



The influence of customer relationship management on customer loyalty at a South African life insurance company

by

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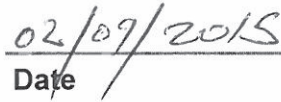
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ABSTRACT

This thesis is prompted by the discussions around Customer Relationship Management (CRM) in the financial industry and life insurance companies in particular. The study seeks to gain better understanding of the influence that CRM has on Customer Loyalty in a selected South African life insurance company. While CRM has been approached by academics and practitioners from different perspectives, literature seems to be viewed as inconsistent and fragmented on this concept. The concept of CRM is a new approach by management in South Africa and it is due to this fact that there are not sufficient studies on it.

The purpose of this thesis is to investigate the influence of Customer Relationship Management on customer loyalty in Metropolitan. To achieve this purpose, a questionnaire was distributed amongst selected Metropolitan customer service offices nationally and a selected number of customers were approached to participate in the study.

The findings show that Customer Relationship Management has an influence on customer loyalty and that Metropolitan does employ the principles of Customer Relationship Management.

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TABLE OF CONTENTS

Declaration	ii
Abstract	iii
Acknowledgements	iv
Table of contents	v
List of appendices	vii
List of Figures and Tables	vii
Glossary	vii

CHAPTER ONE: INTRODUCTION AND BACKGROUND TO THE STUDY

1.1	Introduction	01
1.2	Background to the problem	02
1.3	Purpose statement	03
1.4	Problem statement	04
1.5	Research objectives	04
1.6	Research question	04
1.7	Research methodology	04
1.7.1	Research design	05
1.7.2	Data Collection	05
1.7.3	Data Analysis	05
1.7.4	Sampling	05
1.8	Ethical considerations	06
1.9	Significance of the study	06
1.10	Key concepts	07
1.11	Outline of the study	10
1.12	Summary	11

CHAPTER TWO: CHAPTER TWO: LITERATURE REVIEW

2.1	Introduction	12
2.2	Defining Customer Relationship Management	13
2.2.1	Generic elements of the CRM definitions	13
2.2.2	Implications of the CRM definitions	14
2.3	Relationship between CRM and RM	15
2.3.1	CRM philosophy	15

2.3.2	Relationship Marketing	23
2.4	Benefits of Customer Relationship Marketing	24
2.5	Successes of Customer Relationship Management	26
2.6	Challenges of Customer Relationship Management	27
2.7	CRM in Metropolitan	28
2.8	History of Metropolitan	31
2.9	Summary	32

CHAPTER THREE: CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN

3.1	Introduction	33
3.2	Research methodology	33
3.3	Research design	33
3.3.1	Research population	34
3.3.2	Questionnaire administration	34
3.3.3	Sampling	35
3.3.4	Research instrument	35
3.3.4.1	Advantages of quantitative research instrument	37
3.3.4.2	Disadvantages of the quantitative research instrument	37
3.3.5	Data collection	38
3.3.6	Data analysis and interpretation	39
3.3.7	Findings of the empirical Study	43
3.3.8	Summary	44

CHAPTER FOUR: SUMMARY, RECOMMENDATIONS AND CONCLUSION

4.1	Introduction	45
4.2	Findings	45
4.2.1	The Influence of CRM on customer loyalty	45
4.2.2	The existence of customer loyalty towards Metropolitan	46
4.2.3	The existence of CRM at Metropolitan	46
4.3	Recommendations	46
4.4	Conclusion	47
5.	REFERENCES	48

APPENDICES

Appendix A: Example of covering letter	55
Appendix B: Example of guide for survey	56
Appendix C: Example of the questionnaire	57
Appendix D: Copy of grammarian certificate	59

LIST OF FIGURES AND TABLES

Figure 1	Customer Relationship model	16
Figure 2	CRM process model	19
Figure 3	IDIC CRM model	21
Figure 4	CRM Models and their structures	22
Table 1	Survey of participants per office	35
Table 2	Overall response rate	38
Table 3	Ages of participants	39
Table 4	Gender of participants	40
Table 5	Marital statuses of participants	40
Table 6	Population group	41
Table 7	Number of years as Metropolitan customer	41

GLOSSARY

<u>Acronyms/Abbreviations</u>	<u>Explanation</u>
AIDS	Acquired Immunodeficiency Syndrome
HIV	Human Immunodeficiency Virus
CC	Call Centre
CC`s	Call Centres
CL	Customer Loyalty
CR	Customer Relationship
CS	Customer Satisfaction
CSO	Customer Service Office
CSO`s	Customer Service Offices
CRM	Customer Relationship Management
RM	Relationship Marketing

CHAPTER ONE: INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

Insurance is not considered as a necessity in the South African market, but rather as a purchase that should be carefully considered. Decreasing household disposable income owing to the high unemployment rate, as well as an increase in employee retrenchments, means that insurance companies should put more effort into their customer loyalty and retention initiatives in order to increase insurance policy sales figures. Factors such as crime, HIV/AIDS, increased competition owing to globalisation in the insurance industry, and proposed legislative changes have made it more difficult for the industry to be profitable.

A lack of effective customer retention interventions are regarded as one of the major contributors to the erosion of market share. According to Pareto's 80/20 law, 20% of customers contribute to 80% of a business profits, which is why it is recommended to companies that want to make a profit should place sufficient effort into retaining the top 20% of their customers (Peppers and Rogers, 1996:102).

Research indicates that one of the key components of successful customer retention and prevention of defections is Customer Relationship Management (CRM). CRM is a useful strategic tool, which organizations can use to grow, sustain and improve customer relationships. It is about how organizations collect useful information about their customers and the way that those customers behave, and it is also about how satisfied their customers are with the products and services that they provide. Besides the level of success, experience shows that unsuccessful implementation of CRM may sometimes impact customer satisfaction and customer loyalty negatively (CL) (Dyche, 2002:4).

The research problem focuses on the concern amongst South African insurance companies regarding the high number of policies that lapse and surrender. Customer Relationship Management (CRM) within the insurance industry has always been a challenge for management. This research attempts to explain CRM and its challenges, and measures customers' perceptions by means of a questionnaire survey. The study followed a quantitative approach in the form of questionnaires that

were distributed amongst a sample of the research population. The research was confined to customers of Metropolitan at selected customer service offices within South Africa. It is envisaged that the research will provide information that Metropolitan management can use to address concerns about policy lapses and surrenders.

1.2 Background of the research

Years before Customer Relationship Management (CRM) evolved, economists introduced the concept of value maximization. In terms of this concept, a company maximizes profits and customers maximize utility. In the 1990s Customer Relationship Management (CRM) was introduced and was considered as a valuable business concept, as it has similar origins to Relationship Marketing (RM). The performance of companies and the value of their customers are regarded as important by researchers in the areas of RM and CRM; they also mention the creation of company and customer value (Payne and Frow, 2005:167).

According to a study on Consumer Behaviour trends in South Africa, which was conducted by the University of the Free State in 2005, insurance and other funds represented 4.1% of the South African household expenditure in 2005, and the average disposable income was R 13 502,00. The 4.1% spent on insurance and other funds means that insurance companies have a lot of work if they want to increase customer loyalty and retention. This means that they should introduce relevant interventions such as Customer Relationship Management programs in order to improve the situation. In the market environment where companies continuously offer customers attractive prices and services, retention becomes a huge challenge to achieve, as customers are always enticed to defect (Leverin & Liljander, 2006:233).

The economic landscape has changed drastically owing to the worldwide financial crisis, while instability in the market has become the norm, and most customers have become price sensitive, resulting in reduced levels of customer loyalty, as well as a reduced tolerance rate of poor customer service and substandard products. While large companies gather customer feedback, 5% of them do not. Of the companies that collect customer data, 10% use it to introduce interventions, which are aimed at driving improvements, and 5% use it to provide feedback to their customers

(Schorah, 2011:26). It is clear that even when finances are tight, people still value good service. Surveys show that 87% of consumers cease doing business with a company owing to a negative experience, while 58% of consumers say that they will pay more for a better customer experience, even during a downturn in the economy. Customers expect companies to continuously improve their customer experience if they want to persuade customers to spend more on their products and services. (MciLroy, 2004:24).

If customer relationships are not managed effectively in the South African life insurance industry, most customers usually stop paying their insurance premiums, or they take their business to another insurance company where they feel appreciated in terms of service and flexible products, especially given the tough financial conditions in South Africa.

Most customers in the life insurance industry surrender their policies owing to difficult financial situations or because of an uncertain economic future. Since most insurance companies are sales-focused, they should focus on persistency, as their survival depends on the sale of policies, which should be supported by sufficient focus on customer retention and excellent customer service philosophies and strategies. Schorah (2011:26) states that if a company can improve its customer retention by 2%; this might have the same effects on its profit as reducing its costs by 10%, which is why CRM is important, since it contributes significantly to customer retention.

For South Africa the sustainability of the life insurance industry lies in improving the trust and confidence that life insurance customers have in insurance companies, hence life insurance companies must seriously focus on building trust and confidence to retain existing customers. This study will assist South African life insurance companies, including Metropolitan, to understand factors that directly influence CRM and customer loyalty so that they can successfully win over new customers and retain existing ones.

1.3 Purpose statement

The research project investigated the influence of Customer Relationship Management on customer loyalty at Metropolitan.

1.4 Problem statement

There is concern amongst South African insurance companies about the high number of policies that lapse and are surrendered. According to the Financial Services Board's 2010 Annual Report on Long-term Insurance, 8.8% of new business for 2010 was surrendered. This is a 0.8 % increase from 8.0% in 2009. Lapses were reported to be 69.4% of new business in 2010, and 62.7% in 2009, which is an increase of 6.7% in lapses from 2009 to 2010.

1.5 Research objectives

The following research objectives were formulated in respect of the research study, which was conducted:

- To define Customer Relationship Management (CRM);
- To describe the relationship between CRM and Relationship Marketing (RM);
- To explain the benefits of CRM;
- To describe the success indicators of CRM;
- To describe the challenges of CRM; and
- To conduct an empirical study within Metropolitan to reveal customers' perceptions of CRM.

1.6 Research question

The following research question was posed based on the research objectives outlined above:

How can Metropolitan use Customer Relationship Management to improve its customer loyalty and retention?

1.7 Research methodology

The research approach for this study was quantitative in nature. According to Zikmund (2003:111), quantitative research helps to establish the level of some phenomenon in the form of numbers.

1.7.1 Research design

Research design is the plan for a methodical process to gather and analyze data with the aim of understanding a phenomenon (Leedy, 1997:204). The research design, which was adopted for this study was selected because it provided the vehicle to gather data related to the research problem and an effective mechanism to analyse the data.

1.7.2 Data collection

Personal interviews, self-administered surveys, postal surveys, telephone surveys and observations are some of the techniques which can be used to gather primary data for research purposes. (Roberts-Lombard, 2006:31).

In this research, primary data was gathered by using personal self-administered surveys. Metropolitan`s customer service consultants assisted in administering the survey, and was coordinated by customer service managers.

A total of 905 Metropolitan customers were approached to participate in the survey when they visited Customer Service Offices (CSO`s) at Metropolitan.

1.7.3 Data analysis

The process of converting unprocessed collected data to information that is easy to understand and interpret, is known as data analysis; this process is mostly used for research purposes. According to Leedy (1997:204), the first step in data analysis is to describe responses or observations. The collected data was analyzed quantitatively by using special data analysis software called Attentive ACE.

1.7.4 Sampling

The ultimate test of a sample design is how well it represents the characteristic of the population that it purports to represent. Leedy (1997: 204) points out that the sample should be chosen carefully, since the researcher can easily see all the characteristics of the total population. For the purpose of this study, the simple random sampling method appeared to be the most appropriate and was used when selecting customers at Metropolitan`s customer service offices to participate in the survey.

1.8 Ethical considerations

Ethical considerations were observed for this study (Muller, 2007), and these are explained below.

The aims and anticipated consequences of the research were communicated to all the research participants. Participants were informed of what would happen during survey interviews by way of covering letters, which were also used to obtain consent for the survey. The letter to obtain consent contained the following information:

- Details of approval for the research;
- A clear statement of what the institution represents;
- An explanation of the research, benefits of the research, and who will benefit from the research;
- A request for informed consent;
- An explanation that participants may opt out at any stage;
- Assurance of confidentiality; and
- Provide access to results, where applicable.

The consent letter was made available to Metropolitan customer service consultants who assisted customers who participated in the study`s surveys.

As this study used survey questionnaires to collect data from Metropolitan customers, a written request to conduct the survey was made to Metropolitan, and written permission was granted by the General Manager Customer Services to conduct research at 10 of Metropolitan`s customer service offices.

1.9 Significance of the research

The research project has generated information about Customer Relationship Management that Metropolitan and other insurance companies can use in order to improve customer loyalty and retention. It is not advisable to rely on customer complaints to identify and fix service related problems, or to use the number of complaints that are received as a barometer to measure improvements in customer

satisfaction (Blem, 1995:13). Blem (1995:13) further states that every business should pro-actively define and measure customer satisfaction. Metropolitan uses a tool, which is called Attentive ACE to measure customer satisfaction.

The growth of consumer interest groups and competitive pressure caused an increase in consumer expectations, and technological advances accelerated service delivery. The quality of goods became a primary means of securing customer loyalty during the 1980s, while attention moved further to customer care during the 1990s. New technologies, new alliances and new business thinking fuelled the changes that propelled customer loyalty into the state that it presently finds itself (Lynch, 1995:3).

According to Gerson (1994:27), recruitment of customers is an on-going task to increase market share, but customer retention is essential to ensure a company's success.

1.10 Key concepts

The following concepts are critical to the success of the CRM system, and it is important that they are clearly understood by organizations that seek to successfully implement the CRM system. Organizations should understand their effect and impact on CRM and, if necessary, take relevant action(s) to ensure that they are aligned to what organizations hope to achieve with the CRM system.

▪ Customer Satisfaction (CS)

Kotler (2000:48) defines customer satisfaction as feelings that people experience when comparing a product or service based on perceived outcomes in relation to their expectations. Research that was conducted in the field of customer service provides evidence that:

- Customer satisfaction levels are high when customers pay a minimum price and receive maximum usage and profit;
- Customers are unsatisfied with products and services that are priced in a way that is unsuitable to their needs; and
- Customers will decide to remain with the company for longer if they are satisfied, while they will also become loyal when they are satisfied.

It can be said that when customers purchase from an organisation, inherent in their decision to purchase is a decision to interact with other components of that company such as the account receivables, account managers, training, technology, developers and many more. Finance departments may see a customer as a single unit, but in reality a customer is a team of selected individuals and each one of them has different types of interactions with different individuals within the company (<http://www.emeraldinsght.com/reprints>).

According to Parasuraman, Zeithaml and Berry (1988:15), there are two levels of expectations when it comes to customer service, which are desired and adequate service. When the customer predicts the service by assessing what “will be”, this is referred to as adequate service and this is the level which most customers find acceptable. The desired service is about what customers hope to receive, and is a combination of the “can be” and “should be”.

In most organisations customer satisfaction is used as a performance indicator. Measurement of customer satisfaction is normally regarded as the performance of multiple groups in a company as a collective based on customer feedback received via customer service surveys.

- **Service**

Service is an activity which is undertaken to work for other people or for any organisation can be described as service (Sykes, 1982:34). Physical goods can be touched, but service is intangible (Levitt, 1981:94).

- **Customer**

A customer is someone who has made a purchase from a company/ organization (Gummesson, 2003:17). The term ‘customer’ can be explained as an abstract description of a client, which the business develops in order to support its business goals and objectives (Brondmo, 2000:79).

- **Customer service (CS)**

Gibson-Odgers (2008:5) states that “customer service is not about fancy products or intricate corporate culture, but about dedicated, trustworthy employees and loyal,

satisfied customers". The author further states that most literature, which deals with customer service focuses on conceptual research and specifically on concepts such as service quality and customer satisfaction, while recently there has been an increase in the study of a new concept known as customer value which is the satisfaction a customer feels after making a purchase for goods or services relative to what she must give up to receive them.

▪ **Customer retention (CR)**

Keeping customers for life is what customer retention is all about, and the lifetime value of customers to organizations is measured in monetary terms (Hall, 1997:100). In terms of customer retention initiatives, organizations focus their marketing efforts on their existing customer base (Bateson and Hoffman, 2002). Berry (1991:25) sees good customer service as one of the key components of customer retention.

Buttle (2004:321) regards retention of customers as a strategic objective, which strives to sustain long lasting relationships with customers. It can be measured as an annual percentage of customers who conduct business with a firm. Customer retention efforts are directed, in general, at customers who are strategically significant. .

▪ **Customer loyalty**

Oliver (1999:34) describes customer loyalty as a commitment by a customer to buy a suitable product or a service in future, resulting in repeat purchases of the same product, regardless of situational influences and marketing efforts, which might encourage customers to switch to another brand of product.

In a business context the word loyalty is used to describe the willingness of a customer to keep supporting the company by purchasing its products and services over a long period of time repeatedly, and willingly recommends those products and services to friends and families.

Customer loyalty happens when customers believe and realise that they have been offered better value (Obeng and Loria, 2006:14). According to Olivier (2006:42), loyalty is all about building committed one-on-one relationships with customers by way of open dialogue and mutual reward.

1.10.1 Customer retention and customer loyalty

Stone and Woodcock (1996:21) state that in performing strategic relationship marketing, it is important that information is collected and analysed, and that customers are tracked accordingly.

1.10.1.1 A three-step loyalty process

Oliver (2006:43) outlines a three-step loyalty process in respect of retaining customers and their loyalty.

- One, connect with customers: Leverage each customer interaction to create value (Olivier, 2006:43);
- Two, collect data about customers: Learn more about customers` interests, preferences and passions. Segment them according to product preference, life stage and point of entry (Olivier, 2006:43) ; and
- Three, perfect the relationship: Maintain relevant dialogue-based communication and model consumer segments for future product launches.
 - Target high prospect customers with differentiated offers that match needs, interests and situation;
 - Reduce the cost of marketing by engaging more with those that are more likely to respond; and
 - Ultimately, deliver the right message to the correct target market by using the right medium at the right time (Olivier, 2006:43).

Acquisition of more customers must be a continuous exercise because attrition is inevitable, irrespective of how good the retention programme is (Stone & Woodcock, 1996:91).

Babbie and Mouton (2004:230) argue that it is important for marketers to strongly influence customers` behaviour towards their business and its products in order to create a positive store image.

1.11 Outline of the study

Chapter 2

This chapter details the literature review that was conducted for the research study.

Chapter 3

Chapter 3 considers the research methodology and research design, which were followed in order to achieve the research objectives.

Chapter 4

The final chapter provides a brief outline of each chapter, and proposes recommendations and a conclusion.

1.12 Summary

This chapter provided an introduction and a background of the research study, the formulation of the problem and purpose statements, research questions and research objectives, as well as the purpose and significance of the study. The research problem was stated as a concern amongst South African insurance companies with regard to the high number of policies that lapse and or surrendered. The next chapter focuses on literature that was reviewed for the research study.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

Chapter One defined the research problem as a concern among South African insurance companies about the high number of policies that lapse or are surrendered. This chapter explains what customer relationship management (CRM) is, the relationship between CRM and relationship management (RM), the benefits of CRM, the successes and challenges of CRM, and key concepts, which are relevant to CRM .

Customer Relationship Management (CRM), as a concept, gained popularity during the 1990s. Customer Relationship Management does not deal with networks, but focuses on customer and company interactions (Gummesson, 2003:3). CRM has been known for a while, even though it is believed to be a modern concept. People in marketing have been promoting close relationships with customers for some time. It is always a huge challenge to determine customer profitability for companies, that are organized along product or channel lines and less so for those who are organized along customer lines (Peppard, 2000:312).

For companies that wish to achieve success in customer service related initiatives, the successful implementation of a CRM system is of the utmost importance. Research in the area of CRM indicates that most organizations experience limited benefits from CRM, owing to the fact that companies take a narrow view of it. The research further indicates that second generation CRM is not yet widespread in organizations (Peppard, 2000:312).

Originally, the focus of CRM was to assist organizations to create relationships that are closer and deeper with customers, and also to change their behaviour towards individual customers based on the customer information that they collect (Peppers, Rogers and Dorf, 1999:152). It is believed that existing customers are more profitable than new customers; that it is cheaper for organisations to sell products to existing customers on an incremental basis than to attract new ones. It is also believed that customer retention will be maximised by matching products and service levels more closely to customer expectations. According to Peppard (2000:321), maximisation of the lifetime value of a customer is the central objective of CRM.

2.2 Defining Customer Relationship Management (CRM)

Mohamed (2010:84) states that CRM is about building profitable, long-term relationships with existing customers and retaining them.

CRM is a capability in the organization, which results from its focus on three organizational components, namely an orientation in the organization, which prioritises customer retention, a configuration that includes the organizational structure, its processes for processing products and incentives for building relationships, and detailed, relevant customer information that is available in all divisions of the company (Moustafa and Mohamed, 2010:844).

CRM contributes towards increasing the value of the customer base by using individual customer relationships if managerial decisions are aligned to it (Peppers and Rogers, 1999).

According to Anderson and Kerr (2002: 02) CRM is defined as an approach that is necessary to create, sustain and grow customer relationships.

CRM can be used as a means to motivate valuable customers in order to retain them for repeat sales, and it is also a suitable infrastructure, which allows the increase in customer value to be properly outlined (Dychè, 2002:4).

2.2.1 Generic elements of the definitions of Customer Relationship Management (CRM)

The following elements can be used to summarise the above definitions of CRM.

- ***Creating long lasting relationships with customers***

A changeover from a transaction based to a relationship based model, which focuses on the attainment, growth and retention of good customer relationships that can be achieved through CRM. Building customer trust over a period of time by demonstrating commitment to service, and timely customer communication, which is reliable and proactive and effective in handling of conflicts between the organization and customers that can create, reinforce and retain long term relationships with customers (Ndubisi, 2007:98).

- ***Retaining and attracting valuable and profitable customers***

In order for organisations to be in business over a long period of time they should only attract the most profitable customers and disinvest from unprofitable ones. If successfully implemented in the organisation, CRM will help to identify the most profitable customers, retain them and encourage better usage of the organisation`s products and services, whilst trading them up to more prestigious and expensive items over time (Read, 2009:28).

- ***Managing and constantly reviewing relationships with customers***

CRM involves managing the customer experience, and organisations must, therefore, understand their customers' needs and purchase behaviour and effectively manage each customer and every interaction. Management can refer to the identification of prospects, selection and acquisition of relevant prospects, and developing the relationship with a customer as some of the CRM's benefits. To manage customer relationships effectively, the linkage between marketing, communication and CRM must be strong. CRM facilitates relationships amongst the organisation, customers, organisation suppliers and employees (Baran, Galka and Strunk, 2008:08).

2.2.2 Implications of the CRM definitions

CRM is not the creation of any particular team within the organisation, and it is not a responsibility of any particular division or department, nor does it only belong to the sales and marketing areas of the organisation. It must always be regarded as a way of doing business that affects all areas within the organisation. It must not be passed from one area of the organization to another, because if this happens then customer relations will suffer.

If properly implemented in the organisation, CRM can change customer relationships within the organisation and increase its revenue. It is not merely about managing customers and monitoring their behaviours (Dychè, 2002:4).

2.3 Relationship between Customer Relationship Management (CRM) and Relationship Marketing (RM)

Leonard Berry introduced Relationship Marketing literature in the early 1980s, which is the origin of CRM. As a concept, Relationship Marketing is defined as attracting, sustaining and improving business relationships with customers (Moustafa and Mohamed, 2010: 844).

The terms Customer Relationship Management and Relationship Marketing are sometimes used interchangeably, but Customer Relationship Management should be considered as the realistic implementation of Relationship Marketing (Gummesson, 2003:3). Relationship Marketing helps to describe the thinking and direction to customer retention which normally occurs at top management level, or as a result of the relationship network and interactions, which are developed by organizations (Gummesson, 2003: 3).

Relationships with stakeholders can be managed strategically by using the Relationship Marketing philosophy as it is considered to have a strong focus on customer retention. Conversely, Customer Relationship Management can be used to deliver and highlight customer value by focusing on selections of target customers and by utilizing information technologies and data warehousing (Baran, Galka and Strunk, 2008:36).

The focus of RM is on strategically managing relationships with customers, specifically customer retention. CRM focuses on how to identify and select target customers and the use of information technologies and data warehousing in order to deliver and extract customer value.

2.3.1 Customer Relationship Management (CRM) philosophy

CRM is not merely a software application; it is also about the beliefs in terms of how a company should work in order to be able to build long lasting customer relationships. It is also considered to be a complete strategy as it outlines the process in which targeted customers can be acquired, retained and partnered with in order to create greater value for the organization and its customers. The effective management of customer relationships can be achieved through Customer

Relationship Management, which has evolved from business processes such as Relationship Marketing over the years (Blery, 2006:117).

Berndt, Herbst and Roux (2004:35) suggest a particular approach to CRM in the form of a customer relationship management model, which is depicted in Figure 2.1 below.

Figure 1: CRM model

STEP 1: IDENTIFY		STEP 2: DIFFERENTIATE	
Activity	Steps to consider	Activity	Steps to consider
Collect additional customer information	Drip-irrigation dialogue	Identify top customer-segmentation; rank customers in classifications	Database mining Management Information Systems (MIS) Adapting marketing and process activities according to ranking of clients
Verify/update customer information	Competitions; letters to customers; use of interaction opportunities	Determine, which customers are not cost effective	Accounts not used to service fees being too low for transaction volume
Expand existing database	Outside service; alliances with complementary companies	Identify new potential customers; customer lifecycle; complementary products	Add to sales action plans and to database for promotions and new product launches
STEP 3: INTERACT		STEP 4: CUSTOMISE	
Activity	Steps to consider	Activity	Steps to consider
Build relationships	Phone top customers- not to sell just to build relationships	Customise paperwork	Use regional and subject-specific catalogues
Client service project	Phone company and test employees` knowledge and service levels	Personalise mail	Use customer information and detail to determine promotion details
Call Centre	Recordings at Call Centre and productivity tests	Find out what your customers want	Invite customers to focus groups
Process trail	Seek to eliminate steps reduce cycle times to speed up response times	Ask top customers what can be done differently	Respond to suggestions
Improve complaint handling	Banking code; market complaint handling	Involve top management in customer relations	Customer relations are a culture

Technology to make doing business easier	Personalised messages on statements; call vulnerable customers		
--	--	--	--

Source: (Berndt, Herbst and Roux, 2004:35)

The Customer Relationship Management model in Figure 1 above illustrates that the model can be used to reach individual customers (segment of one) for whom customisation of a product and service can be developed. The model also shows four key steps that are critical to the successful implementation of a relationship marketing programme.

Step 1: Identify your customer

Any information that organisations can use to distinguish one customer from another is known as customer information. This information can be used in CRM by organisations to separate customers, track their transactions, and interactions with the organisation and, where necessary, customer information can be used to contract customers individually. Customer information includes, but is not limited to, name, rank, address, and telephone numbers, which should be kept safe on a database system within the organization and, which should be continually updated with accurate and relevant information to ensure that value is obtained (Brink and Berndt, 2004:34).

The database helps organisations to effectively analyse and determine the needs of their customers; it also helps to identify any changes in customer needs. Customisation of products and services can be achieved owing to database analysis and interpretation, and this is a positive contribution towards improving customer service, thereby delighting customers (Berndt, Herbst and Roux, 2004:34).

Step 2: Differentiate the customer

In order for organizations to set a stage in terms of how they behave towards individual customers, they should be aware of what makes each customer unique, and this can be achieved by customer differentiation, which will make it possible to treat different customers accordingly (Berndt *et al.*, 2004:36).

Most organizations prioritize their efforts and they allocate more of their resources to their valuable customers to ensure that those customers continue to be loyal and grow in value. This is done to allow organizations to cater for specific customer needs in order to create good customer relationships, and to improve customer loyalty. Organisations always compare what customers want from them to what they are worth, and the reason for doing this is that customers have different values to that of the organization, while they also need different things from the organization (Berndt *et al.*, 2004:36).

Step 3: Interacting with the customer

Interaction with customers requires active participation and involvement from both the organisation and the customer. In most cases the interaction is the first or the only one that the customer is able to have or is aware of, and this has a direct impact on the customer whose awareness of the interaction is a critical component of the process (Barndt *et al.*, 2004:36).

Berndt *et al.* (2004:36) further state that there are a number of reasons why organizations require interactions with the customer, and some of those reasons are:

- Strategic value- The customer`s growth potential will only be known to the organization if there is an interaction with the customer. The interaction with the customer will give the organization an opportunity to learn and know about the growth potential of the customer.
- Customer satisfaction and complaint discovery provide opportunities for feedback to the organization, while feedback can be used as a way of obtaining information on customer needs, and it will also help the organization to improve their service and /or product offerings.
- Maintenance of the learning relationship can be achieved through regular interactions; the interactions will provide an organization with opportunities to understand the customer and their changing needs.

Step 4: Customizing the product or service

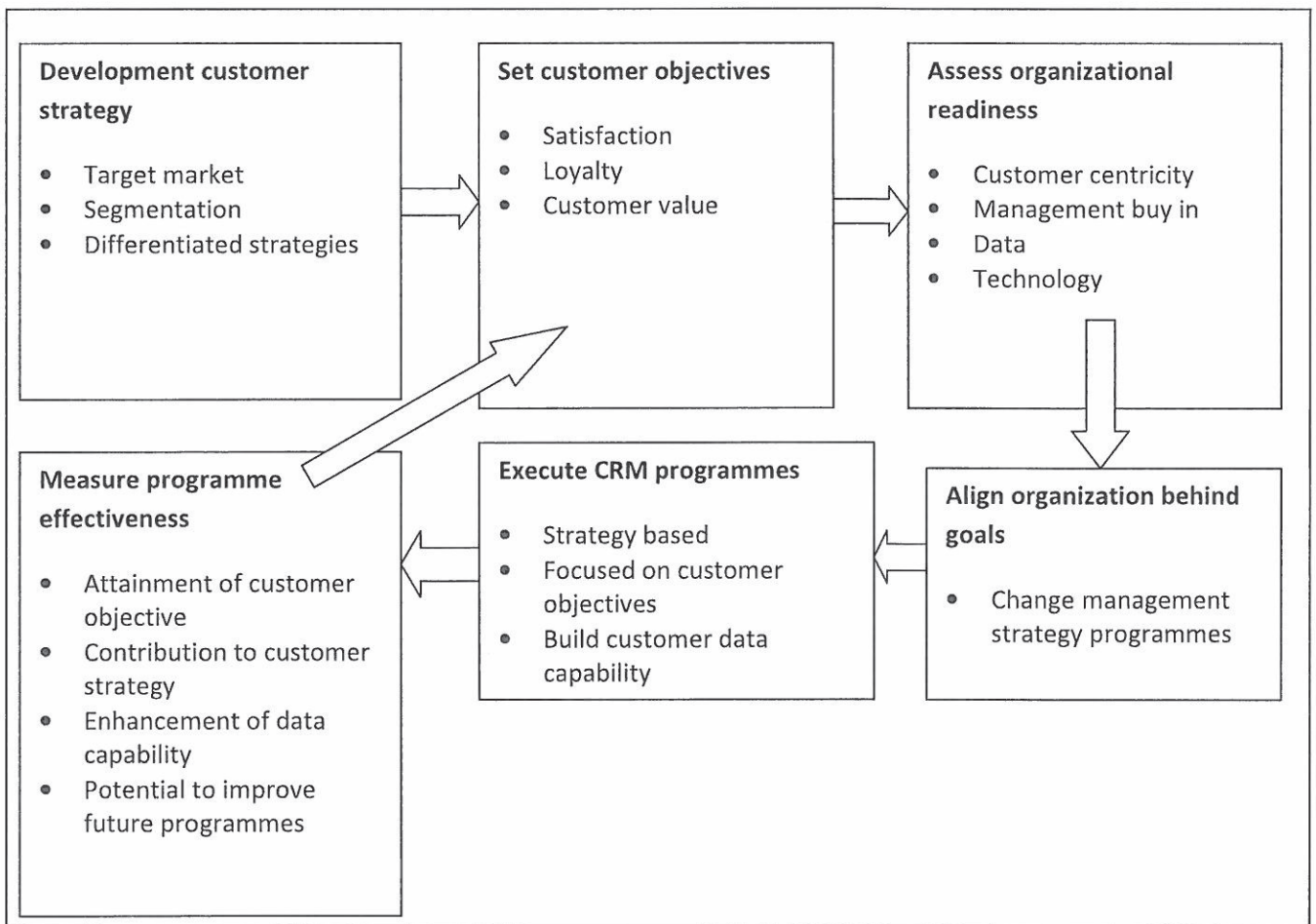
When products or services are developed with a segment or an individual customer in mind, it is known as customization. Customization is done by developing a unique

product, which is aimed at satisfying the unique need of a customer. Customization does not only apply to product or service, because it can also apply to communication. It is about providing a customer with a product or service that is specifically tailored to individual customer needs (Brink and Berndt, 2008:36).

Ahamadi, Osmani, Ibrahim and Nilashi (2012: 1) use the process model approach to CRM. Here the starting point is the development of customer strategy, which is used to define the target market. The model also illustrates the representation of the CRM process requirements to achieve CRM objectives (Ahmadi *et al.*, 2012: 3).

Figure 2 below presents the CRM process model, which illustrates that the model begins with the development of customer strategy.

Figure 2: CRM process model



Source: (Ahamadi, Osmani, Ibrahim and Nilashi (2012: 3))

In terms of the CRM process model, the following stages are followed, which begins with a strategy that is developed for customers (Ahmadi *et al.*, 2012: 3):

Stage 1: Strategies for different customer segments are developed based on each segment's profitability;

Stage 2: Customer objectives are set so that customer satisfaction, customer loyalty and customer value can be achieved;

Stage 3: Organisational readiness is assessed by turning the organisation's focus towards customers rather than products; this requires the assurance of commitment from top management and their support and, most importantly, successful implementation of a CRM system;

Stage 4: Accomplish an alignment of the organisation behind the organisational CRM goals that require a wider organisational program to manage change. This may include the organisational fundamental process in the organisational culture;

Stage5: The execution of the CRM programs with focus on the implementation of separate strategies for each customer segment by using specific programs for each customer segment; and

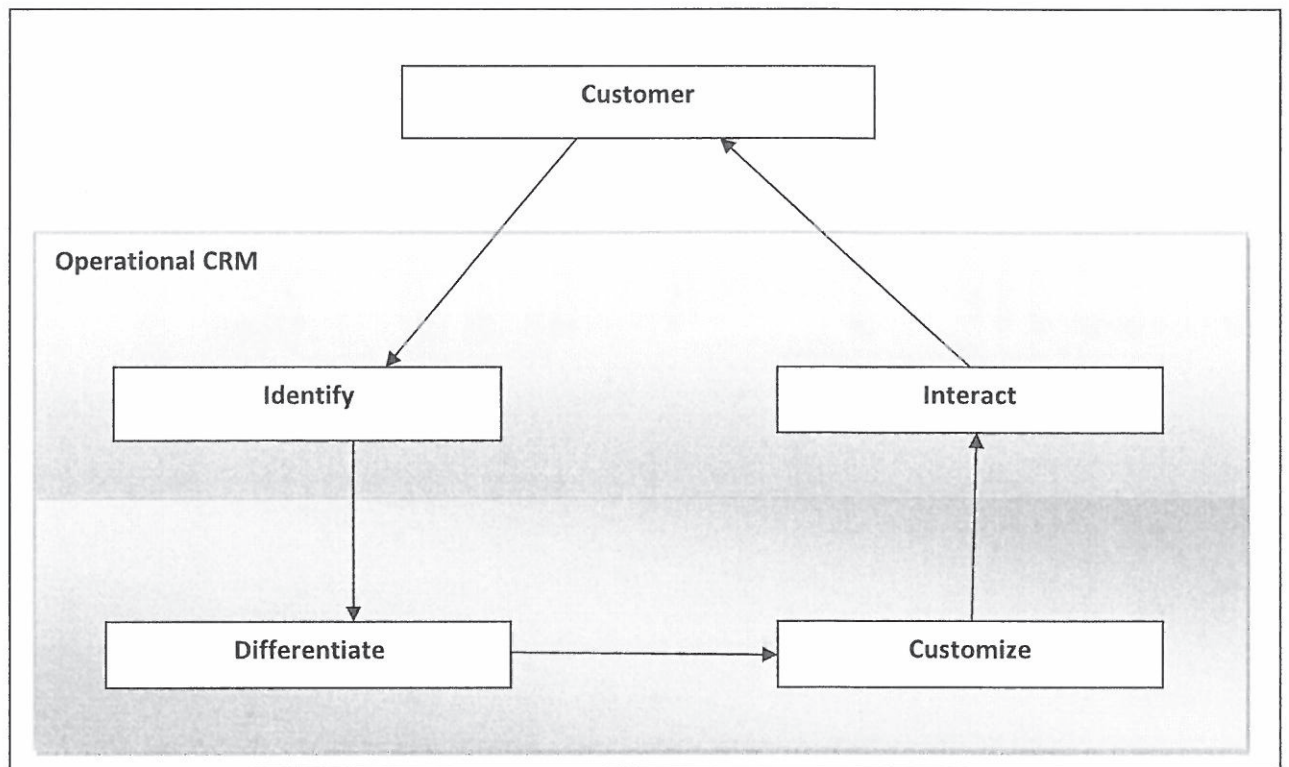
Stage 6: This is the last stage where the effectiveness of the CRM program is measured by developing some metrics, which are meant to measure the attainment of customer objectives by:

- Measuring the total contribution of each program to the overall Customer Relationship Management initiative;
- Measuring the contribution of each program in data capability enhancement for the organisation; and
- Measuring the potential to improve future programs.

There can be an improvement and enhancement in the CRM process model, which will help to provide an improved illustration and representation of the CRM process requirements (Ahmadi *et al.*, 2012: 3).

Peppers and Rogers (2001:15) recommend the IDIC (Identify, Differentiate, Customize and Interact) CRM model, which is depicted in Figure.3 below.

Figure 3: IDIC CRM process model



Source: (Ahmadi *et al.*, 2012: 4)

Ahmadi *et al.* (2012:4) argue that the IDC model has four (4) stages, Identify, Differentiate, Customize and Interact. Customer analysis is the basis of the Customise and Differentiate stages. Interactions with the customer form part of the Interact and Identify stages.

Stage 1: Identify

At the identify stage the collected and applicable data is linked to individual customers. This stage is about knowing the needs of customers, their interactions and what they desire, what they prefer, their values, their problems and their complaints. Knowing and understanding customer needs is useful input for the discussion and decision on how best to serve customers so that their needs and preferences are satisfied.

Stage 2: Differentiation

Identification of different customer needs is considered to be the main issue with differentiation. This is the reason why organisations have different types of customers when it comes to segmentations, and the IDC model will assist the organisation to identify customers' needs at different levels and segments.

Stage 3: Customization

It is important for organisations to know the needs of customers before they can customise their service. The IDIC model can be used by organisations to customise services for different types of customers, which is ultimately based on customer segmentation.

Stage 4: Interaction

This stage is where customers interact with the organisation with regard to products and services that the organization offers.

The IDIC model explains how an organisation can predict customer interactions with them by using the knowledge based system; this is the most essential part of any organisation's business processes. The model also explains that it is possible for any organisation to manage and improve its customer interactions conveniently and effectively (Ahmadi *et al.*, 2012: 5).

To provide more clarity on CRM models, various CRM models are presented in Figure 4 below.

Figure 4: CRM models and their structures

Authors	Structure of CRM model
"PHS Management Transition" (<i>PHS Associates LTD subdivision</i>) (2007)	CRM model consists of the following four components: <ul style="list-style-type: none">• Identification of customers• Ways of making contact• Internal information• External information
Winer (2001)	CRM process in respect of marketing is divided into the following elements: <ul style="list-style-type: none">• Creation of customer` data base• Analysis of data base• Analysis of and decisions for choosing

	<p>customers (segmentation)</p> <ul style="list-style-type: none"> • Choice of customers • Making contact with selected customers • Results • Measuring of CRM program success
Reichheld (1996)	CRM model involves the following elements: Strategy, process, competence, culture, organisation, measurement methods and information technologies.
Carry and Kholou (2004)	CRM stages: Strategy, implementation (implantation), system of measurements, plans of an enterprise, technologies.
Atos (2007)	CRM cycle process consists of: <ul style="list-style-type: none"> • Planning process (strategies, visions, setting of goals) • Process of communication with customers • Process of information collection • Analysis of collected information
Wilson (1995), Evans & Laskin (1994): Parvatiyar, Sheth (2001)	CRM model involves four stages of the process, consisting of four subsystems: <ul style="list-style-type: none"> • Process of customer relationship formation • Process of relationship administration and management • Relative process of activity evaluation • Process of CRM evaluation or improvement
Lindgreen (2004)	CRM model involves the following main elements: <u>E</u> valuation of a situation, analysis, strategy formulation and implementation

Source: Urbanskiene, Zostautiene and Chreptaviciene (2008: 54)

It can be seen from Figure 4 that some authors differentiate between comparable CRM models based on stages of the implementation process, and each contributes important elements based on their opinions (Urbanskiene *et al.*, 2008: 3).

2.3.2 Relationship Marketing (RM)

The concept of Relationship Marketing gained popularity during the 1990s, and one of the important things to note about this concept is that it is based on interactions with relationships and networks, and it is considered to be the broader overriding concept when it comes to customer relationships (Gummesson, 2003:3). It should be noted that long term relationships with stakeholders of the organisation can be established and managed through Relationship Marketing. (Roberts-Lombard, 2009:227).

In Relationship Marketing customer loyalty is regarded as important. Prospects are placed low on the ladder of loyalty, as chances of turning them into customers and first purchase are slim. Loyalty results in repeat customers who return to organisations for repeat business, which is good for the organisation. Repeat clients become supporters after a while, and eventually advocates of the business (Gummesson, 2003:17).

In order to identify individual customers for the organisation, long lasting customer relationships should be created to ensure that those relationships are managed to the benefit of the organization. Hence, customers, organisations can depend on Relationship Marketing to utilize a number of sales, communication, marketing, service and customer care approaches to achieve all of this (Stone Woodcock and Machtynger,2000:02).

To ensure that the objectives of all stakeholders of the organisation are realised, relationship marketing can be used for the management of customer relationships, which include the identification, establishment, maintenance and termination of those relationships at a profit, should the need to do so arise.

2.4 Benefits of Customer Relationship Management

Through CRM, life insurance companies can leverage existing information from their own databases to retain customers and to do cross-selling on new products and services to their existing customers. If successfully implemented, CRM can help life insurance companies to improve customer relationships, achieve customer loyalty, and increase revenue and reduce costs. It has a huge effect on the organisation`s bottom-line performance (Blery, 2006:118).

The benefits of implementing CRM systems are commonly found in one of the following areas (Swift, 2001:24), which are described below.

2.4.1 Lower customer recruitment costs for the organisation: If the CRM system is successfully implemented, the organisation will spend less on their marketing, mailing and other services that are linked to the acquisition of new customers, which will result in savings for the organisation.

- 2.4.2 CRM will make long term customer relationships easy to manage, and these relationships will be profitable for the organisation, as there will be no need to spend lots of money on initiatives, which are aimed at recruiting many customers to ensure that a steady volume of business is preserved.
- 2.4.3 Lower cost of sales: With most of the focus being on existing customers, the organisation will have no reason to spend a huge amount of money on marketing and sales campaigns. As existing customers who have long term relationships with the organisation they will have a better understanding of knowledge channels and distributions, which will be of mutual benefit to both the customer and the organisation.
- 2.4.4 Customer profitability will increase: Customer profitability will be higher, since the customer wallet-share increases; there are increases in up-selling, cross-selling and follow-up sales, and more referrals that come with higher customer satisfaction among existing customers.
- 2.4.5 Customer loyalty and retention will improve: Customer retention increases, since customers stay longer, buy more, and buy more frequently. The customer also often takes initiatives, which increase the bounding relationship, and hence customer loyalty also increases.
- 2.4.6 Profitability of each customer can be evaluated: A firm will get to know, which customers are profitable, the one who may never become profitable, and the ones that might be profitable in the future. This is 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, they should retain them.

CRM applications can be useful for organisations as they are able to deliver folders of customer data at a smaller cost than old network technologies. Customer knowledge can be accumulated, stored, maintained and distributed by using the CRM system (Chen and Popovich, 2003:598).

With CRM a company can easily identify customers that have been dumped by other companies owing to unprofitability. In cases where CRM is implemented properly by organisations, it can use repeat purchases, amount spent, and longevity to assist them to evaluate customer profitability and loyalty (Bull, 2003:189).

Implementing CRM strategies encourages customers to stay loyal to the organization, which can lead to repeat purchases and effective communication between the company and the customer, and this improves the customer's total lifetime value and the true economic worth of the business (Greenberg, 2004).

Techniques such as data mining and customer centric strategies can help organisations to consistently offer and sell more products and services in a proactive manner, whilst improving customer loyalty and retention. This is about maximising "lifetime customer share", which results in customer retention and customer profitability, and involves knowing more about each customer of the company through data analysis (Peppers and Rogers, 1999).

"A study, which was conducted at a European bank, revealed that with CRM, the bank was able to focus on profitable customers through efficient segmentation, according to individual customer behaviour. Information about who buys what and for how much enabled the bank to have a commercial approach based on the client and not solely on the product. CRM helped the bank to better satisfy and retain its customers" (Blery, 2006:117).

2.5 Successes of Customer Relationship Management

The selection of the CRM project team will determine the success or failure of the project; other critical factors to consider are how the CRM systems are integrated, and how the suitable CRM software packages are selected. In order for the CRM system to leverage marketing and sales efforts, it should be designed based on the detailed understanding of CRM processes. If an organisation implements CRM successfully, it will be able to reap the benefits such as profitability, improved customer loyalty and retention (Blery, 2006:118).

If CRM is successfully implemented, the organisation can enjoy the following advantages (Raab, Ajami, Gargeya and Goddard, 2008: 8):

- A satisfied customer who will bring in at least three more customers;
- Improvement in reliability and customer satisfaction in the organization will positively impact on repeat sales and profitability;
- As regular customers are used to the organization, they will be less sensitive to prices compared to new customers;

- If the organization has loyal customers and good customer relationships, they can charge their products and services more than their competitors;
- Costs associated with marketing and sales initiatives to recruit and maintain relationships with customers will reduce; and
- The rate at which customers leave the company will decline and company profitability will increase.

The success potential of Customer Relationship Management is something that most progressive companies have recognised; they made conscious decisions to include it in their strategies, as they feel that it will give them competitive advantage (Raab *et al.*, 2008: 8).

It is important for organisations to include a broad, cross functional collaboration in their business first if they want to achieve success in implementing Customer Relationship Management systems. In order to positively influence sales and marketing initiatives, a full understanding of CRM processes is essential when designing CRM systems (Blery, 2006:122). Organisations must focus their efforts on learning how to understand the knowledge that is required to retain, grow and satisfy their customers (Raab *et al.*, 2008: 118)

2.6 Challenges of Customer Relationship Management

Blery (2006:118) states that organisations should place CRM at their heart at all times, and that they should adopt a holistic approach because it reaches most areas of the business. It must exist in all contact management systems of the business and not only in those that are in front offices. A lack or limitation in resources to develop CRM software is regarded as one of the main reasons by organisations to outsource some parts of their CRM solutions, and it is because of this that managers struggle to have a full understanding of CRM, hence the IT department will be seriously challenged in terms of research and development for appropriate software solutions.

Most service firms do not make serious customer retention efforts, but they devote a high percentage of their resources to attracting new ones (Payne, 1995:93).

For the implementation of CRM to be successful, it is important to ensure that a vision of the project is well defined and understood by everyone who is involved in the project (Blery, 2006:118). The strategic direction for the project must be clear in

order for the CRM implementation to be successful. Research studies indicate that the following challenges are some of the reasons for the failure of the successful implementation of CRM (Raab *et al.*, 2008: 118):

- Insufficient or no top level executive buy in and poor implementation of change management programmes;
- Failure to clearly define and understand customer vision;
- No effort placed on unpacking and understanding the value that customers bring or add to the organisation;
- No collaboration between stakeholder teams at planning and implementation stages;
- Limited understanding of CRM and its full benefits;
- Incorrect planning and poor budgeting for implementation; and
- Limited or no understanding of data mining and how to integrate it.

Poor or no implementation of change management programmes and no complete buy in from top executives are known as the most common reasons for CRM implementation problems. They can be seen as root causes of trouble, with the symptoms appearing as increased length of the implementation effort, missed milestones, and fewer realised benefits (Raab *et al.*, 2008:118).

2.7 Customer Relationship Management at Metropolitan

As part of Metropolitan's strategies to obtain customer service feedback, retaining customers (including angry or unsatisfied), and continually updating policies and services to meet customers' needs, monthly customer surveys are conducted amongst all customers who engaged with customer service agents who work at both the Customer Service Offices (CSO's) and the Call Centre (CC).

"To develop genuine customer relationships is a primary, controllable means of service that companies use to enlarge customers' zone of tolerance. Customer relationships provide companies with a 'goodwill' or credibility factor that encourages customer tolerance" (Parasuraman, Zeithaml and Berry, 1988:46).

It is not advisable to use the level of customer complaints as the base to estimate the customer satisfaction rate. Organisations should ensure that surveys to measure customer satisfaction are done on a regular basis. It is said that only 5% of

customers complain when they are unhappy with a product or service, while the rest merely leave without saying anything (Kotler, 2000:442).

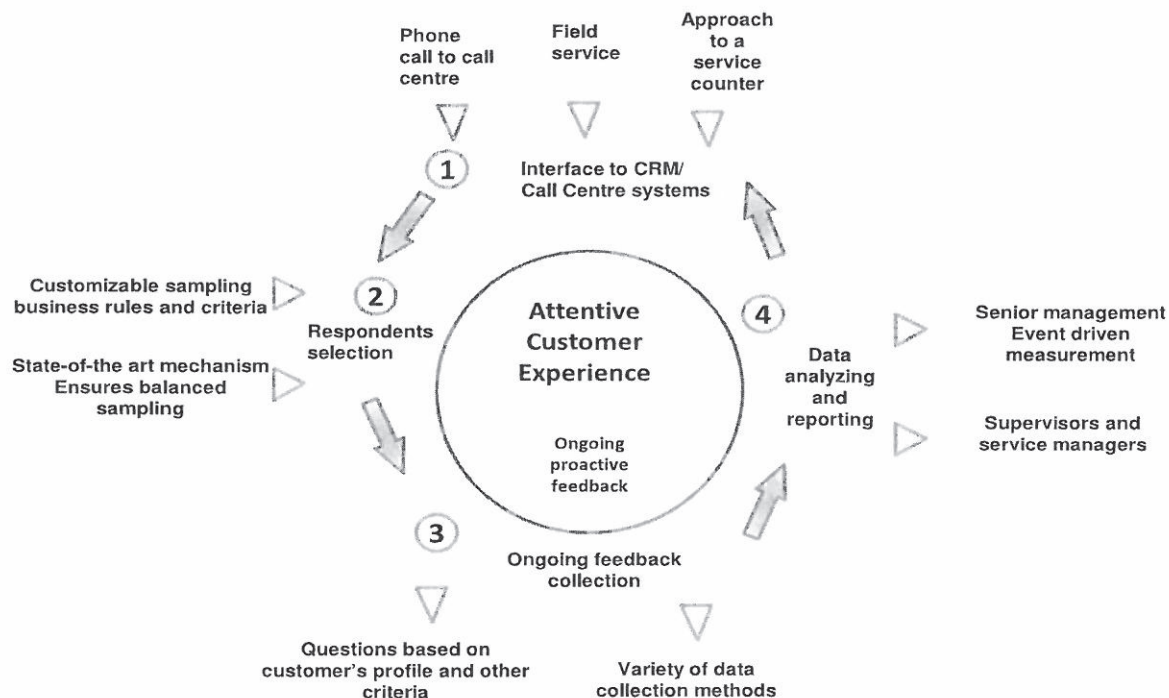
Like all organizations, which aim for success, Metropolitan has established processes and systems for customers to be able to provide them with customer service feedback. With the feedback collected from their customers, Metropolitan is able to better understand their customers, and to implement necessary changes to improve customer service, customer loyalty and retention.

In order to collect, analyse and manage customer feedback, Metropolitan uses a system called Attentive ACE, which was developed by a company called RANSYS. Attentive ACE helps Metropolitan to improve the way that they design and manage customer relationships.

According to RANSYS, “Attentive ACE is designed to allow system integration with any legacy IS (Information System) to enable connecting the ‘soft’ data collected through feedback with ‘hard’ operational data. Connectivity with BI (Business Intelligence) tools increases the decision-makers’ capabilities to accurately analyse the collected data, while ad-hoc in-depth surveying is provisioned as well” (<http://www.ransys.com/products/attentive-ace.html>).

The missing link in CRM is “R” (Relationships), which can be provided by Attentive ACE to complete the CRM loop by bringing relationships together in a company such as Metropolitan. Synergizing CRM with Attentive ACE can provide ongoing customer feedback monitoring in companies, which is an ability that has so far been a challenge to most South African Life Insurance companies. According to RANSYS, implementing Attentive ACE in the call centre and branch environment will provide the realization of new opportunities for a dialogue between the customer and the organization. With Attentive ACE, customer experience can be enhanced by transforming their feedback into an actionable daily management tool for line managers and executives who make decisions

Diagram 1: Attentive ACE Workflow



Source: <http://www.ransys.com/products/attentive-ace.html>.

As a tool, ACE is included in the customer service model to ensure that customer service feedback is received monthly by surveying a representative sample of customers who had interactions with Customer Service Offices and Call Centres at Metropolitan. In terms of the surveys, three (3) customers per month per customer service consultant are randomly selected for a survey. A total of 3 customers are randomly selected from the total number of customers who were serviced by each customer service consultant in that particular month, and are then surveyed.

The random selection is done from amongst all customers who interacted with each customer service consultant, and the feedback is analysed monthly as part of the Management Information System, with relevant actions such as improvement of processes, drafting of process and revising them. The customer satisfaction survey provides Metropolitan management with feedback on how customers experience their interactions with the organisation, while it also provides Metropolitan

management with opportunities to attend to quality issues that are highlighted in the feedback, as this is critical in order to increase customer retention and improve market results and profitability (Payne, 1995:199).

2.8 History of Metropolitan

Metropolitan has been in existence for more than a century. The company grew from merely selling funeral policies to one of the country's major financial service companies, focusing on lower and middle income markets in South Africa, as well as a number of countries in Africa as a diversified operation with an integrated range of offerings across the spectrum.

Metropolitan was formed in 1979, when it was known as African Homes Trust. Sanlam, the then parent company, took a decision to merge Homes Trust with Metropolitan Life, which was one of its subsidiaries at the time, and the rationale behind the merger was to rationalize Sanlam's insurance interests. The merger resulted in the creation of Metropolitan Homes Trust Life. After the merger the new company had assets worth over R 250 million, while its annual income was R75 million and it had 4 million customers.

“Metropolitan is a well-established, authentically African-based business. It provides inspirational individuals and those who represent them - with customised financial service packages that protect and enhance their assets. The profile of Metropolitan's shareholders, customers and staff share ownership are amongst the most representative in the financial services sector in South Africa. Looking forward, Metropolitan is constantly researching and refining its product range to achieve enhanced value for its customers”

<http://www.metropolitan.co.za/index.php/metropolitan-holder/about-us/overview/company-history.html>.

Presently, Metropolitan says that it is placing emphasis on designing appropriate products for people who have previously not been able to participate in long-term savings. The mission for Metropolitan is “to serve Africa's people through affordable financial solutions that create financial growth and security” (<http://www.metropolitan.co.za/index.php/metropolitan-holder/about-us/overview/company-history.html>).

2.9 Summary

The chapter explained key concepts that are related to CRM and RM, whilst it provided definitions (including generic elements of definitions) of CRM and RM with explanations, and basic differences between the two concepts. It also presented the CRM Model, and outlined the benefits of CRM, as well as its successes and challenges.

The chapter also briefly described the CRM and customer service model adopted by Metropolitan, together with the process, which is followed to conduct customer satisfaction surveys for CRM data collection purposes.

The research methodology and research design are dealt with in Chapter Three, which follows.

CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction

The previous chapter discussed definitions of CRM, generic elements of the definition of CRM, and the importance of thoroughly understanding the need for appropriate CRM models for organisations.

This chapter considers the research design that was followed in order to achieve the research objectives, and it also explains the sampling method that was chosen, including size and technique, data collection, benefits, disadvantages and advantages of the chosen research tool, data analysis and data interpretation.

3.2 Research methodology

The framework that helps to outline the methods and procedures that are followed by the researcher to collect and analyse data collected during the research, is known as the research methodology, and the research design must be developed once the research problem has been formulated (Zikmund, 2003:65).

The research questions and purpose of the study normally influence the choice of the method and questions (Obemg and Loria, 2006: 35).

The research approach that was used for this study is quantitative in nature, and assumed the form of a survey questionnaire. Zikmund (2003:111) argues that the purpose of this type of research approach is to determine the extent of some phenomenon in terms of numbers. In total, 905 Metropolitan customers from the 10 selected customer service offices listed in Chapter One under 1.7.2, which are in different provinces in South Africa, were surveyed for this study.

3.3 Research design

Research design is described by Leedy (1997:204) as a logical process, which is followed when research data is collected and analysed to ensure full understanding of the phenomenon (Leedy, 1997:204). According to Zikmund (2003:65), research design is a main plan that provides specific details about the methods and procedures that are followed when collecting and analysing data that was collected for the research.

The following are criteria that were selected for the chosen quantitative research approach.

3.3.1 Research population

According to Leedy (1997:204), it is important for the researcher to decide whether to study the entire population or whether to study only a sample that is drawn from the population. Wright and Crimp (2000:320) state that for the entire population to be studied, the expectation is that a wide diversity of opinion, which reflects different sizes of organisations, will be gathered. They further state that the aim is to explore in detail, and to obtain a statistically reliable picture of a wide range of views, or depth of insight into highly technical matters.

Each of the 10 selected customer service offices was given a target of ten (10) customers per day; the survey period was from 31/07/2013 to 09/08/2013. Each customer service consultant was advised to obtain customer consent before they began with the surveys, and to only assist customers who were prepared and able to participate in the survey.

3.2.2 Questionnaire administration

All the questionnaires, which were used for the surveys were sent electronically to Customer Service offices at Metropolitan (selected for this study) in the form of a hyper link via email. The link made it possible for customer service consultants to request customers to complete surveys online, and for the results to be accessed daily via the Attentive ACE software tool. Covering letters, which explained the research and the process that was followed for the survey, were forwarded electronically (via email). Customers were randomly selected and asked to complete questionnaires when they visited Metropolitan customer service offices; this was done with the assistance of customer service consultants, using guides and covering letters, which were designed for this study.

3.3.3 Sampling

Leedy (1997:204) points out that the sample should be chosen carefully to allow the researcher to easily see all the characteristics of the total population. For the purpose of this study, the simple random sampling method was chosen, as it was regarded as the most appropriate, and is generally used when selecting customers to participate in surveys. In terms of customers who participated in the survey study's, a total of 905 Metropolitan customers were approached after being randomly chosen when they visited the 10 selected Metropolitan customer service offices. Of the 905 customers who were approached, 856 agreed to participate in the research, and 46 of them (905-859) were not prepared to participate in the survey.

Table 1: Survey participants per office

Customer Service Office	Participants	Percentage
Port Elizabeth	23	2.54%
Mthatha	61	6.74%
East London	67	7.40%
Pretoria	78	8.62%
Durban	213	23.54%
Johannesburg	70	7.73%
Bellville	47	5.19%
Rustenburg	100	11.05%
Polokwane	50	5.52%
Bloemfontein	150	16.57%
Skipped	46	5.08%
Respondents	859	94.92%
Total number of customers approached	905	100.00%

Table 3.1 above indicates that a majority of the respondents were from Durban, namely with 23.54% (213/859), followed by Bloemfontein, with 16.57% (150/859). Port Elizabeth had the lowest number of participants at 2.54% (23/859).

3.3.4 Research instrument

The self-administered survey questionnaire was chosen as the primary instrument for this study, as it allowed each customer service office in the chosen cities and towns to easily participate in the research.

The above method made it possible to obtain views from a majority of customers from almost all parts of the country in different cities and provinces within South

Africa. This also provided an opportunity for awareness within the customer service offices, as some of the customer service employees were asked to assist with the surveys.

The instrument was pre-tested in a pilot study, using 3 customer service consultants at one of the Metropolitan customer service offices, which is situated in Bellville Parc Du Cap campus. The instrument was tested for reliability and validity during the pilot study. The reliability test tested internal consistency reliability; in terms of this test, the same thing was measured more than once with the aim of obtaining the same outcome every time, as recommended by the researcher.

According to Leedy (1997:32), validity refers to the trustworthiness of results from an assessment tool. Leedy (1997:32) also states that researchers should be able to establish how well, how comprehensively, and how accurately the instrument measures what it is intended to measure. A pilot study can assist to evaluate the content, validity, and construct of the questionnaire. Depending on the results of the pilot study, the questions might have to be revised for accuracy and relevance to ensure that the inferences that are drawn from the research design are valid (Leedy, 1997: 32).

The survey period comprised 8 working days, which began on the 31/07/2013 to the 09/08/2013, taking into account the following:

- Length of questionnaire : Each questionnaire took approximately 15 minutes to complete; and
- Responses received: The expected responses from the survey involved 856 participants, and all the completed surveys were collated by using the Attentive ACE software tool in a central place at the Metropolitan Head Office, which is situated in Bellville, Cape Town.

According to the World Health Organisation (Geneva, 1980, WHO Offer Publication No. 50), the following are advantages and disadvantages of the self-administered surveys, and they were taken into account when drafting survey questions for this study.

3.3.4.1 Advantages of the quantitative research instrument

- Compared to interviews, questionnaires are less expensive. This method can be used for a research population of more than 20 000, and still be less expensive than interviews.
- The acceptance rates of this method are above 95% in most parts of the world.
- The processing of collected data is easy as there are lots of efficient data processing technologies for data that was collected by using this method.
- Training for data processing and analysis can be completed in a short period of time and it is relatively easy and cheap.
- The possibilities of having errors owing to biasness are greatly reduced, as this method does not depend on an interviewer for the completion of the research questionnaire.
- Anonymity owing to the absence of an interview, especially when it comes to confidential and sensitive questions (<http://www.mktgresearch.com/4eWebsite>).

3.3.4.2 Disadvantages of the quantitative research instrument

- Survey feedback received from a large number of participants, for example, more than 2500 require relevant technical skills, a large number of personnel, and correct equipment for capturing, analysis and interpretation of the data. Feedback from the surveys must be captured into a computer with special software, and the output must be reported in a manner, which can be easily interpreted. The above might not always be possible, especially for developing countries.
- The survey questions must always be designed in such a way that they are easy to understand, which is not always possible to achieve. There is no interviewer to provide clarity and/or more information, should participants require this.
- If simple language is not used, participants might provide ambiguous answers which cannot be clarified (<http://www.mktgresearch.com/4eWebsite>).

To measure feedback from the respondents, a three point scale with provision for columns next to each question in the questionnaire was provided for participants to tick:

Agree		Disagree		Not sure	
-------	--	----------	--	----------	--

A copy of the questionnaire is included as Annexure C of this document.

3.3.5 Data collection

A number of techniques can be used to gather primary data for any research. The techniques include personal interviews, self-administered surveys, postal surveys, telephone surveys, and observations (Roberts-Lombard, 2006:31).

Self-administered surveys were used for data collection in this research. This process was administered by Metropolitan customer service consultants, and was coordinated by customer service managers.

The population for the research consisted of 905 Metropolitan customers who were approached when they visited customer service offices at Metropolitan in the following towns and cities within South Africa:

- Johannesburg;
- Pretoria;
- Durban;
- Bellville;
- Bloemfontein;
- Polokwane;
- East London;
- Mthatha;
- Rustenburg; and
- Port Elizabeth.

Table 2 Overall response rate

Answer	Respondents	Answers
Yes	859	94.92%
No	46	5.08%
Skipped	0	0.00%
Total number of respondents	905	100.00%

The target for the research was to interview 1000 customers within a period of 8 days. A total of 859 customers completed the survey, which represents 94.92% of the 905 customers who were approached, while 46 (5.08%) of the 905 customers who were approached were not prepared to participate in the survey.

3.3.6 Data analysis and interpretation

Data analysis can be described as the process of transforming raw data into a form that can be easily understood and interpreted for the research. According to Leedy (1997:204), the first step in data analysis is to describe responses or observations.

The collected data was analysed quantitatively by using a special data analysis software tool, namely Attentive ACE, with assistance from the Metropolitan Marketing Department. The analysis helped to convert the data from the survey into meaningful information for analysis. Zikmund (2003:453) states that the process of analyzing data can only begin once data has been successfully collected. Several interrelated procedures are performed during the data analysis stage to summarise and rearrange the data. The important parts of data analysis for this research were editing, coding and processing of data that was collected.

An analysis of the collected data was conducted based on the 859 completed surveys by respondents. The results indicate that 905 customers were approached, while 46 were not prepared to participate in the research. It should also be noted that the results indicate that participation in the survey was voluntary, which helped to provide reliable data, as questionnaires were completed by the intended respondents. The study used tables to analyse and interpret the data, which was collected from the surveys.

Table 3 Ages of participants

Answer	Respondents	Answers
21- 23 years	5	0.55%
24 – 27 years	26	2.87%
28 – 31 years	64	7.07%
32 – 36 years	96	10.61%
37- 41 years	94	10.39%
42- 47 years	170	18.78%
48 – 52 years	118	13.04%
52 – 56 years	105	11.60%
56- 62 years	125	13.81%

63 – 65 years	31	3.43%
Older than 65 years	25	2.76%
Skipped	46	5.08%
Total number of respondents	905	100.00%

Table 3.3 indicates that 18.78% of the respondents were between the ages of 42 and 47 years, followed by 13.81% who were between the ages of 56 and 65 years. The lowest number of respondents was between the ages of 21 and 23 years, which comprised 0.55 % of the total number of respondents. Most respondents were between the ages of 42 and 47 years, which totals 18.78% of the respondents.

Table 4 Gender of participants

Answer	Respondents	Answers
Male	387	42.76%
Female	472	52.15%
Skipped	46	5.09%
Total number of respondents	905	100.00%

Table 3.4 above indicates that 52.15% of the respondents are female and 42.76% are male. This shows that both males and females were almost equally represented, with females being more by 9.39% (85 respondents). The majority of the respondents are female, namely 52.15% this could have influenced the outcome of the results. Females and males could differ when it comes expectations of customer service quality.

Table 5: Marital status

Answer	Respondents	Answers
Married	435	48.07%
Divorced	39	4.31%
Single	337	37.24%
Other	48	5.30%
Skipped	46	5.08%
Total number of the population	905	100.00%

Table 3.5 above indicates that married people were the majority of the respondents at 48.07%, followed by single people at 37.24%. Divorced people were the lowest at 4.31%, and other people represented 5.30%. Most of the respondents were married, which is 48.07% of the total number of respondents.

Table 6: Population group

Answer	Respondents	Answers
Asian	1	0.11%
Black	787	86.96%
Coloured	52	5.75%
White	14	1.55%
Indian	5	0.55%
Other	0	0.00%
Skipped	46	5.08%
Total number of the population	905	100.00%

Table 3.6 above indicates that 91.62% of the respondents are Black, followed by Coloured respondents at 6.05%. Whites were third with 1.63%, Indians were fourth with 0.58%, and Asians were last with 0.12%. Of all the population groups that participated in the survey, the majority (91.62%) are Black.

Table 7: Years as a Metropolitan customer

Category	Respondents	Percentage
-1 – 05 years	273	31.78%
06 – 10 years	233	27.12%
11 – 20 years	220	25.61%
21 – 30 years	105	12.22%
31 – 40 years	18	2.10%
41- 50 years	6	0.70%
51- 69 years	4	0.47%
Skipped	46	5.08%
Total number of population	905	100.00%

Table.7 above indicates that 31.78% of the respondents have been with Metropolitan for less than 5 years, followed by 27.12% of respondents who have been with Metropolitan for 6 to 10 years, and 25.61% have been with Metropolitan for 11 to 20 years. Most importantly, 15.48% have been with Metropolitan for more than 20 years, namely between 21 and 69 years. There is a close gap in terms of years as a Metropolitan customer, as 31.78% have been with Metropolitan for between 0 and 5 years 27.12% have been with Metropolitan for between 6 and 10 years, and 25.61% have been with Metropolitan for between 11 and 20 years.

Table 8: The influence of Customer Relationship Management on Customer Loyalty at Metropolitan

Question	Not Sure	Disagree	Agree	Skipped	Total Approached
My relationship with Metropolitan depends on how they treat me during our interactions.	36 3.98%	16 1.77%	807 89.17%	46 5.08%	905
Having more interactions with Metropolitan will make me a more satisfied customer.	28 3.09%	38 4.20%	793 87.62%	46 5.08%	905
Keeping me informed on a regular basis of developments within Metropolitan will make me a more loyal customer.	27 2.98%	32 3.54%	800 88.40%	46 5.08%	905
It is important to me that Metropolitan measures customer satisfaction on an on-going basis.	28 3.09%	30 3.31%	801 88.51%	46 5.08%	905
Metropolitan customer loyalty depends on whether they understand the needs of their customers well.	30 3.31%	24 2.65%	805 88.95%	46 5.08%	905
I am satisfied with my relationship with Metropolitan.	44 4.86%	40 4.42%	775 85.64%	46 5.08%	905
I will remain in a relationship with Metropolitan.	52 5.75%	38 4.20%	769 84.97%	46 5.08%	905
I will do more business with Metropolitan because I have a good relationship with them.	76 8.40%	41 4.53%	742 81.99%	46 5.08%	905

All the questions in Table 3.8 above were designed to test the views of participants regarding the impact of CRM on Customer Loyalty at Metropolitan. The table indicates that a majority of the respondents, namely 86.91% on average, agreed that CRM influences Customer Loyalty at Metropolitan.

Table 9: The existence of Customer Loyalty towards Metropolitan

Question Name	Not Sure	Disagree	Agree	Skipped	Total Approached
I intend to stay in a loyal relationship with Metropolitan.	51 5.64%	31 3.43%	777 85.86%	46 5.08%	905
The relationship between me and Metropolitan is mutually beneficial.	45 4.97%	29 3.20%	785 86.74%	46 5.08%	905
I will definitely purchase long-term insurance products from Metropolitan in future.	127 14.03%	64 7.07%	668 73.81%	46 5.08%	905
I will be concerned if Metropolitan is no longer around.	43 4.75%	36 3.98%	780 86.19%	46 5.08%	905

According to Table 3.9 above, an average of 83.15% of the respondents agreed that they are loyal to Metropolitan Retail. All the questions above were designed to test if participants believe that they are loyal to Metropolitan.

Table 10: The existence of Customer Relationship Management at Metropolitan

Question Name	Not Sure	Disagree	Agree	Skipped	Total Approached
I have confidence that Metropolitan will act in my best interest.	48 5.30%	28 3.09%	783 86.52%	46 5.08%	905
I feel that I have a strong bond with Metropolitan.	51 5.64%	40 4.42%	768 84.86%	46 5.08%	905
I benefit a lot from my relationship with Metropolitan.	56 6.19%	43 4.75%	760 83.98%	46 5.08%	905
I am strongly committed to Metropolitan.	63 6.96%	33 3.65%	763 84.31%	46 5.08%	905
I am satisfied with the relationship that I have with Metropolitan.	42 4.64%	37 4.09%	780 86.19%	46 5.08%	905

According to Table 3.10 above, an average of 85.17% of the respondents stated that CRM does exist at Metropolitan. The questions were designed to obtain customers' views regarding the existence of CRM at Metropolitan.

3.3.7 Findings of the empirical study

According to the biographical data that was collected during the survey, a typical respondent is a Black female between the ages of 42 and 47, is married, and has been a customer at Metropolitan for approximately 20 years.

The following key findings emanated from the analysis of the data that was collected in the empirical study.

3.3.7.1 Influence of CRM on customer loyalty

The respondents stated that CRM does indeed influence customer loyalty at Metropolitan.

3.3.7.2 Loyalty to Metropolitan

Respondents confirmed their loyalty to Metropolitan.

3.3.7.3 CRM at Metropolitan

Respondents stated that CRM exists at Metropolitan.

3.3.8 Summary

This chapter reported on the research methodology which comprised a questionnaire survey. Analysis of the data led to useful findings on customers' perceptions of CRM at Metropolitan. The next and final chapter deals with a research study summary, recommendations, and a conclusion.

CHAPTER FOUR: SUMMARY, RECOMMENDATIONS AND CONCLUSION

4.1 Introduction

The previous chapter reflected on the research methodology that was used in this study. This final chapter presents a summary of the research study, as well as recommendations and a conclusion.

This research project was premised on the concern among South African insurance companies about the high number of policies that lapse or are surrendered.

Chapter 2 covered the literature review, explaining what customer relationship management (CRM) is, the relationship between CRM and relationship management (RM), the benefits of CRM, the successes and challenges of CRM, and key concepts, which are relevant to CRM.

Chapter 3 considered the research methodology and research design, which were followed in order to achieve the research study's objectives. The chapter placed emphasis on research design, the sampling method that was chosen, including size and instrument, data collection, benefits, and disadvantages and advantages of the chosen research instrument/tool. Data analysis and interpretation were also covered in this chapter.

4.2 Findings

The research study revealed a number of findings, which are presented below.

4.2.1 The influence of CRM on customer loyalty

The findings of this study revealed that a majority (86.91%) of the customers who participated in the study agreed that CRM influences Customer Loyalty at Metropolitan, a South African life insurance company. This means that good relations between customers and Metropolitan have resulted in loyal customers and general improvement in relationships, which increases the number of loyal customers and vice-versa.

4.2.2 The existence of Customer Loyalty towards Metropolitan

The biographical data indicated that female customers who are married and are between the ages of 42 and 47 years are more loyal than their male counterparts, which supports the findings of Ndubisi (2005: 57). In Ndubisi's 2005 study, it was found that female customers are significantly more loyal than their male counterparts. A majority of the respondents (83.15%) pledged their loyalty to Metropolitan, and 54.94% of them are females.

4.2.3 The existence of Customer Relationship Management at Metropolitan

Metropolitan Retail should improve current CRM initiatives such as Attentive ACE so that there can be an improvement in customer loyalty, satisfaction and retention. While a majority (85.17%) of customers who participated in the study stated that CRM does exist at Metropolitan, it is recommended that all their CRM initiatives and processes should be reviewed, and all staff/employees should be educated about CRM.

4.3 Recommendations

Based on the findings of the study, the following recommendations are proposed for consideration by Metropolitan, and for future research.

4.3.1 Metropolitan

Management should be reminded that customers attach a high value to Customer Relationship Management.

Management should be advised to take steps to promote customer loyalty since it has a market influence on Customer Relationship Management.

Metropolitan should be advised to use Customer Relationship Management to collect customer feedback for input in developing a strategy for customer retentions and growth.

4.3.2 Future studies

For future research, it is recommended that the research findings should be subjected to a qualitative research approach with a view to acquiring reasons for the need to have a different approach to Customer Relationship Management in view of perceptions in the market that are constantly changing.

4.4 Conclusion

The research project states that there is concern amongst South African insurance companies about the high number of policies that lapse and surrender. The question that is posed is how can Metropolitan use Customer Relationship Management to improve its customer loyalty and retention.

The study followed a quantitative approach to research in the form of questionnaire survey containing statements to which respondents had to indicate whether they agree, disagree or are not happy.

The study found that Customer Relationship Management influences customer loyalty at Metropolitan, that female customers are more loyal than their male counterparts, and that Customer Relationship Management does exist at Metropolitan.

In view of these findings a number of recommendations are made. Firstly it is recommended that management should be reminded that customers attach a high value to Customer Relationship Management, secondly that management should be advised to take steps to promote customer loyalty since it has a market influence on Customer Relationship Management, and thirdly Metropolitan should be advised to use Customer Relationship Management to collect client feedback for input in developing a strategy for customer retention and growth.

For the purpose of future research, it is recommended that the research findings should be subjected to a qualitative research approach with a view to acquiring reasons for the need to have a different approach to Customer Relationship Management in view of perceptions in the market that are constantly changing.

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ANNEXURE A

CUSTOMER RELATIONSHIP MANAGEMENT SURVEY

Dear Participant

Thank you in advance for your participation in this survey. My name is Peter Madubanya; I am a student at the Cape Peninsula University of Technology. As part of the requirements for a Masters in Technology: Business Administration, I am expected to conduct a research project titled "The Influence of Customer Relationship Management on Customer Loyalty at a South African Life Insurance company". You are invited to participate in this research study by completing the attached survey because you are a valued customer of Metropolitan.

The attached survey should take approximately 20 minutes to complete. Please note that your participation in this project is strictly voluntary and that your identity will under no circumstances be revealed. Your participation is critical to the success of this research project, and is valued highly.

Thank you for taking time to participate in this survey. The data collected will provide useful information for the research referred to above. If you require more information or have questions, please contact me at the number listed below.

Sincerely

Peter Madubanya

+ 27 21 847 699 556 (Mobile)

pmadubanya@metropolitan.co.za (e-mail)

Cape Peninsula University of Technology

ANNEXURE B

GUIDE FOR SURVEY

Customer Relationship Management Survey Questionnaire

Good morning / afternoon Mr / Mrs/Miss.....

My name isand I will be assisting you with your enquiry today.

Before we start with your inquiry, I need to inform you that we are conducting a Customer Relationship Management survey for Metropolitan. The purpose for the research is to review how Metropolitan can create a more long lasting relationship with our loyal customers.

Your participation in this survey is strictly voluntary and your identity will under no circumstances be revealed. Your participation is very critical to the success of this research project, and is highly valued.

The survey will take approximately 5 – 10 minutes.

If yes, proceed with the survey questions.....

If no, end the survey and thank the customer for his/her time.

* Are you willing to participate?

Yes

No

ANNEXURE C

Customer Relationship Management Survey Questionnaire

Personal Details

* **Name & Surname**

* **Contact Telephone number**

E-mail address

* **Gender**

Male Female

* **Age Group**

* **Marital Status**

Married Single

Divorced Other

* **Population Group (For Statistical Purpose only)**

Asian White

Black Indian

Coloured Other

* I have been a Metropolitan customer for approximately number of years

*

Please indicate the Customer Service Office in which you completed the survey:

Port Elizabeth Johannesburg

Mthatha Bellville

East London Rustenburg

Pretoria Polokwane

Durban Bloemfontein

Customer Relationship Management Survey Questionnaire

	Agree	Disagree	Not Sure
* My relationship with Metropolitan depends on how they treat me during our interactions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* Having more interactions with Metropolitan will make me a more satisfied customer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* Keeping me informed on a regular basis of developments within Metropolitan will make me a more loyal customer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* It is important to me that Metropolitan measures customer satisfaction on an ongoing basis.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* Metropolitan customer loyalty depends on whether they understand the needs of their customers well.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I am satisfied with my relationship with Metropolitan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I will remain in a relationship with Metropolitan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I will do more business with Metropolitan because I have a good relationship with them.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I intend to stay in a loyal relationship with Metropolitan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* The relationship between me and Metropolitan is mutually beneficial.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I will definitely purchase long-term insurance products from Metropolitan in future.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I will be concerned if Metropolitan is no longer around	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I have confidence that Metropolitan will act in my best interest.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I feel that I have a strong bond with Metropolitan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I benefit a lot from my relationship with Metropolitan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I am strongly committed to Metropolitan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
* I am satisfied with the relationship that I have with Metropolitan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thank you for taking time to participate in this survey.

ANNEXURE D

GRAMMARIAN CERTIFICATE

SHAMILA SULAYMAN PROOF READING AND EDITING SERVICES

2 September 2015

Dear Sir / Madam

This confirms that I have proof read and edited the research study entitled “***The influence of customer relationship management on customer loyalty at a South African life insurance company***”, and that I have advised the candidate to make the required changes.

Thank you.

Yours faithfully



(Mrs) SHAMILA SULAYMAN

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