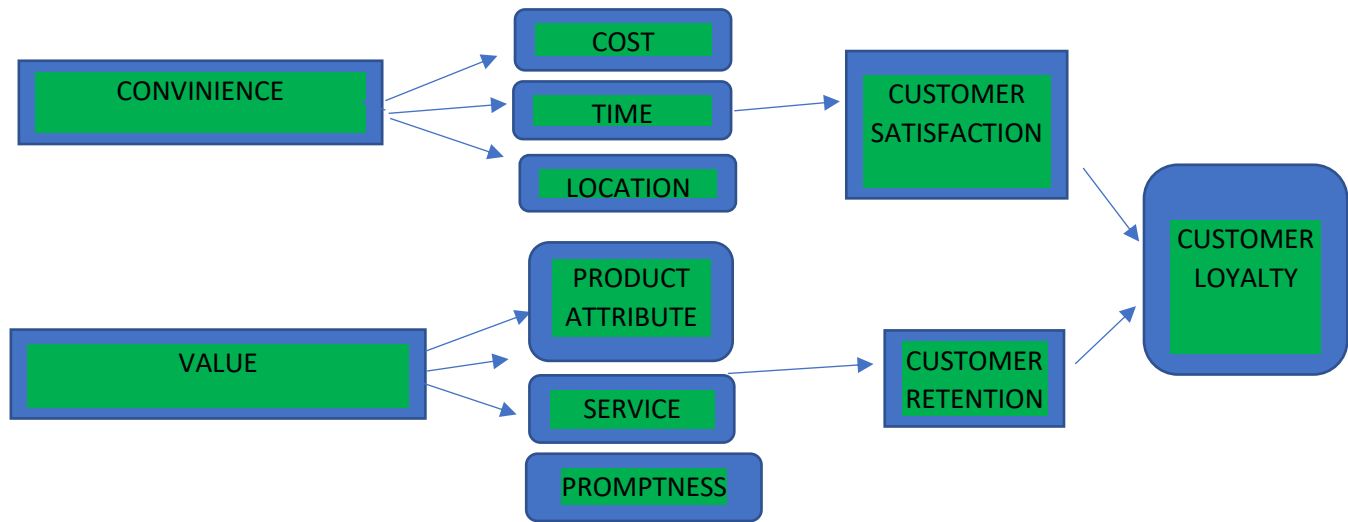
Figure 2.1: **Conceptual Framework**

2.3 CONCLUSION

Growth is defined as a process of increasing in size, as per journal Insurance Key Trends of the market in Zimbabwe, the report provides a detailed analysis of the market trends, drivers, and challenges in the Zimbabwean insurance industry. An analysis of quite several issues in the insurance market is done and one of the key items is an analysis of The Zimbabwean insurance industry's growth prospects by segment and category. When considering all the data presented the researcher rightly concludes that growth is inevitable and one area of focus which requires more attention is on elements which bring about growth like customer loyalty, with analysis of data in how customers behave and how their buying trends are within the industry, organizations can grow significantly.

CHAPTER 3 – RESEARCH METHODS

3.0 INTRODUCTION

The chapter will focus on the research methods and the procedures to be used by the researcher to gather the required data. It will give in detail the methods used, pointing out the advantages and disadvantages of each method given in detail.

3.1 RESEARCH DESIGN

This research has been done using primary and secondary data. Primary data was obtained using questionnaires, surveys, and the secondary data was obtained through the internet, journals, desk research and publication reports. The research design was appropriate in as such that the source of primary data gave an unbiased opinion as it was anonymous.

3.2 TECHNIQUES AND PROCEDURES

3.2.1 Techniques

3.2.2 Sampling

The researcher has chosen to use sampling as to obtain results from the respondents selected from the larger population to enable them to draw conclusions on characteristics of the whole population. (W Mugo Fridah,2002)

3.2.3 Target population

The researchers target population is that population which the research is based on. In this study the researcher will use insurance companies' underwriters, insurance customers, claims personnel and use statistics from selected insurance companies report.

3.2.4 Sampling Technique

Sampling is a technique employed by a researcher to systematically select a relatively smaller number of representative items or individuals (a subset) from a pre-defined population to serve as subjects (data source) for observation or experimentation as per objectives of his or her study. Still, every researcher must keep in mind that the ideal scenario is to test all the individuals to obtain reliable, valid, and accurate results. If testing all the individuals is impossible, that is the only time we rely on sampling techniques. Garganpreet Sharma (2017 pg. 749-750). Given this scenario the researcher is going to use systematic sampling

3.2.5   **Sample size**

The objectives of the research are to examine the importance of customer loyalty in an insurance industry, exploring the effects of the loyalty and measuring the impact of that loyalty to the growth. Given the mentioned objectives according to the Short Term (Non- Life) first quarter IPEC report (2020). There are 18 registered insurers in the short-term insurance sector as of 31 March (2020). The architecture of the sector is as shown in Table 1 below

Table 3.1

TYPE OF INSTITUTION	NUMBER OF REGISTERED INSTITUTIONS 31 MARCH 2020	NUMBER OF REGISTERED INSTITUTIONS 31 MARCH 2019
INSURANCE COMPANIES	18	18
MICRO INSURERS	1	2
REINSURANCE COMPANIES	8	8
UMA	2	2
INSURANCE BROKERS	32	37
REINSURANCE BROKERS	7	7
LOSS ASSESORS	36	36
CORPORATE AGENTS	140	122
SOLE AGENTS	480	530
TOTAL	**724**	**756**

However, the researcher will focus on the 4 top short insurers according to the Short term (Non-Life) first quarter Insurance report for the year ended 31 March (2020) as per sample shown in Table 2 below

Table 3.2 Sample Size

GROUP	POPULATION	SAMPLE
INSURERS	18	4

3.3   **RESEARCH ETHICS**

There is need to fully exercise confidentiality to the information provided by the respondents and they also need to do it on a voluntary basis without being prejudiced. The researcher will also require having disclaimers on the instruments used for anonymity, this will enhance openness as it will protect the rights of those who are being interviewed. The mentioned research ethics will be adhered to by the researcher.

3.4   **RESEARCH INSTRUMENTS**

The researcher will use two types of questionnaires, one of the questionnaires will be for the customers. This will be used to gather information from the customers on how they view the insurance companies whom they get service from answering questions on what they look for to be able to determine their loyalty. The second questionnaire will be for the employees of the insurance companies, the questionnaire will try and help the researcher to evaluate the service offering being given by the companies' vis a vis the responses from the questionnaires from the customers and what their expectations are, customer loyalty and employee loyalty tend to be positively correlated. The researcher will also use reports on the performance of the organisations to then measure and tie up with the data from the responses collected using the two questionnaires to come up with a conclusion.

3.5   **DATA PRESENTATION AND ANALYSIS**

After collecting the data using the questionnaires, desktop research and surveys the researcher will use graphs and tables to summarise the gathered information

3.6   **SUMMARY**

This chapter will give a detailed description of the research design employed to provide the overall strategy for answering the research questions for this project. The next chapter will then be constructed on the data collected as indicated in this chapter presenting it in a systematic way the findings of the research.

CHAPTER FOUR- DATA PRESENTATION & ANALYSIS

4.0   INTRODUCTION

This chapter gives a presentation of the data obtained from the survey, and an analysis of the results. The principal research instruments used were questionnaires and desk research. This chapter analyses, interprets and presents both primary and secondary data from the field in the form of tables, pie charts and bar graphs. The analysis is based mainly on the research objectives and questions outlined in Chapter One since these provided the framework for the research.

4.1   QUESTIONNAIRES RESPONSE RATE

Table 4.1

Company	#Questionnaires sent	#of Respondents	% of response
Insurance Customers	20	12	60%
Underwriters	15	13	86%
Claims Processors	15	10	66%
Total	**50**	**34**	**68%**

Source: Primary Data
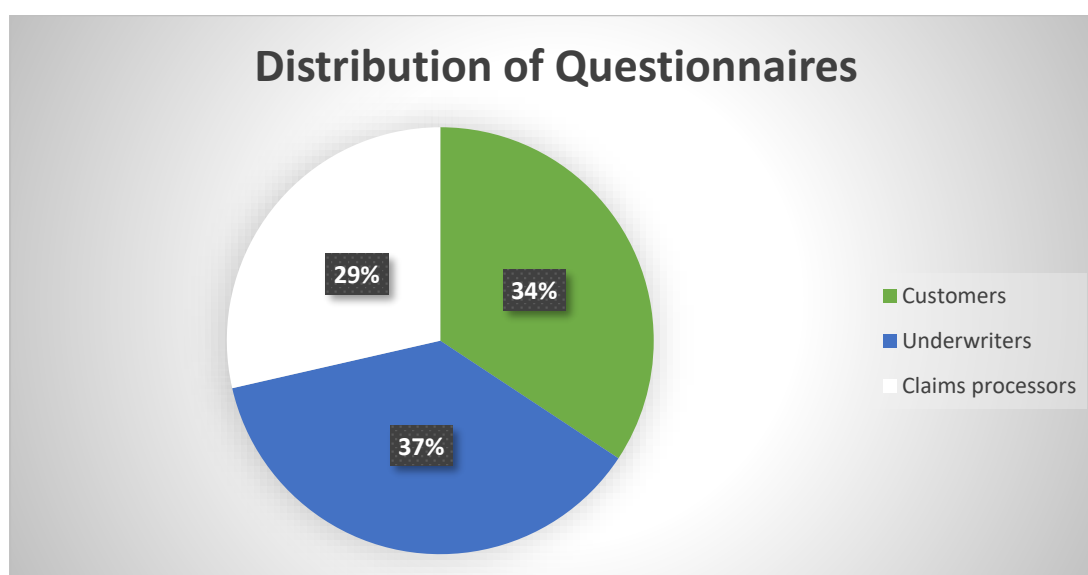
Figure 4.1: **Pie chart showing the distribution of the 45 questionnaires dispatched**.

Source: Primary data.

The questionnaires were aimed at assessing the respondents 'opinion in their view on why they choose to remain loyal to an organisation and how they view the importance of customer retention within their organisations. Samples of these questionnaires are attached as Appendix 1 and appendix 2

4.2   CUSTOMER LOYALTY AWARENESS

From the responses given all the insurance practitioners have indicated that they are aware of the importance of customer loyalty to insurance companies though it has been hindered by insurance companies not tracking on their customer behaviours due to quite several reasons. The customer`s responses have indicated that they have a preference of being with one insurer for convenience purposes, and some customers have indicated that they would choose insurers based on cost of their product offering an indication that the have an appreciation of loyalty to an extent based on the theorems of customer loyalty.
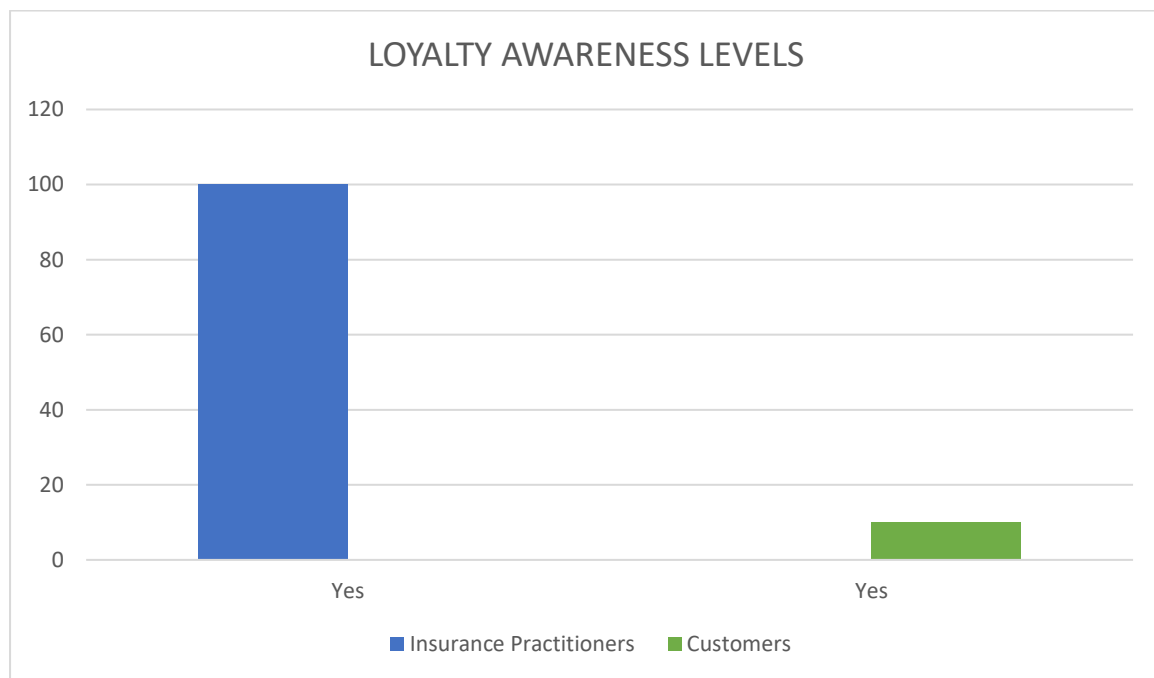
Figure 4.2: **Awareness of customer loyalty.**

Source: Primary data

4.3   WHAT HAS BEEN THE LENGTH OF INSURING WITH SAME INSURER AND HAS INSURANCE COMPANIES RETAINED THE SAME CUSTOMERS FOR A PERIOD OF TIME?

This first part of the question was asked to the insurance customers to establish the time they have been with the same insurer. From the responses given 48% have indicated that they have been insuring with the same company for more than 12 months and 18% have indicated that they have been insuring with the same insurer for 12 months with the remainder of 34% ranging from six months to a year. The second part of the question was asked to the insurance practioners whom their responses have indicated that from a scale of 0-10, 40% have had a good retention ration ranging between 7-9.
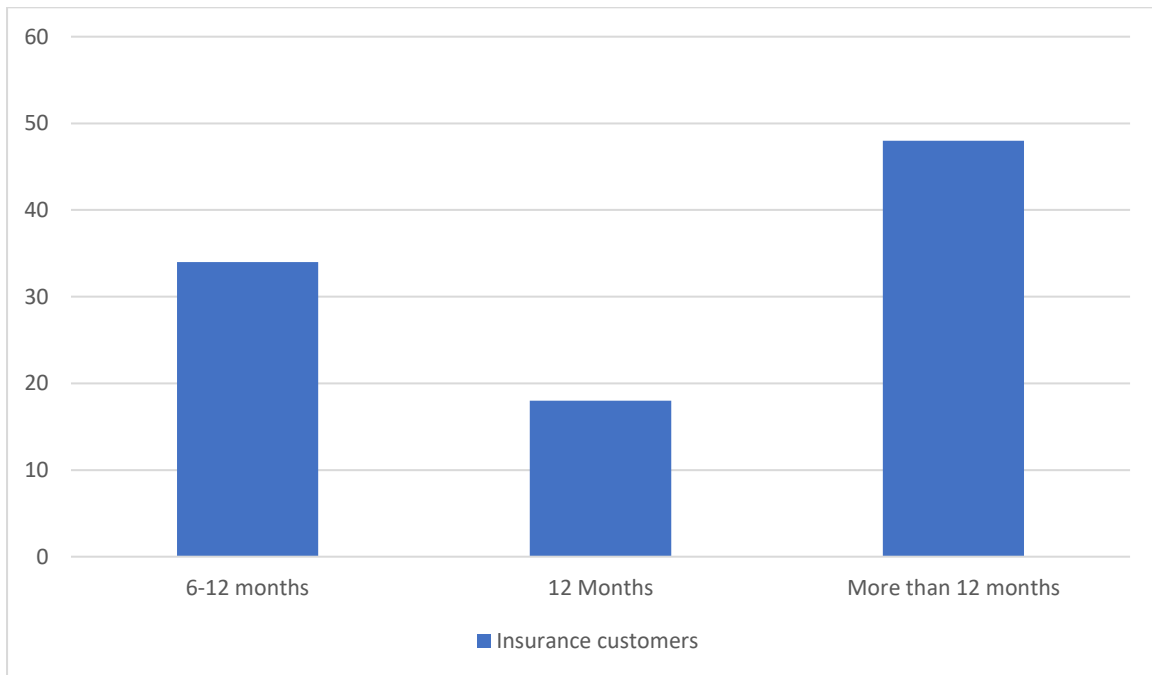
Figure 4.3: Length of insuring with the same insurer

Source: Primary Data

4.4 HAVE CUSTOMERS BEEN USING THE SAME INSURERS FOR INSURING THEIR PROPERTIES AND HOW MANY PRODUCTS ARE BEING OFFERED BY THE SAME INSURER?

The Zimbabwean economy has not spared the product offering for the insurance companies hence there has been some limitations on what they have been offering to their customers. This has also been necessitated by what the customers have been given preference to considering the available resources to purchase insurance cover. From the responses given the researcher has made an observation that while insurance companies are having ten or more than ten product offerings the customers have been able to purchase two products and with about 70% purchasing only purchasing motor insurance. This is a great indication that insurance companies despite the economic hardships require to tailor make affordable products for their loyal clientele.
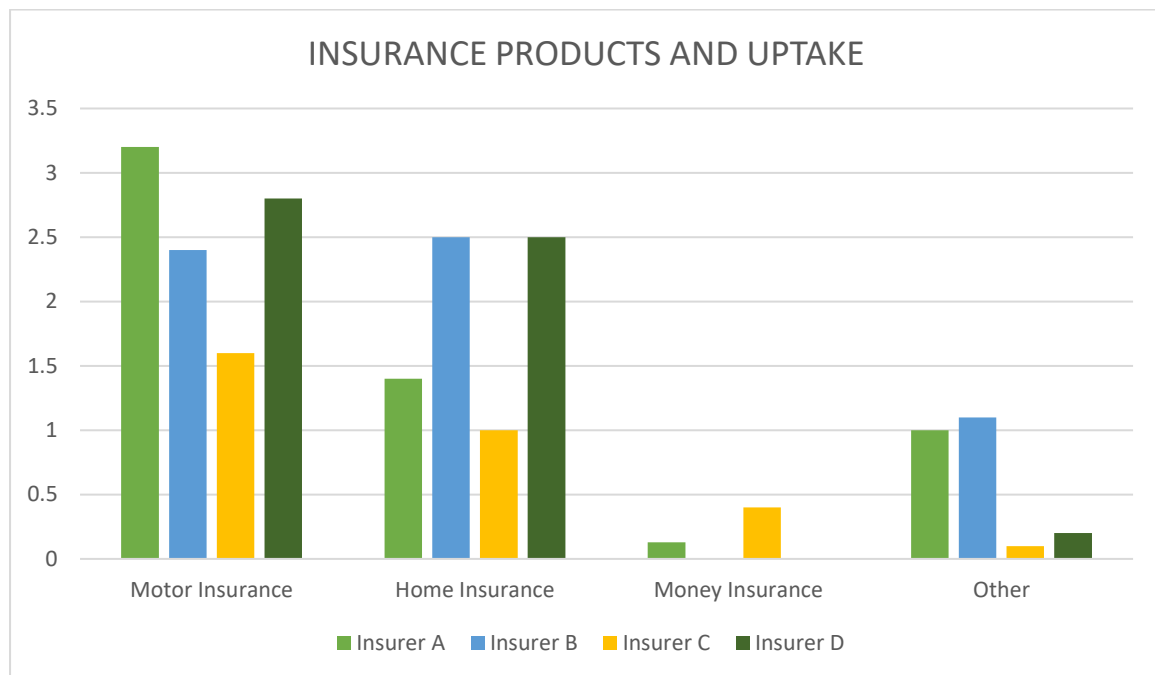
Figure 4.4: Insurance products and uptake level

Source: Primary Data

4.5 HOW WELL DO THE PRODUCTS MEET YOUR NEEDS?

The responses provided for by most customers have been indicating that the products that they have purchased are responsive to their needs, however the researcher have noted that with the trend of the products which are being purchased, mainly the motor product this could have

been due to the product being a statutory requirement. An indication from this analysis has been more to do with regulation than need.

4.6 DOES YOUR ORGANISATION MONITOR THE LEVEL OF LOYALTY BY YOUR CUSTOMERS?

This question was asked to insurance companies and out of the four insurers only one insurer indicated how they have been monitoring loyalty level. They have indicated that they do surveys quarterly in which they assess the level of loyalty and measure various service indices such as Customer Satisfaction index, Net Promoter Score and most importantly Churn rate. Based on feedback from the surveys they will then engage stakeholders under various channels for corrective action where churn is high and pro-actively manage certain portfolios to manage attrition. The researcher has also noted the gap in the insurance industry on how to monitor as in most cases its more of calculating the retention rate of our clients through Risk Departments or looking at the renewal consistency for other clients. The number of years a certain client has been renewing with them rather than use proper data analytics findings and developing programs that can monitor retention

4.7 HOW RESPONSIVE HAS BEEN YOUR ORGANISATION TO CUSTOMER NEEDS?

The responses given by the insurance companies indicate that customer service is the most important element which drives their growth and retention of customers that they have. The indications from the responses given shows that most companies give most of their service on acquiring the business and on claims stage. During the dormant period not much is given until when policies are due for renewal. The reasecher has noted a missing link where consistent customer service being a critical element is not being adhered to. This has also been confirmed by the responses from the clients who indicated that they remain with the same insurer because of convenience price and service during claims, thereby making claims the measuring window for customer satisfaction. Unsatisfied customers quickly make decisions to move to another competitor.

4.8   WOULD YOU RECOMMEND YOUR CURRENT INSURER TO FRIENDS AND RELATIVES?

This question was asked to the customers for different insurance companies and the responses given have shown that if there is convenience customers would recommend their friends and relatives to their insuring companies. The author has noted that from the responses given what customers seek is mostly convenience, pointing to that is there is no convenience customers can easily switch to another insurer. The reasecher has also noted this then forfeits their loyalty benefits.

4.9   DOES YOUR ORGANISATION OFFER ANY LOYALTY PROGRAMMES?

Organisations require to have something of value they can offer to their customers and from the responses given 90% of the organisations have indicated they do not have clearly set up loyalty programmes. This has been necessitated by the current economy status. 10% of the organisations have indicated that they partly have loyalty discounts but have been offering same to corporate companies who are given Long Term agreement discounts, for remaining with the same insurer for a period of two to three years.
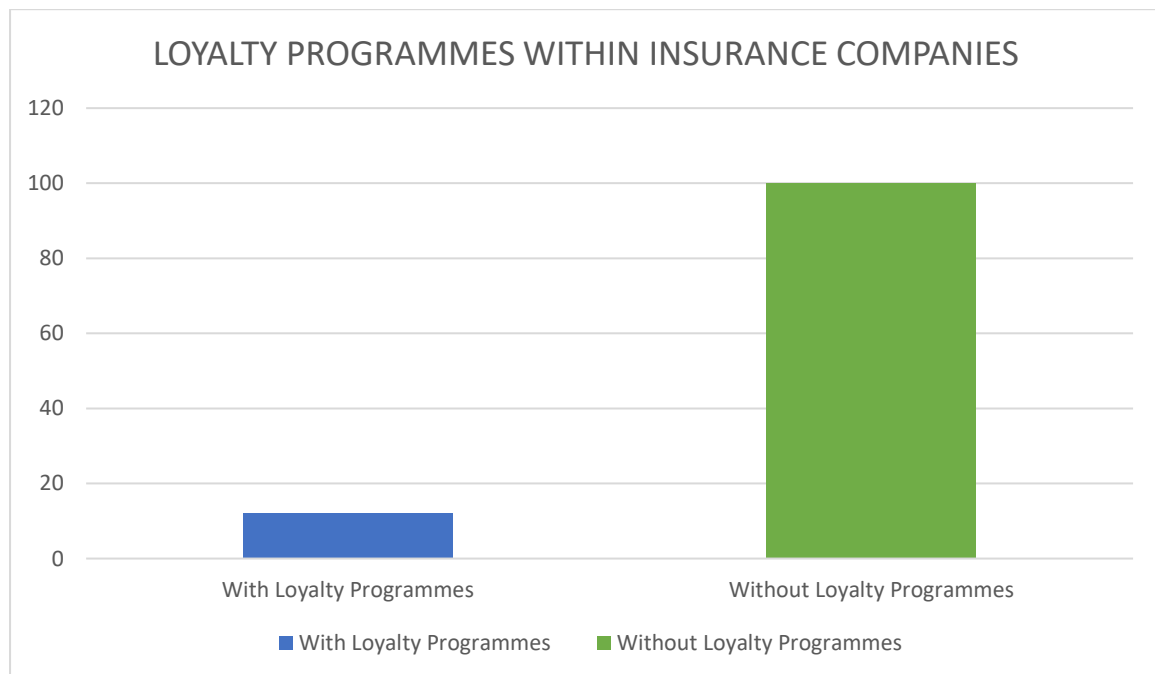
Figure 4.9: Loyalty Programmes within insurance companies

Source: Primary Data

4.7   CONCLUSION

This chapter has given an outline of the questionnaires response rate, the findings from the questionnaires and interviews. The data was then analysed and presented in the form of graphs, pie charts and tables.

From the responses provided from the insurance personnel, the underwriters and the claims processors, there has been mixed views in how insurance companies are handling retention as a mirror of how loyalty is impacting on their performance and eventually growth. Out of the 30 questionnaires handed out to insurance practitioners' 70 percent have indicated that insurance companies are not able to retain clients at some point as they do not deliver the exact output as promised to clients, hence customers leave disgruntled as the value for their money is not realised. The practitioners also indicated that competitors come up with better ideas to cover the gaps each time hence customers move from one insurer to the other with ease as the competitors have better ideas.

30 percent of the insurance practitioners have indicated that they have managed to retain their customers mostly major accounts for the past years by offering them better and improved terms each year so as a way of keeping them.

CHAPTER FIVE - RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0   INTRODUCTION

The chapter also rounds up with specific recommendations based on the findings of the research. The chapter drill down to recommendations using the findings. As such, in this chapter the researcher will focus on the findings answering the questions raised in the research objectives and then give recommendations and conclusions**.**

5.1   RESEARCH FINDINGS AND DISCUSSION

5.1.1   Effectiveness of customer loyalty

Customer loyalty is a great tool which the insurance industry requires to embrace as it largely affects their growth. From the findings the researcher has well noted that it only does not affect growth but also act a medium of advertising. Loyal customers will always give referral to the contacts thereby increasing the customer base for the company. Loyal customers will also embrace product changes with ease and can be encouraged to take up new products or add to what they already have with ease as they have confidence in the company they deal with.

5.1.2   Underlying factors that affect organisations growth through loyalty.

The researcher has also noted that customer loyalty impacts the insurance industry either negatively or positively. Companies who do not keep their customers are affected financially by movement of customers in terms of looking for new customers costs rather than increasing on the customer base they already have thereby increasing their growth. Customers who are not satisfied will spread negative word thereby discrediting the insurance companies they have been doing business with, hence costs to manage bad publicity. As the pointed out earlier by the researcher, insurance in the Zimbabwean market uptake is very low because of other factors mostly economic, a lost customer will always be difficult to return hence it is always important for insurance companies to retain and add on what they have already.

Customer loyalty has hindered growth in the insurance companies as customers are easily moving from one insurance company to the other looking for convenience and cheap products. Insurance companies' growth has been affected as from the findings the insurance companies have not been tracking their customers loyalty using data analytics. Customers seek to have financial stability and peace of mind knowing that when they take out insurance, they have

protection they need, hence getting value for their money will make them remain loyal. The growth trajectory require monitoring and customer loyalty monitoring is one of the tools which is very critical to use in enhancing the insurance companies' growth.

Customer loyalty enhance growth as no business can operate without customers.

5.2 RECOMMENDATIONS

5.2.1 Importance of documentation and communication on loyalty programs

1. Customer loyalty programs in any organisation ought to be documented and clearly communicated to process owners for business retention and GWP growth.
2. Companies ought to be agile and innovative in coming up with products and services addressing customer needs thereby increasing switching costs.
3. Companies ought to invest more in technology and systems to mine customer data, behaviour, and trends. Predictive data analytics will enable companies to proactively manage their customer base, predict their needs and guarantee loyalty.
4. Processes also need to be sensitive to customer needs.

5.2.2 Effectiveness of refining processes within an organisation

1. Traditional and rigid processes stand in the way of customer loyalty and its critical for companies to continuously refine processes and bring automation to manual process to improve customer experience and loyalty.
2. Insurance companies also require designing tailor made products thereby having an opportunity to increase customer loyalty through various product offerings.
3. Claims departments can indirectly drive customer loyalty through excellent customer service delivery.
4. Insurance companies require to structure their service departments based on client retention and be able to measure their growth trajectory over a period which in turn will enable them to increase their switching costs.

5.3 AREAS FOR FURTHER RESEARCH

There is need for further research on instruments which can be used to monitor customer loyalty within insurance companies amongst data analytics, as from the findings the researcher has noted that insurance companies mostly measure loyalty when they require to pay exgratia claims

5.4 CONCLUSION

The findings of this research have brought to light the need for insurance companies to monitor their customer loyalty using data analytics to enhance their growth. The results have also shown The Zimbabwean market is not spared like any other developing market on the value they place on their data collection for analysis of how to use it when measuring key business components as growth. There is need for educating the insurance industry players on the importance of data and education on creating platforms and methods that help them track their customers behaviour as customers are the key component of any business structure. The customers require awareness on what they benefit when they remain loyal and the benefits they also get as customers.

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FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND RISK MANAGEMENT

Introduction Letter

My name is Tsungirirai Maburutse student number 006327B. I am currently studying for a Bachelor of Commerce Honours Degree in Risk Management and Insurance at the National University of Science and Technology. I am undertaking a research study in Partial fulfilment of my degree program focusing on "**Customer loyalty problems in the Insurance industry a case of data analytics**" I am kindly requesting for your contribution to my final year dissertation by completing the questionnaire attached to this letter. I give assurance that your contributions and views will solely be used for academic purposes only and confidentiality will be maintained. Your precise responses will be completely anonymous and will be of great importance to the success of this dissertation.

Should there be any further information needed concerning this research please do not hesitate to contact National University of Science and technology the chairperson from the department of Risk management and Actuarial Science. Your corporation will be greatly appreciated.

Yours faithfully

Tsungirirai Maburutse

Email : tsuey.maburutse@gmail.com

Disclaimer: The information shall be used for academic purposes and a high degree of confidentiality will be maintained

QUESTIONNAIRE 1

1. How long have you been a customer for our insurance company?

Less than six months

Six months to a year

12 months

More than 12 months

2. What type(s) of insurance cover do you have with us as an insurance company?

Motor

Home Insurance

Money Insurance

Other

3. Do you use different companies to insure your assets/properties?

Yes

No

Briefly explain your answer on question three

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4. How would you describe the product offering we have?

Reliable

Useful

Unique ▮

Good value for money ▮

In effective ▮

Unrealiable ▮

5. How well do our products meet your needs?

Extremely well ▮

Very well ▮

Not so well ▮

6. How responsive have we been to your concerns regarding our product?

Very responsive ▮

Not responsive ▮

7. How likely is it that you will recommend this organisation to a friend or relative?

Not likely   Extremely likely

1	2	3	4	5	6	7	8	9	10

8. Given a choice would you remain insuring with us?

     Yes ▮

     No ▮

9. Briefly give reasons for your answer in question 8.

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10. Do you have any comments or suggestions?

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QUESTIONNAIRE 2

1. How long have you been working for the organisation?

    Months

    Years

2. Which department do you work in?

    Claims

    Underwriting

3. How many insurance products do you offer as an organisation?

4. Would you say you have retained most of your customers for the past 5 years?

    Yes

    No

5. On a scale of 0-10 where would you place your customer retention rate?

1	2	3	4	5	6	7	8	9	10

6. What could be your reasons to the answer on question 5?

    …………………………………………………………………………………………
    …………………………………………………………………………………………
    …………………………………………………………………………………………..

7. Does your organisation offer any loyalty discounts?

    Yes

    No

8. Given your answer on question 7 does your organisation monitor the level of loyalty your customers have?

Yes

No

9. If answer to the above is Yes/No briefly explain how?

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10. Do you have any comments or suggestions?

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