

**DETERMINANTS OF CUSTOMER SATISFACTION IN THE LIFE  
INSURANCE INDUSTRY IN KENYA**

**BY**

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## **DECLARATION**

This research project is my original work and has not been presented for a degree in any other university.

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The MBA project by its nature cannot be done by one person. Many individuals contributed directly or indirectly to the success of this project.

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Above all, I thank God for the strength and inspiration to overcome the challenges of the MBA program and various hardships of the life I have encountered during the course.

## **DEDICATION**

I dedicate this project to my Husband – Michael and Daughter Tracy for their tireless support and continuous support.

It is also dedicated to my Father, who taught me that the best kind of knowledge to have is that which is learned for its own sake and my Mother, who taught me that even the largest task can be accomplished if it is done one step at a time.

To all you, Thank You!

## **ABSTRACT**

Customer service is an integral part of any life insurance company. It is necessary to identify the key success factors in the life insurance industry, in terms of customer satisfaction, so as to survive the intense competition and increase insurance penetration. The project is based on 67 life insurance customers from the 23 life insurance providers in Kenya. The study intends to promote a better theoretical understanding and recognition of the complexities to service quality and its measurement with respect to life insurance.

Customer satisfaction has been researched extensively and as put by many researchers satisfaction of the customer is indispensable for the retention and loyalty of customers and contented customers serve as excellent sales people. Customer satisfaction is one of the most important factors responsible for the sustained growth and profitability of organizations. Application of concept of customer satisfaction provides numerous benefits to the organizations vis customer retention, customer loyalty, repurchase intentions and business performance.

For this a descriptive study was undertaken to better understand the key dimensions of customer satisfaction. Further, the study investigates the causal relationship between these service quality dimensions and overall customer satisfaction. The study collected data from 67 policy holders of different insurance companies in Nairobi using a random sampling method. A structured questionnaire was used to collect data from the respondents.

It was found that most customers prefer customer care staff who are enthusiastic, listen carefully, responsive, courteous and proactive. This clearly reflects the priorities of the policyholders. Customers want the services provided to them to be efficient (prompt and hassle-free) as they perceive life insurance as a guard against the uncertainties of the future. Further they demand flexible solutions and convertibility options related to investment options and consequently they desire that the services should be personalized involving efficient handling of these changing preferences. Customer will not settle for anything mediocre in the context of functional services because it is the major contributor to their perception of quality and thereby satisfaction vis-à-vis insurance services. On the other hand, 'satisfaction with the insurance company' has much lower influence upon overall satisfaction. This might be attributed to the fact that in life insurance, there is not much contact between the insurance companies and the policyholders.

The study recommends that life insurance providers and managers should be aware that customer satisfaction is primarily based on service quality. They should consider the relative value (contribution) to customer satisfaction of each dimensions of the service quality and consequently allocate different levels of resources according to this hierarchy. They should have a clear concept of what constitutes customer satisfaction before they can attempt to measure it and its relationship with service quality dimensions. Thus quality improvements by management should not just focus on improving customer satisfaction but also target on improving the customers' perception of service quality. In other words, the service providers should try to continuously improve both service quality and customer satisfaction.

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## **CHAPTER ONE: INTRODUCTION**

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

The focus on customer-centric marketing philosophies has received considerable attention in the marketing literature by scholars and practitioners. Both practitioners and scholars are increasingly looking for ways to understand, attract, retain and build intimate long term relationship with profitable customers (Kotler, 2006; Gronroos, 1994). One of the key areas in the customer centered marketing paradigm is ensuring that existing customers are satisfied. As a result organization have been studying and developing strategies to satisfy customers and achieve customer delight.

Today's consumers are increasingly comfortable using social media, mobile phones and other items, get recommendations from friends, family and colleagues and buy from wherever they are located and tell each other about the experience afterward. The balance of power has clearly shifted from suppliers to consumers. Despite these examples, many insurance companies continue to rely on the traditional business model of selling large numbers of products designed for mass markets through agents and brokers. From an insurer's point of view, establishing personal relationships with customers happens only when a claim is made (Kotler, 2006). For consumers, insurance is seen as a commodity. Beyond a certain point, there is little differentiation between core insurance products and providers. In this environment consumers often choose their insurance products based solely on price.

In a highly competitive industry such as Kenya, that is traditionally not known for innovation, changes in demographics, technology and business models are creating significant new opportunities for insurance companies to defend market share and grow revenues (Insurance Annual Report, AKI, 2012). In fact the insurance industry is at a crucial tipping point. Insurers can either prosper by becoming more relevant or continue along the same path and see business slowly deteriorate as customers migrate to companies with more innovative solutions and business models that better suit their needs.

#### **1.1.1 Concept of Service**

The service concept has been defined in many different ways. Heskett (1986) defines it as the way in which the "organization would like to have its services perceived by

its customers, employees, shareholders and lenders”, i.e. the organization’s business proposition. It has also been defined as the elements of the service package, or what Collier (1994) calls the “customer benefit package”, i.e. the things that provide benefit and value to the customer. This approach of defining the nature of a service in terms of its constituent parts has also appeared in the marketing literature. Lovelock and Wright (1999), for example, use the “8Ps” of marketing which encompass the elements of the service product, process, place, physical evidence, people, productivity and quality, plus additional marketing elements, price and promotion. The “8Ps” is based on the “7Ps” by Booms and Bitner (1981) which was developed from the “4Ps” (McCarthy, 1960).

Edvardsson and Olsson (1996) refer to the service concept as the prototype for service and define it as the “detailed description of what is to be done for the customer (what needs and wishes are to be satisfied) and how this is to be achieved”. They stress service concept development as a critical stage in service design and development. This involves understanding the needs of customers in the target market (which they call the “service logic”) and aligning this with the organization’s strategy and competitive intentions. This that and how approach is also used by Lovelock et al. (1999) who separate the “service marketing concept” as the benefits to the customer (i.e. the what) and the “service operations concept” as the specification of how the service will be delivered. Other writers (such as Dibb et al., 1997) use the notion of the “marketing concept” as an attempt to encourage organizations to understand and then satisfy customers’ needs and fulfill the objectives of the organization. The service concept is at the inseparable crossroad of service marketing and service operations that exists for most service organizations.

### **1.1.2 Customer Service in Insurance**

Insurance is a commodity. It is a promise to perform in future in return for a present monetary consideration. Such a promise is made in an environment when the customer is absolutely not sure whether the promise will be fulfilled if and when the need arises. But then, if and when the need comes, it already late for him to evaluate the customer service standards in the insurer. Yet another unique feature of the industry is the peculiar rules of the game such as Utmost Good Faith, Indemnity, etc which underwriters are more aware of than the customers (Bowen and Chen 2001).

Insurance being an intangible product, the technical quality of the product depends upon its reliability.

Over the last few years, developments in the insurance sector have resulted in a paradigm shift in the way business is conducted. In a free market scenario, the customer has a choice from whom to buy. He exercises this choice based on perceptions formed through his experiences. Customer servicing today has become the focal point of insurance companies. It is an area where the new companies are clearly ramping up to bring their best practices and operational efficiencies by appropriate use of technology. There is a greater sensitivity in dealing with customers. However, a lot needs to be done. Insurers need to fast gear up to the situation and the real response and turn-around time in delivery of services needs to be reduced in specific areas like delivery of first policy receipt, policy documents, premium notices, maturity payments, death claims, etc. Sharma and Agarwal (2005).

The amount of client grievances in the insurance domain has gone up steeply. Grievances arise where there is a certain level of expectation by a customer and the reality does not match up to it. This could be in terms of response time or quantum or the lack of response itself. It is time that insurers took stock in the situation and wherever there is need for plugging loop holes; attend to that without any further loss of time. Instead of looking for reasons to explain the emergence of customer related problems, it would be more desirable to ensure that there is a fall in their number. Redressal of customer grievances is just a reactive way of insurers providing the minimum expected customer service. The need of the hour is a more proactive approach aimed at seeking what additional elements would delight the customer more and more.

Das and Samantha (2005) consider customer satisfaction as a business survival requirement. The results identify eight factors which could reflect the customer satisfaction level. These are productivity, quality of delivery, meeting delivery schedules, technical support, communication, proactive or promptness in response, skill level and domain knowledge.

### **1.1.3 Concept of Customer Satisfaction**

Customer satisfaction is a measure of how products and services supplied by a company to meet and surpass customer expectations. In a competitive market place

where businesses compete for customers, customer satisfaction is seen as a key differentiator and has increasingly become a key element of business strategy.

Satisfaction is a major outcome of marketing activity and serves to link processes culminating in purchase and consumption with post purchase phenomena such as attitude change, repeat purchase and brand loyalty. Reichheld and Sasser (1990) found that when a company retains just 5 percent more of its customers, profits increase by 25 percent to 125 percent (Bowen and Chen, 2001). The centrality of the concept is reflected by its inclusion in the marketing concept that profits are generated through the satisfaction of consumer needs and wants. The need to translate the philosophical statement of the marketing concept into pragmatic operational guidelines has directed attention to the development and measurement of customer satisfaction.

In the early 1970s, consumer satisfaction began to emerge as a legitimate field of inquiry. Satisfaction is a major outcome of marketing activity and serves to link processes culminating in purchase and consumption with post purchase phenomena such as attitude change, repeat purchase and brand loyalty. It can broadly be characterized as a post purchase evaluation of product quality given pre purchase expectations (Kotler, 2003). To encourage actions, which will lead to an optimal level of satisfaction, it is necessary to understand the link between the antecedents of satisfaction and satisfaction's behavioral and economic consequences. The vast majority of studies hold that satisfaction is related to the size and direction of the disconfirmation experience, where disconfirmation is related to the person's initial expectations. More specifically, an individual's expectations are: confirmed when a product performs as expected; negatively disconfirmed when the product performs more poorly than expected; and positively disconfirmed when the product performs better than expected. Dissatisfaction results when a customer's expectations are negatively disconfirmed.

The full disconfirmation paradigm encompasses four constructs: expectations, performance, disconfirmation, and satisfaction. First, buyers form expectations of the specific product or service prior to purchase. Second, consumption reveals a perceived quality level, which is influenced by expectations if the difference between actual quality and expectations is perceived as being small. Third, perceived quality

may either confirm or disconfirm pre purchase expectations. The determination of the extent to which perceived quality expectations are disconfirmed is depicted by arrows drawn from expectations and perceived quality to disconfirmation. Fourth, satisfaction is positively affected by expectations and the perceived level of disconfirmation. Expectations provide a baseline or anchor for level of satisfaction.

#### **1.1.4 Insurance Industry in Kenya**

The concept of insurance and particularly the “social insurance programme” dealing with socio-economic problems has been around Africa for a long time (Kenyatta, 1962). Members of a community pooled together resources to create a “social insurance fund”. The “premiums” ranged from material to moral support or other payments in kind. From the fund, “drawings were made out” to support the few unfortunate members exposed to perils (Azevedo, 1993). However, the history of the development of commercial insurance in Kenya is closely related to the historical emancipation of Kenya as a nation (Throup, 1988). With the conquest of Kenya as a British colony complete, settlers initiated various economic activities, particularly farming, and extraction of agricultural products (Huxley, 1990). These substantial investments needed some form of protection against various risk exposures. British insurers saw an opportunity in this, and established agency offices to service the colony’s insurance needs. Prosperity in the colony soon justified expansion of these agencies to branch networks with more autonomy, and expertise to service the growing insurance needs. By independence in 1963, most branches had been transformed to fully-fledged insurance companies (Maxon, 1993).

The industry is governed by the Insurance Act and regulated by the Insurance Regulatory Authority. The Insurance Regulatory Authority (IRA) was created by the Insurance (Amendment) Act of 2006 and came into operation on 1st May 2007. The Authority was established with the mandate of regulating, supervising and developing the insurance industry. Before the establishment of IRA, these functions were performed by the Department of Insurance in the Ministry of Finance (IRA 2010). As per the Insurance Industry Annual Report 2012, there were 46 insurance companies as at the end of 2012. 23 companies wrote non-life insurance business only, 11 wrote life insurance business only while 12 were composite (both life and non-life). There were 170 licensed insurance brokers, 24 medical insurance providers and 4862 insurance agents. Other licensed players included 140 investigators, 92 motor

assessors and 21 loss adjusters, 3 claims settling agents, 10 risk managers and 27 insurance surveyors.

### **1.1.5 Life Insurance Firms in Kenya**

Life insurance is a long-term contract between a policy holder and an insurer and facilitates long term savings. Regular savings over a long period ensures that a decent amount is accumulated to meet the policy holder's financial needs at various stages in life. Life insurance not only provides for financial support in the event of untimely death but also acts as a long term investment. It enables a policyholder meet his/her goals such as children's education, marriage, building homes or planning for relaxed retired life. Life insurance policies normally comprise protection policies which are designed to provide a benefit in the happenings of the insured event and investment policies whose main objective is to facilitate the growth of capital or a combination of both (AKI, 2012).

There four main broad classes of life insurance in the Kenyan market, namely: - Ordinary life assurance which comprises all individual life policies categorized as term assurance, endowment, investment and whole life policies. Group life assurance which comprises group life schemes mainly organized by employers on behalf of their employees, credit and mortgage schemes which are loan protection schemes organized by financiers like banks, co-operatives, microfinance institutions etc. The others are deposit administration/pension business and Investment/Unit linked contracts whose main objective is to facilitate the growth of capital invested by the client.

### **1.2 Research Problem**

Customers needs and requirements have changed substantially over the last few decades, with the increase in complexities of life, the requirements of customers have also become complex and diverse. Consumers buy not only the products but also the bundle of needs and emotions. Modern goods and services are recognized as essentially psychological things which are symbolic of personal attributes, needs, goals and social patterns of strivings Levy S.J. (1959). The insurance industry has taken advantage of the positive conditions in the economy and has seen a spectacular growth experienced in recent years. The conditions have enabled the insurance industry to undergo a significant transformation with noticeable trends. However, the



industry faces increasing challenges because of changing customer demographics, technology, etc. Previously, the main objective of buying insurance was protection for dependents, as opposed to the current situation where customers have started to incorporate insurance with financial plans. Companies should plan and offer products which can assist their customers in fulfilling their exact set of needs – hence the life insurance companies must move from selling insurance to changing need identification and offering suitable products to satisfy these needs Rao D. V, (2006). This tremendous growth comes the challenge of the service industry to live up to the growing demands and changing tastes and preferences of the customers who are continuously benchmarking one experience against another and are expecting improved services in every area.

In Kenya's Life Insurance market, the new entrants have a tendency to target the business of the existing companies rather than expanding the market. Thus, much of their effort is lost in capturing the existing customers rather than providing better and innovative products/services. Insurance providers should indeed develop new products and target the potential niches which are poorly served or not served at all. This is evident from the commonly witnessed practice of "policy lapses" and "surrenders" readily embraced by dissatisfied policy holders (Giese & Cote 2000). The decrease in customer loyalty has made management of service quality and customer satisfaction a critically important factor for insurance players. The life insurance providers need to reconfigure their strategy and business to sustain and improve their competitive advantage and for this they first need to consider how to create a satisfied customer base that will not be eroded even in the face of competition. Due to overgrowing competition, increase in consumer literacy levels, awareness of customers about their rights and increase in standards of living, insurance companies should review their service strategy.

Measuring customer satisfaction is extremely important in every business, particularly the service industry in order to maintain existing customers and to bring new customers. Customer satisfaction has been an intensively discussed subject in areas of consumer and marketing research. Klee, T. H. (1997) made a study on the impact of customer satisfaction and relationship quality on customer retention. The major finding was that the relationship quality and customer retention is influenced by intrapsychological, contextual and situational factors as well. The study by Ashis, B

(2002) revealed that to keep existing customers is more costly than to win new ones. In this study he asserts that the major attributes of customer satisfaction are product, quality, product packaging, keeping delivery commitments, price, responsiveness and ability to resolve complaints and reject report, and overall communication, accessibility and attitude. Govind (2009) stated that customer service management is an important area for the insurance industry. He observed that today's customer buys ultimate satisfaction, not the product and that it is essential to build trust and create confidence in buyers about the product bought by him. Yusuf et al. (2009) found that the attitudes of Nigerians towards insurance institutions and services were mostly negative because of the poor quality services rendered to them. There is a need to increase understanding of the factors that drive customer satisfaction in the industry in order to provide management with empirical basis for developing marketing strategies. The research question of this study is - what are the determinants of customer satisfaction in Kenya's Life Industry?

### **1.3 Research Objectives**

The following are the objectives of this study:-

1. To establish the determinants of customer satisfaction in Kenya's Life Insurance Industry.
2. To examine the influence of the determinants of satisfaction on consumers' behavior intentions.

### **1.4 Value of the Study**

The study is immensely significant in various ways to business/marketing practitioners, policy makers and stakeholders.

To the management of Kenya's Life Insurance Companies, the findings and results that will be reported in this study will provide a more reliable scientific measure and perspective for describing and evaluating the level of their customer satisfaction with the services they deliver. It will also serve as an invaluable source of information that brings into limelight the switching intentions of their respective customers. It will essentially uncover dimensions of service quality that customers consider as important as well as customers' intentions to switch to other competitor insurance companies.

This will provide empirical support for management strategic decisions in several critical areas of their operations.

To other stakeholders like investors, shareholders, employees, researchers, pressure groups, consumer associations, among others, the study will provide invaluable information that will allow them to provide useful suggestions to the improvement in service delivery of their respective insurance companies in Kenya.

## **CHAPTER TWO: LITERATURE REVIEW**

### **Introduction**

This chapter presents the theoretical foundation and review of literature on the determinants of customer satisfaction in the life insurance industry in Kenya. It will cover the theoretical framework on customer satisfaction, rationale of customer service, loyalty, retention, business performance and repurchase intentions of consumers of insurance.

### **2.1 Theoretical Foundations**

In general, satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance or outcome to expectations. If the performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied; if it exceeds expectations, the customer is highly satisfied or delighted. Customer assessments of product performance depend on many factors, especially the type of loyalty relationship the customer has with the brand.

“Satisfaction” can be understood as a person's approach towards diverse aspects of his or her life – for example, the person's Job (Judge et al., 2001) or a service received from a company (Szymanski and Henard, 2001; Wilkie, 1990). Satisfaction can be conceptualized as either an emotional or cognitive response. Satisfaction is viewed as a judgment that depends on cognitive frames of references. These frames of references are culturally unique. There is an alternative affective view that holds that satisfaction draws on hedonic experiences. Satisfaction is a psychological term largely understood to define gratification one feels when one's desire, need or expectations are fulfilled. This gratification is highly subjective and varies with people and also with situations. A clear understanding of satisfaction is must (a) for conceptualization and comprehension purpose and (b) for the purpose of understanding. Westbrook and Oliver (1991) defined Satisfaction as “a post choice evaluative judgment concerning a specific selection”. Geise and Cote (2000) identified three general components of satisfaction. They opined that “1) satisfaction is a response (emotional or cognitive); 2) the response pertains to a particular focus (expectations, product, consumption experience, etc.); and 3) the response occurs at a particular time (after consumption, after choice, based on accumulated experience,

etc). The state of satisfaction is dependent on both psychological and physical variables. Satisfaction is viewed as a latent construct that is not observed directly and can only be estimated through indicators

Understanding the satisfaction of buyer's in reference to a business transaction is Customer Satisfaction. Satisfaction is important to the individual consumer because it reflects a positive outcome from the outlay of scarce resources and/or the fulfillment of unmet needs (Day and Landon 1977; Landon 1977). Customer Satisfaction is indeed an intangible concept. As stated the actual manifestation of satisfaction would differ from person to person and product/service to product/service. Researchers have used different terms to define satisfaction as determined by the end user: Consumer Satisfaction (Cronin and Taylor 1992, Oliver 1993, Westbrook 1980, Tse and Wilton 1988), Customer Satisfaction (Churchill and Suprenant 1982, Fornell 1992, Halstead, Hartman, and Schmidt, 1994) or Satisfaction (Oliver 1992, Oliver and Swan 1989.)

Satisfaction is also considered to be a direct outcome of product/service performance. According to Swan, Trawick and Carrol (1980), "satisfaction is a conscious evaluation or cognitive judgment that the product has performed relatively well or poorly or that the product was suitable or unsuitable for its use/purpose". According to Westbrook (1980) "consumer satisfaction refers to the favorability of the individuals subjective evaluation of the various outcomes and experiences associated with using or consuming product".

According to Oliver (1997) Consumer Satisfaction is a judgment that a product or service feature or the product or service itself, provided (or is providing) a pleasurable level of consumption related fulfillment including levels of under or over fulfillment. Westbrook (1987) defined satisfaction as a "Global evaluative judgment about product usage consumption". Thus we conclude that Customer Satisfaction is a buyer's emotional or cognitive response post subjective assessment and comparison of pre-purchase expectations and actual performance subsequent to the consumption of the product or service; meanwhile evaluating the costs incurred and benefits reaped in a specific purchase event or overtime in course of transacting with an organization. These benefits can be categorized as emotional and functional benefits. While the costs accrued are in terms of time costs, money, energy costs and psychic costs.

## **2.2 Components of Customer Satisfaction**

The above theories would be able to deliver fruitful meaning only when the components of customer satisfaction are also understood because the customer satisfaction is dependent on a large number of factors. Berry, Brodeur between 1990 and 1998 defined 10 ‘Quality Values ‘and 17 Quality Characteristics which influence satisfaction behavior. These 10 “Quality Values” are Quality, Value, Efficiency, Timeliness, Access, Self Management, Environment, Teamwork, Commitment and Innovation.

Berry expanded these quality values further in 2002 and classified them as the 10 domains of satisfaction: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Interdepartmental Teamwork, Front Line Service Behaviors, Commitment to the Customer and Innovation. Patterson, Johnson, and Spreng (1997) put that industrial buyer mull over numerous attributes while making assessment of satisfaction. Kauffman (1994) shown that while evaluating overall satisfaction, product attributes like physical characteristics, nonphysical characteristics(warranty), price, and distribution, have different weight depending on the product application in case of industrial buyers. Kauffman (1994) also found that differentiated products are appraised in a different way than undifferentiated (commodity) products. In view of the above, it can be concluded that Satisfaction is a multidimensional construct which is conceptualized as a precondition for relationship building. It has been attributed with three dimensions by Crosby and Stephens (1987): satisfactory interaction with personnel, satisfaction with the core services and satisfaction with the organization.

### **2.2.1 Rationale of Customer Service**

Customer satisfaction has been researched extensively and as has been put by many researches satisfaction of the customer is indispensable for the retention and loyalty of customers and contented customers serve as excellent sales people. Customer satisfaction is one of the most important factors responsible for the sustained growth and profitability of organizations. Application of concept of customer satisfaction provides numerous benefits to the organizations vis customer retention, customer loyalty, repurchase intentions and business performance.

### **2.2.2 Customer Satisfaction and Loyalty**

Loyalty is recurring purchasing incidence or relative volume of same-brand purchasing. Newman and Werbel (1973) defined loyal customers as those who repurchased a brand, considered only that brand and did no brand-related information seeking. According to Oliver (1997), loyalty is a deeply held commitment to repurchase or repatronise a preferred product/service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behavior. Dick and Basu (1994) suggested that loyalty has both attitudinal and behavioral elements and argued that it is determined by the strength of the relationship between relative attitude and repeat patronage.

Customer loyalty has a powerful impact on the performance of service firms and serves as an important source of competitive advantage. The consequences of enhanced customer loyalty in service firms are increased revenue, reduced customer acquisition costs and lower costs of serving repeat purchase leading to greater profitability (Reichheld, 1993, Reichheld and Sasser, 1990). Loyal customers are less likely to switch to competitor due to price inducement and these customers make more purchases in comparison to less loyal customers (Boldinger and Rubinson, 1996).

Literature has suggested that consumer loyalty and satisfaction are linked inextricably and the relationship between satisfaction and loyalty is straight and simple. Satisfaction leads to attitudinal loyalty (Lovelock et al., 2001). Loyalty of customers is considered to be a function of satisfaction (Fecikova, 2004) and loyal customers contribute to company profitability by spending more on company products and services, via repeat purchasing, and by recommending the organization to other consumers (Bowen and Chen, 2001; Fecikova, 2004 .Storbacka et al. (1994), established that Customer Satisfaction drove loyalty.

### **2.2.3 Customer Satisfaction and Retention**

Retaining customers have always been less costly and have led to distinct marketing gains. The American Society for Quality and Arthur Anderson Consulting Inc. in 1977 in a report said, it costs 5 times more to attract new customers than to retain existing ones. Fornell and Wernerfelt (1987) have found that the relative costs of customer retention are substantially less than those of acquisition. Reichheld and

Sasser (1990) found that when a company retains just 5 percent more of its customers, profits increase by 25 percent to 85 percent (in terms of net present value) depending upon the industry. They also found Customer Satisfaction as an important tool that can increase profit by preventing customers from defecting. Healy (1999) found that reducing customer defection by 5% would double the profits.

According to Kotler (1994) “Key to Customer Retention is Customer Satisfaction”. Studies conducted by Berry and Parasuraman (1991) and Rust and Zahorik (1993), found that Customer Satisfaction is the driver of higher rate of Customer Retention. The antecedent of Customer Satisfaction according to Parasuraman et al. (1985) and Cronin and Taylor (1992) is service quality. Perceived service quality caused bank customers to feel satisfied or dissatisfied (Storbacka et al., 1994) and service quality was also found to have a positive relationship with Customer Retention (Keaveney, 1995; Hocutt, 1998). Customer Satisfaction has been a major goal of business organizations, since it has been deemed to affect Customer Retention and companies’ market share (Hansemark and Albinsson, 2004). Anderson and Sullivan (1993) found that satisfied customers have greater propensity to be retained and resist to alternative options.

#### **2.2.4 Customer Satisfaction and Repurchase Intentions**

A highly satisfied customer engages in repeat purchases and also echoes the positive side of the product and service provider. According to Dispensa (1997), a satisfied consumer will repeat the purchase of the product and convey positive messages about it to others. Day (1997) found that customer satisfaction is likely to strengthen the customer’s resolution to buy the product more often and satisfied customers are more likely to urge others to try the product. Oliver (1980) suggested that a high level of consumer satisfaction made the brand attitude more favorable which in turn increased the intention to repurchase the brand.

Consumer satisfaction with a product is likely to lead to repeat purchases, acceptance of other products in the product line, and favorable word-of-mouth (Cardozo, 1965). Satisfied customers return and buy more and they tell other people about their experiences (Fornell et al. 1996). Satisfaction enhances repeat purchase and positive word of mouth by customers (Reichheld and Sasser, 1990; Wirtz, 2003). La Barbera and Mazursky (1983) opined that while the influence of customer satisfaction on



repurchase intention was fairly strong, the importance of satisfaction in predicting repurchase behavior decreased with increasing brand loyalty.

### **2.2.5 Customer Satisfaction and Business Performance**

Several researchers have established a link between business growth and customer satisfaction. Zeithmal (2000) gave an excellent overview of the research findings demonstrating relationship between customer satisfaction and business performance. Direct relationship between customer satisfaction and organizational performance is established by Kosaka (1990) and Nelson et al (1992) in hospitals. Anderson et al. (1994) found an important association between Customer Satisfaction and accounting return on assets. Ittner and Larckner, (1996) established that shareholder value is highly elastic with respect to Customer Satisfaction. Other researchers (Buzzel and Gale, 1987; Jacobson and Aaker, 1987; Gale 1992; Hallowell, 1996; Fornell, 1992) show that higher Customer Satisfaction leads to higher market share growth, higher prices, and high loyalty leading to improved profitability, and lower transaction costs.

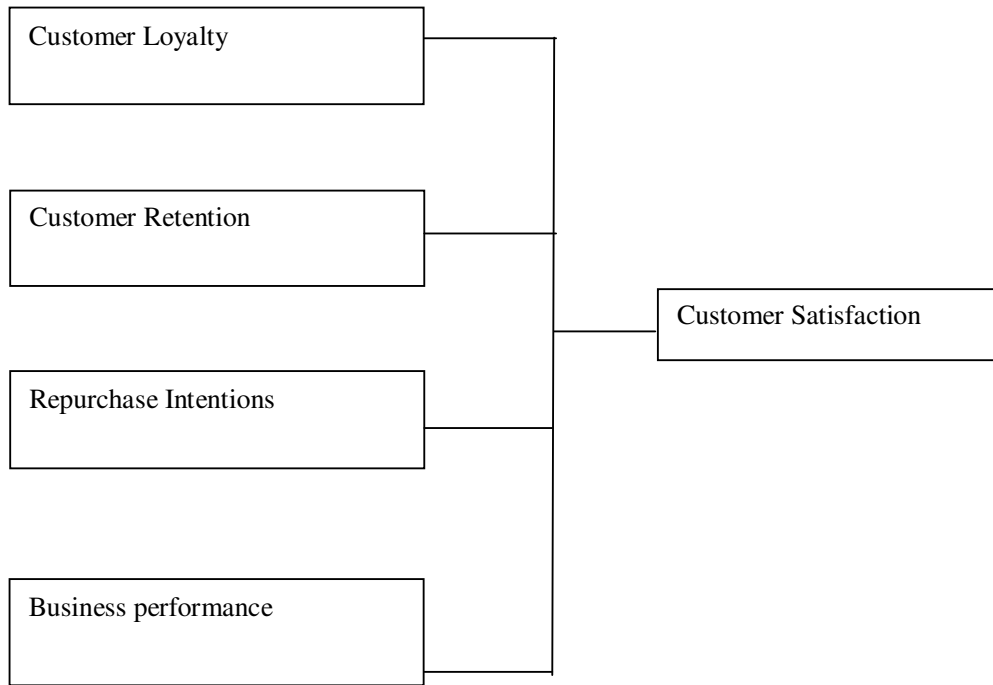
Kaplan and Narayan (2001) contradicted the link between satisfaction and profit at customer level. Neraj et. al. (2003) in their study of beverage distribution company found no relationship between customer satisfaction and customer profitability. In retail context, Bernhardt et al. (2000) have found no significant relationship between customer satisfaction and profitability. Zeithaml (2000) held that link between Customer Satisfaction and profit is not clear-cut. Measuring the relationship between customer satisfaction and business performance has three major problems viz. time lag between measurement of Customer Satisfaction and profits, various other variables like price, distribution, competition etc. other than Customer satisfaction that influence profit, and inclusion of other variables like behavioral issues in the measurement of relationships.

### **2.3 Conceptual Framework**

A conceptual map is a combination of different unproved ideas, which can only be interpreted through observable behaviors, event, or activities to help solve a problem. The researcher intends to investigate the problem by examining each concept independently in terms of variables.

This represents a system of variable inter-relationships which provide a logical view of the research problem.

**Figure 1:1 Conceptual Framework**



**Author (2013)**

From Figure 1.1, it is discernible that customer satisfaction leads to customer loyalty, retention, repurchase intentions from the clients and improved business performance for the organization.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **Introduction**

This chapter describes the research design, target population, data collection procedure and data analysis procedure.

### **3.1 Research Design**

The study adopted a descriptive research design. According to Kothari (2004) descriptive research design is used when the problem has been defined specifically and where the researcher has certain issues to be described by the respondents about the problem. The main objective was to find out which factors affect service quality ultimately leading to customer satisfaction of life insurance customer.

### **3.2 Study Population**

The population of interest was customers visiting the client service departments of the 23 Life Insurance Companies in Kenya. From the population of 260, a sample of 30% will be drawn by use of random sampling. According to Mugenda & Mugenda (1999), a representative sample is one that is at least 10% of the population of interest. In addition to this, the sampling technique should be used with the population of interest is not homogenous. Each of the life assurance companies offers different products with their own target customers.

### **3.3 Data Collection**

Primary data was collected mainly by use of a structured questionnaire. Secondary data in the form of customer feedback forms, complaints and complements was also used. The questionnaire was divided into four sections. Section A was to collect the demographic details of the respondents, Section B contained questions of the insurance provider, Section C examined the dimensions of customer satisfaction whereas Section D contained questions aimed at determining the overall satisfaction with service delivery. The questions had a likert scale questions. The research dropped the questionnaires at the life insurance offices and collected them later. A follow up was done via emails and telephone calls.

### **3.4 Data Analysis**

Data collected was analyzed using descriptive statistics. Percentages and frequencies were used to analyze questions on the profiles of the respondents. Mean scores and

standard deviation were used to analyze the data in order to determine the satisfaction variables. The data was presented in tables and frequency charts.

## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

### Introduction

This chapter presents the analysis of the data collected from the Respondent and discusses the research findings of the determinants of customer satisfaction in the life insurance industry in Kenya. All completed questionnaires were edited for accuracy, uniformity, consistency and completeness. A response rate of 77.90% was achieved from the total target population of 86. This good response rate has been attributed to the fact that a quite a good number of respondents were able to fill the questionnaires.

### 4.1 Demographic Profile of the Respondents

The study sought to find out the respondents profile in terms of age, gender, education level and occupations.

#### 4.1.1 Age of the Respondents

The results in Table 4.1 show that 37.31% of the respondents were between 24 – 29 years, 20.90% were between 30 -35 years, 34.33% were between 36 – 45 years and 7.46% of them were above 46 years.

**Table 4.1.1: Age of the Respondents**

| Age           | Frequency | Percentage %  |
|---------------|-----------|---------------|
| 24 - 29 years | 25        | 37.31         |
| 30 - 35 years | 14        | 20.90         |
| 36 - 45 years | 23        | 34.33         |
| Above 46      | 5         | 7.46          |
| <b>Total</b>  | <b>67</b> | <b>100.00</b> |

Source: Researcher (2013)

#### 4.1.2 Gender of the Respondents

As shown in table 4.2, 43% of the respondents were female while 57% were male.

**Table 4.1.2: Gender of Respondents**

| <b>Gender</b> | <b>Frequency</b> | <b>Percentage %</b> |
|---------------|------------------|---------------------|
| Female        | 29               | 43.28               |
| Male          | 38               | 56.72               |
| <b>Total</b>  | <b>67</b>        | <b>100.00</b>       |

**Source: Researcher (2013)**

#### **4.1.3 Level of Education**

The results indicated that 50.75% of the respondents had college education, 47.76% had university education and 1 respondent indicated that he had professional qualifications. This indicates that most of the insurance customers are educated and have a good understanding of quality insurance service.

**Table 4.1.3: Education Levels of Respondents**

| <b>Education Level</b> | <b>Frequency</b> | <b>Percentage %</b> |
|------------------------|------------------|---------------------|
| Primary                | 0                | 0                   |
| High School            | 0                | 0                   |
| College                | 34               | 50.75               |
| University             | 32               | 47.76               |
| Other                  | 1                | 1.49                |
| <b>Total</b>           | <b>67</b>        | <b>100.00</b>       |

**Source: Researcher (2013)**

#### 4.1.4 Occupation

Taking into account the occupation of the customers, salaried persons dominate the sample with 39 (58.21%) respondents. 23 (34.33%) are self-employed customers, while 5 (7.46%) indicated their occupation as other. This indicates that customers of life insurance have consistent sources of income. This is illustrated in Table 4.1.4.

**Table 4.1.4: Occupation of Respondents**

| <b>Occupation</b> | <b>Frequency</b> | <b>Percentage %</b> |
|-------------------|------------------|---------------------|
| Employed          | 39               | 58.21               |
| Self Employed     | 23               | 34.33               |
| Other             | 5                | 7.46                |
| <b>Total</b>      | <b>67</b>        | <b>100.00</b>       |

**Source: Researcher (2013)**

#### 4.1.5 Monthly Premium Paid

The respondents were asked to indicate their monthly premium amount and responded as shown in table 4.1.5:-

**Table 4.1.5: Monthly Premium Paid**

| <b>Premium Amount</b>         | <b>Frequency</b> | <b>Percentage %</b> |
|-------------------------------|------------------|---------------------|
| KShs 1,000.00 - KShs 2,500.00 | 16               | 23.88               |
| KShs 2,500.00 - KShs 3,500.00 | 25               | 37.31               |
| KShs 3,500.00 - KShs 4,500.00 | 12               | 17.91               |
| Above KShs 5,000.00           | 14               | 20.90               |
| <b>Total</b>                  | <b>67</b>        | <b>100.00</b>       |

**Source: Researcher (2013)**

In this study 37.31% of the respondents pay KShs 2,500.00 to KShs 3,500.00 for their monthly premiums, 23.88% spend between KShs 1,000.00 to KShs 2,500.00 for their monthly premiums, 20.90% spend above KShs 5,000.00 and 17.91% spend between KShs 3,500.00 to KShs 4,500.00 on their monthly premiums.

## 4.2 Insurance Provider

This examines the number of insurance companies that the policyholders insurance with, number of years they have been with, the types of policies that they hold, and the reasons for investing with their insurance providers.

### 4.2.1 Number of Insurance Companies

The respondents were asked to indicate the number of insurance companies they insure with. The results were as shown in table 4.2.1:-

**Table 4.2.1: Number of Insurance Companies**

| Number of Insurance Companies | Frequency | Percentage %  |
|-------------------------------|-----------|---------------|
| One                           | 32        | 60.38         |
| Two                           | 13        | 24.53         |
| Three                         | 5         | 9.43          |
| Over Three                    | 3         | 5.66          |
| <b>Total</b>                  | <b>53</b> | <b>100.00</b> |

**Source: Researcher (2013)**

60.38% indicated that they only insure with one life insurance Company, 24.53% indicated that they hold policies with two life insurance companies, 5 indicated that they have policies with three insurance companies and 3 respondents indicated that they deal with over three life insurance companies.

### 4.2.2 Number of Years with Insurance Company

This indicates the customer's service experience with their respective insurance providers. The respondents were requested to indicate how long they had been customers with their main insurance company, the responses are as shown on Table 4.2.2.



**Table 4.2.2 Number of Years with Insurance Company**

| <b>Numbers of years with main insurance company</b> | <b>Frequency</b> | <b>Percentage %</b> |
|---|------------------|---------------------|
| Below 3 Years                                       | 18               | 26.87               |
| 5 Years   | 29               | 43.28               |
| 10 Years  | 13               | 19.40               |
| Over 10 Years                                       | 7                | 10.45               |
| <b>Total</b>  | <b>67</b>        | <b>100.00</b>       |

**Source: Researcher (2013)**

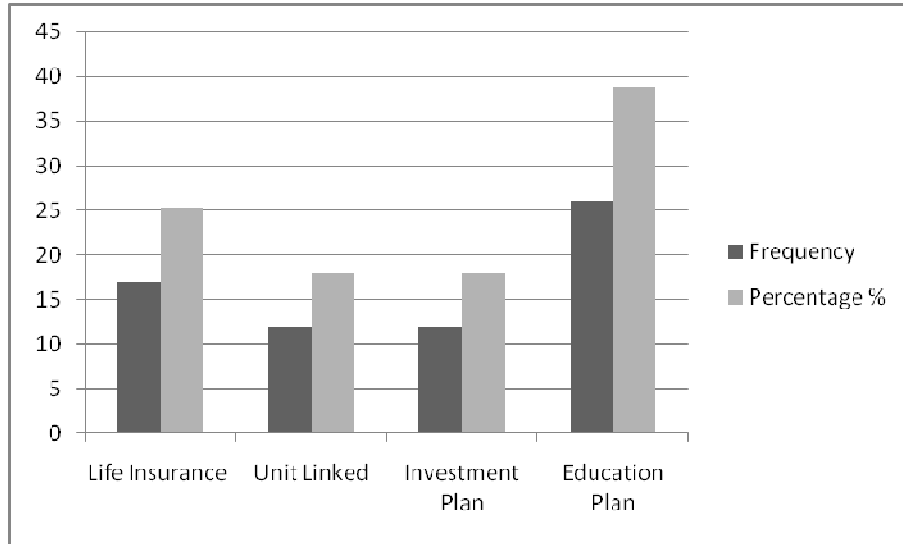
Table 4.2.2 shows that 43.28% have been with their main insurance company for a period of 5 years, 26.87% have been with their company for a period of below 3 years, 19.4% have been with their insurance company for a period of 10 years and 10.45% have been with their main life insurance company for a period exceeding 10 years

#### **4.2.3: Type of Policy with Main Insurance Provider**

Table 4.2.3 shows that 38.81% of the respondents indicated that they hold Education Plans with their main life insurer, 25.37% indicated that they had life insurance plans with their main life provider and 17.91% had both unit linked and investment plans.

**Table 4.2.3 Type of policy with Main Insurance Provider**

| <b>Type of Policy with main Insurance Provider</b> | <b>Frequency</b> | <b>Percentage %</b> |
|--|------------------|---------------------|
| Life Insurance                                     | 17               | 25.37               |
| Unit Linked  | 12               | 17.91               |
| Investment Plan                                    | 12               | 17.91               |
| Education Plan                                     | 26               | 38.81               |
| <b>Total</b>                                       | <b>67</b>        | <b>100.00</b>       |



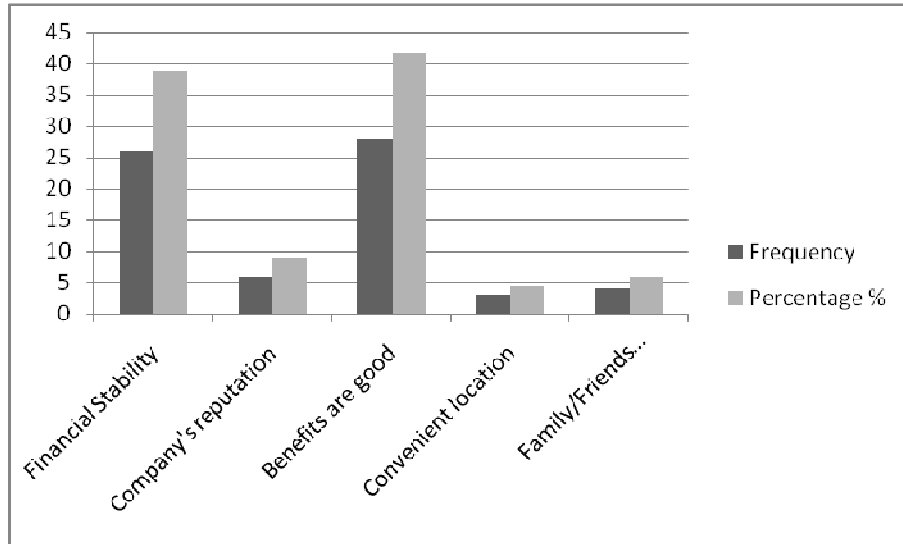
Source: Researcher (2013)

#### 4.2.4 Reasons for Investing in Life Insurance

As shown in Table 4.2.4 majority of the respondents (42.42%) indicated that the benefits offered by the life insurance policies were the key reason as to why they invest in life insurance policies. 39.39% of the respondents indicated that financial stability was the reason why they invest in life insurance policies. From the study, it can be said that the company's reputation, convenience in location and recommendations from family and friends are not key reasons for taking out life insurance policies.

**Table 4.2.4: Reasons for Investing In Life Insurance**

| Reasons for investing in life insurance policies | Frequency | Percentage %  |
|--|-----------|---------------|
| Financial Stability                              | 26        | 38.81         |
| Company's reputation                             | 6         | 8.96          |
| Benefits are good                                | 28        | 41.79         |
| Convenient location                              | 3         | 4.48          |
| Family/Friends recommendation                    | 4         | 5.97          |
| <b>Total</b>                                     | <b>67</b> | <b>100.00</b> |



**Source: Researcher (2013)**

### **4.3 Dimensions of Customer Satisfaction**

With a view to ascertain the level of customer satisfaction with their present life insurance policy, five dimensions were listed and the respondents asked to rate them in terms of the importance they attach to each of them and also the level of satisfaction where 1= Not important, 2 = Less important, 3 = Neutral, 4 = Important, 5 = Very Important. The response was as tabulated in Table 4.10

**Table 4.3.1: Dimensions of Customer Satisfaction**

|  | N  | 1     | 2     | 3     | 4     | 5     | Total |
|--|----|-------|-------|-------|-------|-------|-------|
| Service Dimension  | F  | %     | %     | %     | %     | %     | %     |
| <b>Access Quality</b>  |    |       |       |       |       |       |       |
| The insurance provider location is convenient                          | 67 | 7.46  | 13.43 | 19.40 | 25.37 | 34.33 | 100   |
| The company has convenient operating hours                             | 67 | 2.99  | 7.46  | 13.43 | 26.87 | 49.25 | 100   |
| Customers do not have to wait for services                             | 67 | 4.48  | 5.97  | 1.49  | 25.37 | 62.69 | 100   |
| <b>Infrastructure Quality</b>  |    |       |       |       |       |       |       |
| The company has modern looking equipment                               | 67 | 11.94 | 5.97  | 32.84 | 34.33 | 14.93 | 100   |
| The company's physical features are visually appealing                 | 67 | 17.91 | 8.96  | 2.99  | 50.75 | 19.40 | 100   |
| <b>Responsiveness</b>  |    |       |       |       |       |       |       |
| When the company promises to do something by a certain time it does so | 67 |       |       | 10.45 | 19.40 | 70.15 | 100   |
| The service provided is right the first time                           | 67 |       |       |       | 55.22 | 44.78 | 100   |
| <b>Problem Solving Quality</b>   |    |       |       |       |       |       |       |
| The company addresses complaints quickly                               | 67 |       |       | 2.99  | 29.85 | 64.18 | 100   |
| The company provides appropriate solutions to problems                 | 67 |       | 5.97  | 7.46  | 49.25 | 37.31 | 100   |
| <b>Credibility</b>   |    |       |       |       |       |       |       |
| The insurance contact personnel are honest                             | 67 |       |       |       | 58.21 | 41.79 | 100   |
| The company has an excellent reputation                                | 67 | 7.46  | 19.40 | 16.42 | 26.87 | 29.85 | 100   |

**Source: Researcher (2013)**

Table 4.3.1 presents the description of the frequencies and percentages of responses collected from the respondents. 34.33% of the respondents believe that convenience of location is very important. Majority of the respondents indicated that convenient operating hours and not having to wait for services are also very important attributes. 32.84% respondents indicated that modern looking equipment and visually appealing physical features are not important to measure quality of service for insurance. 34.32% of the respondents however, indicated that both of the attributes are important. 70.15% customers think that keeping promises is a very important attribute. 50% of the respondents also think that performing services right the first time is very important. Providing appropriate solutions is very important to 49.25% of the

respondents while for 29.85% respondents it is only fairly important. It is also possible to see from the table that majority of the respondents indicated honesty and reputation are very important attributes.

#### 4.4 Overall Satisfaction with Service Delivery

Table 4.4.1 presents the frequencies and percentages of the respondents measured on a 5 point scale (Excellent – Poor) on the service delivery by staff of the insurance companies.

**Table 4.4.1: Service Delivery by Staff**

|                  | Excellent | Very Good | Good  | Average | Poor  | Total |
|------------------|-----------|-----------|-------|---------|-------|-------|
|                  | 1         | 2         | 3     | 4       | 5     | %     |
| Professional     | 35.82     | 22.39     | 26.87 | 14.93   | -     | 100   |
| Knowledgeable    | 19.4      | 31.34     | 25.37 | 23.88   | -     | 100   |
| Efficient        | 25.37     | 34.33     | 22.39 | 17.91   | -     | 100   |
| Enthusiastic     | 5.97      | 16.42     | 22.39 | 34.33   | 20.9  | 100   |
| Listen carefully | 13.43     | 14.93     | 20.9  | 28.36   | 22.39 | 100   |
| Responsive       | 10.45     | 13.43     | 8.96  | 38.81   | 28.36 | 100   |
| Courteous        | -         | 19.4      | 22.39 | 40.3    | 17.91 | 100   |
| Proactive        | 2.99      | 17.91     | 23.88 | 26.87   | 28.36 | 100   |

**Source: Researcher (2013)**

From the above, the respondents indicated that most of the staff are professional, knowledgeable and efficient. On the contrary, the respondents felt that the staff were averagely courteous, responsive and proactive.

Table 4.4.2 presents the frequencies and percentages of the respondents measured on a 5 point scale (Excellent – Poor) on the overall satisfaction with the service delivery.

**Table 4.4.2: Overall Satisfaction with Service Delivery**

|                                    | Excellent | Very Good | Good | Average | Poor  | Total |
|------------------------------------|-----------|-----------|------|---------|-------|-------|
|                                    | 1         | 2         | 3    | 4       | 5     | %     |
| Service Delivery                   | 8.96      | 22.39     | 26.9 | 14.93   | 26.87 | 100   |
| Quality of personal interactions   | 14.93     | 28.36     | 19.4 | 23.88   | 13.43 | 100   |
| Delivery of contract documents     | 25.37     | 34.33     | 22.4 | 17.91   | -     | 100   |
| Accessibility                      | 22.39     | 34.33     | 17.9 | 14.93   | 10.45 | 100   |
| Receipt of payments on withdrawals | 25.37     | 31.34     | 20.9 | 8.96    | 13.43 | 100   |
| Speed of resolving queries         | 22.39     | 28.36     | 8.96 | 20.9    | 19.4  | 100   |
| Provision of information           | -         | 19.4      | 22.4 | 40.3    | 17.91 | 100   |

**Source: Researcher (2013)**

26.87% of the respondents felt that the service delivery after sale was good. The quality of personal interactions with the company is at 28.36%. Policy contracts are delivered satisfactorily at 34.33%. Accessibility of the life insurance companies was rated as Very Good by 34.33% of the respondents. Receipt of payments on withdrawals is considered very good (31.34%) as is the speed of resolving queries. However, most respondents felt that provision of information is average at 40.30%.

Most of the respondents interviewed indicated that they are likely to recommend their insurance companies to their family/friends; they also indicated that they are unlikely to switch to another insurance provider as they are satisfied with the service provision from their current insurer. Most of them are also likely to repurchase insurance services from their current insurance provider.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **Introduction**

This chapter summarizes the major findings of the study. The study sought to assess and analyze the determinants of customer satisfaction on the behavioral intentions of consumers in Life Insurance Industry in Kenya.

### **5.1 Summary**

Delivering customer satisfaction is at the heart of every service provider. The most important aspect of the relations between service provider and customer is that there is a disconnect between what customers want and what service provider offer. This is particularly true in case of services like insurances.

### **5.2 Discussions**

Customer satisfaction is always a question mark in minds of sellers as it is very difficult to find that what exactly consumer want from the seller. For the very same reason this research is conducted that how customer satisfaction can be gained. Customer satisfaction is one of the most important issues in marketing field from beginning and its play a crucial role in firm profit maximization. When it comes to assessing the value life insurance has to offer, respondents who already have a policy felt more strongly about what financial needs the product can help them fulfill than did those currently without coverage. Indeed, half of the respondents agreed that if something happened to them, life insurance could help pay for their families living expenses, repay their mortgage or other debts, or help finance the college education of their children. In addition, fewer than half agreed that life insurance could help them provide funds for retirement or for financial emergencies. However, the survey indicated that even among those who have some form of life insurance, half or fewer also don't recognize many of the potential benefits of the policies.

Among the survey sample, most of the respondents indicated that the reason for investing was because the policy benefits were good. This is a positive insight that insurance providers should endeavor to maintain. For as long as the policy holders appreciate the benefits of the policy they will consistently maintain their policies with

the insurer thereby achieving profitability for the company. The experience that a life insurance consumer had in acquiring coverage through a particular channel can be critical in determining whether the buyer would use the same channel again in a future purchase. An unsatisfactory experience may prompt the buyer to shift to another channel and perhaps a rival insurer. Among the survey sample of those currently with policies, 32% of respondents said they are likely to purchase another policy with their current insurance provider.

About two-thirds of respondents were satisfied with the time that elapsed between submitting the application and getting an underwriting decision, as well as how the decision was communicated. The survey found that the younger generation tends to be less satisfied with what they perceive to be a cumbersome transaction process. Indeed, among the younger age segments for those currently with life insurance, satisfaction levels were about 10 to 12 percentage points below the sample-wide average. This indicates that life insurers might need to simplify the application process and make the entire transaction more convenient to attract younger buyers without coverage, as well as sell additional coverage to younger buyers who already have a policy. Meanwhile, in terms of evaluating options and making a decision about a life insurance purchase, satisfaction levels for the younger uninsured respondents were about 20 percentage points below the sample average, leaving plenty of room for improvement in reaching this segment

### **5.3 Conclusions**

It is evident from the study that although most customers are satisfied with the services given at their life insurance companies, there is still ample scope of innovation and creativity to explore the vast untapped market of life insurance and also to satisfy customers. The insurance sector has come into sharp focus in Kenya in the recent times due to the phenomenal changes taking place in terms of number of companies offering insurance products, the variety of products in the market and the proliferation of intermediaries selling them. In spite of the healthy growth witnessed in the insurance sector in recent years, and the expansion of the market evidenced in part by the increasing market share of the new players, the inroads that insurance has made into the market remains lower in India than in many parts of the world. When a customer recognizes quality, it is reflected in customer satisfaction. Customer satisfaction in turn, can lead to increased revenue. Customers are economic asset but,



it is not enough solely to satisfy customers; for a business to be successful in the long run, it must satisfy customers at a profit. Although there are many insurance companies in the life insurance industry, barring a few all the others are struggling for survival. Developing dedicated human force is the need of the hour and also to think out of the box to design new policies which would be able to attract customers. Innovation in every aspect is required to survive and to increase the penetration level of insurance, campaigns should be launched to increase awareness about benefits and importance. Instead of pushing the policies to customers through agents, demand should be created so that the customer pulls the policies.

#### **5.4 Recommendations**

Given the recent situation that customers are becoming more aware of their expectations, and demand higher standards of services, insurance companies should be able to consider measuring their service quality and understand what factors contribute to customer satisfaction and more over loyalty. The present study contributes to our knowledge by providing support for the contention that there is a link between service quality and loyalty and how service quality is measured.

Based on the findings of this study the following recommendations are proposed to help improve service quality in life insurance companies. To overcome the observed service quality gap between customers' expectation and perception insurance managers should implement customer oriented strategies and also show commitment to quality. To improve human dimension of service quality (i.e. responsiveness, courtesy) the companies should provide training programs on these areas. Life insurance companies should provide appropriate solutions to customers' problems in a timely manner and providing right solutions to problems by increasing the competence of employees. Front line employees should be motivated and trained to understand customers' needs, provide individual attention and demonstrate caring behavior. Employees should keep the promise to customers, show a sincere interest in solving client problem, inform users of the time required to perform transaction, and perform service right the first time.

This research was carried out in Nairobi where the average standard of living of people is fairly high. Similar research can be undertaken in rural areas and compare the results. In insurance the relationship between the customer and company begins

when customer buys the policy and ends when the policy expires or matures. Therefore, overall customer satisfaction would include the claim handling and settlement service. This project included only those policyholders whose policies were still in force and who have not gone through the claim settlement process. Future researchers may include ex-policyholders in their sample to know about their claim settlement experience, because that would complete the overall customer satisfaction.

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## APPENDICES

### Appendix 1: Questionnaire

**Dear Customer**, this questionnaire is designed to collect information about how you feel about the service quality delivered by your insurance company at least in the last 12 months. The data collected is confidential and will only be used for academic purposes only. This survey will help your insurance service provider know how you can be served better.

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Please tick  the appropriate box for your answers.

#### Section 1: Demographic Details

1. Age: 24 – 29 Years  30 - 35 Years  36 – 45 Years  Above 46 Years
2. Gender: Male  Female
3. Education Level: Primary  High School  College  University   
Other: .....
4. Occupation: Employed  Self employed  Other: .....
5. Premium Amount:  
KShs 1,000.00 – KShs 2,500.00   
KShs 2,500.00 – KShs 3,500.00   
KShs 3,500.00 – KShs 4,500.00   
Above KShs 5,000.00

#### Section B: Insurance Provider Details

1. How many other life insurance companies do you insure with?  
 None  one  two  three  over three
2. How long have you been a customer to your main insurance company?  
 below 3 years  5 years  10 years  over 10 years
3. Which type of insurance policy do you have with your main insurance company?
  - a. Life Insurance Policy
  - b. Unit linked Policy
  - c. Investment Plan

- d. Education Plan [ ]
  - 4. What are your reasons for investing in insurance plans of your life insurance company
    - a. Financial stability [ ]
    - b. Company's reputation [ ]
    - c. Benefits are good [ ]
    - d. Convenient location [ ]
    - e. Family/Friends recommendation [ ]
- Other: .....

5. How do similar products/services offered by other companies, compare with your life insurance company

|             |                 |                |                |            |
|-------------|-----------------|----------------|----------------|------------|
| Much better | Somewhat better | About the same | Somewhat worse | Much worse |
| <b>1</b>    | <b>2</b>        | <b>3</b>       | <b>4</b>       | <b>5</b>   |

6. What is it that you like about your life insurance company products and services?

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7. What is that you dislike about your life insurance company's product and services?

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**Section C: Dimensions of Customer Satisfaction**

Please indicate on a five point scale the extent to which you find the following statements important where:- 1= Not important    2 = Less important    3 = Neutral  
4 = Important    5 = Very Important

|   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|----------|----------|----------|----------|----------|
| <b>Access Quality</b>                         |          |          |          |          |          |
| The insurance provider location is convenient |          |          |          |          |          |
| The company has convenient operating hours    |          |          |          |          |          |
| Customers do not have to wait for services    |          |          |          |          |          |
| <b>Infrastructure Quality</b>                 |          |          |          |          |          |
| The company has modern looking equipment      |          |          |          |          |          |
| The company's physical features are visually  |          |          |          |          |          |



|  |  |  |  |  |  |
|--|--|--|--|--|--|
| appealing  |  |  |  |  |  |
| <b>Responsiveness</b>  |  |  |  |  |  |
| When the company promises to do something by a certain time it does so |  |  |  |  |  |
| The service provided is right the first time                           |  |  |  |  |  |
| <b>Problem Solving Quality</b>   |  |  |  |  |  |
| The company addresses complaints quickly                               |  |  |  |  |  |
| The company provides appropriate solutions to problems                 |  |  |  |  |  |
| <b>Credibility</b>   |  |  |  |  |  |
| The insurance contact personnel are honest                             |  |  |  |  |  |
| The company has an excellent reputation                                |  |  |  |  |  |

**Section D: Overall Satisfaction with service delivery**

**1. On a scale of 1-5, how well does each of the following best describe the staff of your insurance company?**

1= Excellent      2= Very good      3 = Good      4 = Average      5 = Poor

|                  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|------------------|----------|----------|----------|----------|----------|
| Professional     |          |          |          |          |          |
| Knowledgeable    |          |          |          |          |          |
| Efficient        |          |          |          |          |          |
| Enthusiastic     |          |          |          |          |          |
| Listen carefully |          |          |          |          |          |
| Responsive       |          |          |          |          |          |
| Courteous        |          |          |          |          |          |
| Proactive        |          |          |          |          |          |

**2. To what extent has your life insurance company's services met your expectations?**

|                          |                     |                         |                      |                           |
|--------------------------|---------------------|-------------------------|----------------------|---------------------------|
| Much worse than expected | Worse than expected | Equal to my expectation | Better than Expected | Much better than expected |
| <b>1</b>                 | <b>2</b>            | <b>3</b>                | <b>4</b>             | <b>5</b>                  |

**3. How would you rate the after service in terms of the following attributes? Please rate them on a scale of 1-5:**

**1= Excellent      2= Very good      3 = Good      4 = Average      5 = Poor**

|                                    | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|------------------------------------|----------|----------|----------|----------|----------|
| Service Delivery                   |          |          |          |          |          |
| Quality of personal interactions   |          |          |          |          |          |
| Delivery of contract documents     |          |          |          |          |          |
| Accessibility                      |          |          |          |          |          |
| Receipt of payments on withdrawals |          |          |          |          |          |
| Speed of resolving queries         |          |          |          |          |          |
| Provision of information           |          |          |          |          |          |

4. How likely are you to recommend your insurance company to friends/family?

|               |          |          |          |             |
|---------------|----------|----------|----------|-------------|
| Very Unlikely | Unlikely | Neither  | Likely   | Very Likely |
| <b>1</b>      | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>    |

5. Do you have the intention of switching to use another insurance company's services?

|               |          |          |          |             |
|---------------|----------|----------|----------|-------------|
| Very Unlikely | Unlikely | Neither  | Likely   | Very Likely |
| <b>1</b>      | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>    |

6. How likely are you to re-purchase insurance services with your current life insurance provider?

|               |          |          |          |             |
|---------------|----------|----------|----------|-------------|
| Very Unlikely | Unlikely | Neither  | Likely   | Very Likely |
| <b>1</b>      | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>    |

7. Overall how satisfied are you with the service quality delivered by your insurance company?

|                   |              |          |           |                |
|-------------------|--------------|----------|-----------|----------------|
| Very Dissatisfied | Dissatisfied | Neither  | Satisfied | Very Satisfied |
| <b>1</b>          | <b>2</b>     | <b>3</b> | <b>4</b>  | <b>5</b>       |

Thank you for your participation

## Appendix 2: List of life insurance companies

|    | <b>Life Insurance Company</b> |
|----|-------------------------------|
| 1  | Apollo Life                   |
| 2  | Britam                        |
| 3  | Cannon                        |
| 4  | Capex                         |
| 5  | CFC Life                      |
| 6  | CIC Life                      |
| 7  | Corporate                     |
| 8  | First Assurance               |
| 9  | Geminia                       |
| 10 | Heritage                      |
| 11 | ICEA Lion Life                |
| 12 | Jubilee                       |
| 13 | Kenindia                      |
| 14 | Kenyan Alliance               |
| 15 | Madison                       |
| 16 | Mercantile                    |
| 17 | Metropolitan Life             |
| 18 | Monarch                       |
| 19 | Old Mutual                    |
| 20 | Pan Africa Life               |
| 21 | Pioneer                       |
| 22 | Shield Assurance              |
| 23 | UAP Life Assurance            |

Source: AKI Insurance Industry Annual Report (2012)

### Appendix 3: Introduction Letter



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
**MBA PROGRAMME**

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Nairobi, Kenya

DATE 19/09/2013

**TO WHOM IT MAY CONCERN**

The bearer of this letter MARNA JOYCE NYAGUTHI

Registration No. DE1/63261/2011

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



**PATRICK NYABUTO**  
**MBA ADMINISTRATOR**  
**SCHOOL OF BUSINESS**

