

**OPERATION STRATEGIES AND CUSTOMER RETENTION IN  
THE INSURANCE INDUSTRY IN KENYA**

**BY**

**EMMANUEL KIMUTAI NGELESE**

**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF  
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION  
(MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**2016**

## **DECLARATION**

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

**Signature.....**

**Date: .....**

**EMMANUEL KIMUTAI NGELESE**

**REG. NO.: D61/76397/2012**

This project has been submitted for the examination with my approval as the university supervisor.

**Signature.....**

**Date: .....**

**MRS. ZIPPORAH KIRUTHI**

## **ACKNOWLEDGEMENT**

I would like to express my heartfelt appreciation to my supervisor, Mrs. Zipporah Kiruthia for the time, constructive guidance offer to me through this Research Project. I also convey the same appreciation to the entire Department of Management science for their assistance offer to me throughout my studies. Lastly, I would also like to appreciate my mother Celestina Ngelese and my bother Roger Ngelese for the encouragement and moral support during my studies

## **DEDICATION**

This research project reports is dedicated to my wife Jacqueline Mwikali Kyalo and my lovely daughter Cayla Ngelese, who have taught me the importance of hard work, sacrifice and humility. My mother Celestina Ngelese and brother Rogers Ngelese who always believed in me.

# TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>i</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>LIST OF TABLES .....</b>	<b>vii</b>
<b>LIST OF FIGURES .....</b>	<b>viii</b>
<b>ABSTRACT.....</b>	<b>ix</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Operation Strategies .....	2
1.1.2 Customer Retention .....	3
1.1.3 Insurance Industry .....	4
1.2 Research Problem.....	5
1.3 Research Objectives .....	6
1.4 Value of the Study.....	6
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>7</b>
2.1 Introduction .....	7
2.2 Theoretical Review .....	7
2.3 Operation strategies Process.....	8
2.3.1 Top-Down Perspective .....	9
2.3.2 Bottom-Up Perspective.....	10
2.3.3 Market-Led Perspective.....	11
2.3.4 Operations-Led Perspective.....	11

2.4 Operation strategies in Services .....	12
2.5 Customer Retention.....	13
2.6 Empirical Studies .....	14
2.7 Summary .....	15
2.8 Conceptual Framework .....	15
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>16</b>
3.1 Introduction .....	16
3.2 Research Design.....	16
3.3 Population of the Study.....	16
3.4 Census .....	16
3.5 Data collection.....	17
3.6 Data Analysis .....	17
<b>CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND</b>	
<b>INTERPRETATION .....</b>	<b>18</b>
4.1 Introduction .....	18
4.2 Classes of the insurance firm .....	18
4.3 Respondents characteristics.....	19
4.3.1 Respondents Title .....	19
4.3.3 Professional qualification and Experience .....	21
4.4 Presence of Operations Manager in the Insurance firms.....	21
4.4.1 Availability of Written Operation strategies .....	22
4.4.2 Influence of Operations Department on customer retention in the Insurance firms.....	23

4.5 Operations Strategies Applied by Insurance firms.....	24
4.6 Correlation Analysis of Operation Strategies and Customer Retention.....	26
<b>CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND</b>	
<b>RECOMMENDATIONS.....</b>	<b>28</b>
5.1 Introduction .....	28
5.2 Summary of the study .....	28
5.3 Major Findings of the study .....	29
5.3.1 Demographic findings .....	29
5.3.2 Presence of Operations Manager .....	29
5.3.3 Change of Operation strategies.....	30
5.3.4 Influence of Operation strategies on customer retention .....	30
5.4 Conclusion.....	30
5.5 Recommendation.....	31
<b>REFERENCES.....</b>	<b>32</b>
<b>APPENDIX A: DATA COLLECTION QUESTIONNAIRE .....</b>	<b>40</b>

## **LIST OF TABLES**

Table 4.1: Professional qualification held .....	20
Table 4.2: Extent insurance firms apply the above operations strategies .....	25
Table 4.3 Correlation Analysis of Operation Strategies and Customer Retention .....	26



## LIST OF FIGURES

Figure 4.1: Classification of insurance firms .....	18
Figure 4.2: Position Held by respondents .....	19
Figure 4.3: Possession of relevant professional qualification.....	21
Figure 4.4: Availability of operations manager in insurance firms .....	22
Figure 4.5: Availability of written operation strategies that contributes to overall customer retention in the insurance firms .....	23
Figure 4.6: Does presence of operations department contribute to customer retentions in the insurance firm management .....	24

## **ABSTRACT**

The Objectives of the research was to ascertain the influence of operation strategies on customer retention in Kenyan Insurance firms. The study objectives were to establish operation strategies Employed by Kenyan insurance firms; to examine whether operation strategies were employed and to ascertain the association between operation strategies and customer retention in Kenyan insurance industry. The research used a census design method. It utilized questionnaire sent to the operation managers in the event the organization lacked one the marketing manager was selected as instruments of data gathering. The study brought forth the fact that most insurance firms have integrated the operations department as the largest contributor to the overall customer retention of the insurance firm. Most insurance firms employed strategies such as emerging markets consumer segments, quality service delivery and business model are applied. The management of insurance firms frequently changes operations strategies. The operation strategies changes should involve the input of employees and their contribution in the formulation of new strategies. The holistic approach of both management and staff involvement in strategies formula will ensure that customers will be retained.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Competition in nearly all sectors of the economy has increased considerably in the present times, and this tendency towards *hyper-competition* is likely to persist. Meanwhile, globalization avails greater and new opportunities for organizations that find newer, previously unexploited markets, intended for companies products and services in addition to latest sources for resources and parts at considerably lower outlay. Due to the globalization of commerce, managers are required to broaden their vision past their countries and regional boundaries during operation strategies development” (Naisbitt & Abridene, 2000). Davis and Meyer (1998) argued connectivity, speed, and intangibility are the three components that are considerably affecting the manner in which trade is being conducted. They propose that the combination of all three factors is contributing to an unpredictable business environment a rate in which managers can no longer envision their businesses clearly.

Technological changes can be directly attributed to the three factors. They have radically affected the major and fundamental framework in operation strategies: that of selecting amongst competing priorities. In the midst of technological change, managers do not have to make pure concessions between competing priorities as they did in the past. In its place, Technology allows companies to compete on several priorities at the same time namely; Competitive Priorities. The key to developing successful operation strategies lies in the creation or additional value to the client. Specifically, value is added when

competing priorities are chosen in order to hold up specific strategies. Skinner and others initially named four central competing priorities. Slack *et al* (2004), argued their exist four fundamental competing priorities namely: flexibility, delivery, cost and quality. This priorities directly transform into attributes that explain the variety of processes that an organization can improve of it offering to the market.

Organizations long-term success is determined by the operation strategies conceptualized. Operation strategies development means looking at better and innovative method of provide superior value for the client in the companies offers. Value might have several meaning. Managers should align the operation strategies with all other units and overall strategies. Globalization coupled with the fast changing technology has fashioned a hyper-competitive business environment that require company head shave to continuously seek the latest and ground-breaking ways to beat the competition. To effectively execute this strategies, managers have to undoubtedly appreciate the core competencies of their organizations and distribute the company's resources on improving and maintaining these competencies. Prosperous companies nowadays are those that build up strategies that bundle up goods and services in one offering or combine benefits, this bundle tend to meet and solve consumer problems instead of the company just promoting it goods (Johnstone *et al*, 2004).

### **1.1.1 Operation Strategies**

Operation strategies are concerned with the blueprint of strategic actions and decision that determine the activities functions and objectives in operations (Slack *et al.*, 2004). Operation strategies, writing have frequently been reviewed within manufacturing paradigms. (Brown and Cousins, 2004) availed a rundown showing the connections

between a factory operations and modern manufacturing. Nower days the influence of operation strategies has gone beyond the realm of operation managers to that of business strategies (ward et al. 2007). Operation Strategies looks at all the level of the business and the structured that can achieve the business and ultimately the corporate strategic objective. Operation strategies consequently narrow down to issues of people, resources, processes, etc. Operation strategies are a long-term plan setting out how majority of the organization will be utilized for a higher chance of alignment of resources to the corporate strategies (Slack, 2010).

Success in operation strategies can only be achieved through understanding of customer needs and expectation and ways of solving it formulated. While strategies will be formulated to meet client requirements, aspects of corporate strategies namely: marketing, operational and finance strategies must also be well thought-out to ensure that the company is competitive in core area of business and also in a position to meet its monetary obligations through generation earnings. The company can achieve this through resources transformation by use of, infrastructure, capabilities, processes (James & Ventus, 2011). Specific to this research strategies like consumer segments that determine the target market, identify new markets where the insurance firm will be analyze its business models the level of competition that make it unique as compared to other insurance firm, quality service delivery form the main focal point.

### **1.1.2 Customer Retention**

Customer retention has been defined by various scholars during their studies in dissimilar ways like, Ram, Schindler and Gerpott (2001) definition was the continuation of business relation by the customer with the company. This further concluded that,in relationship

marketing the most important issues were the effects of interaction and superiority on customer retention (Lin & Wu, 2011). (Rust, Zohorik & Keiningham, 1995) further argued that increase in market share and revenue was greatly driven by new customer's attraction and retention.

The outcome of the study by Lin and Wu (2011), agreed with previous studies that there exist a firm and solid relationship between quality of products/service and service quality. It was inferred that customer retention was greatly achieved through loyalty program that had monetary compensation (Verhoef, 2003). Empirical evidence suggests that customer retention is positively impacted by financial incentives through loyalty programs and emotional commitment. Different studies have explored the relationship between customer loyalty and retention in diverse situations the outcome of the research have been inconclusive with other some studies putting forth a positive relationship while other concerning. Some studies also concluded that there exist no relationship between the two. Similarly (Pettersson, 2004) studied the correlation amongst consumer loyalty and retention. Wong, Chan, Ngai and Oswald (2009) argued that, a positive relationship between the customers and the organization will significantly affect customer loyalty. While Smith and Chang (2009) found that there exist no correlation between customer retention and loyalty.

### **1.1.3 Insurance Industry**

Insurance is the creation of a pool of funds by policyholders with the aim of indemnifying them from unforeseen risks. It works on the principle that the losses of the few are paid by many. Its main intention is to mitigate the policy holder against financial loss that might arise due to unforeseen risks and thus giving peace of mind to the

policyholders. Life insurance is also a way of creating an immediate estate for ones dependants. Insurance companies are financial institutions that function in the economy as part of the financial service industry. The financial services industry is made up of insurances, building societies, insurance brokers, pension funds, fund management companies, stock brokers, real estate companies, savings and credit societies etc. it has important effect on the customer retention of Kenya's economy contributing approximately 11% of the Gross Domestic Product (GDP) with insurance contributing 3% to the GDP (IRA, 2012). Insurance promotes financial stability of individuals, families, and organizations by indemnifying those who suffer loss or harm. Business failure without insurance leads to reduction in shareholders wealth and many other kinds of negative externalities. Higher unemployment, loss of business, high prices of products, less government tax revenues and rising government responsibilities are few negative externalities associated with uninsured losses. This therefore implies that insurance promote financial stability by ensuring continuity in face of adversities.

## **1.2 Research Problem**

The service industry firms are forced to adjust to change to succeed this has been due to the increased competition resulting from globalization and liberalization of economies. Insurance firms are not immune and are under a lot duress firms to supply efficient and unique services. There are numerous operational strategies that aid the firms in ensure efficiency and effectiveness in insurance firm operations to achieve customer retention.

There exists a lot of room for growth in the insurance industry in Kenya. Each company employees their own strategies that differentiates them from the competition. Example of these operations strategies are: leadership strategies, rigorous training of staff strategies,

quality customer service strategies, face-to-face strategies, personal grooming strategies, product range offerings, differentiated product features, system safety and security and information communication technology among others. However it is not clear which of these strategies have been adopted in the insurance industry in Kenya.

### **1.3 Research Objectives**

The objectives were:

1. To determine the operation strategies employed by Kenyan insurance firms.
2. To examine the relationship between customer retention and operations strategies of insurance firms.
3. To establish the relationship between operation strategies and customer retention in Kenyan insurance firms.

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

It is envisaged that Kenya insurance sector will gain a better understanding of the operational strategies that lead to the customer retentions. This will lead to the appreciation of the role that operation plays on various factors that increasing customer retention. The study findings will be relevant in equipping policy makers and regulators in the insurance industry with information that will empower them to be in a position to integrate industry stakeholders' in areas relating to operation management considerations in policy formulation. It is intended that the findings from this study will generate knowledge for the academic community. The gaps that will be identified from the study will create room for further research in the relationship between operation strategies and customer retention in the insurance industry.



# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Introduction**

This chapter looks at literature review, specifically the literature review focuses on operation strategies and customer retention, and the discussion includes customer retention, theoretical foundation and operation strategies, as well as strategies for retaining customers.

### **2.2 Theoretical Review**

The trade of model is founded on the basis that it is unattainable to successes at the same time on all aspects of operations. Therefore for an operation strategies to successful then it should possess a single and well defined goal derived and prioritized from an operation and customer retention objective (e.g., quality, cost, flexibility and speed). This may lead to trade-off between operation strategies where one with less excellence in one area is traded-off in order to achieve operation excellence in another (Barnes, 2008). Skinner (1969) argued that operations was not viewed in the same manner by every person, what was then need was to identify or set a single operation goal that all competing priorities were judged against, based upon the set task which acted as the criterion against which all action objectives.

De Meyer (1990) discussed that some operational capabilities improve each other, aiding operations excellences develop in a snowballing manner. They develop the 'sandcone' model, which maintains the existence of an ideal chain of operational capability

development. The sandcone model puts quality as the starting point. After quality the second should be excellence in dependability, thereafter flexibility which includes speed and finally expenditure. They insisted that effort to further improve quality should continue while starting activities that build dependability likewise effort on quality and dependability should be implemented while building flexibility. Lastly efforts on cost reduction should be implemented alongside activities to improve on flexibility, quality and dependability. Operational capabilities implemented in this method are more sustainable than developing individual capabilities.

### **2.3 Operation strategies Process**

Operation strategies are derived from the corporate and business strategies. There exists a vertical relationship between these three levels of strategies, operation strategies also have a horizontal relationship with mainly the marketing strategies and other functional strategies. The relationship between corporate and business strategies may arise in a top-down and bottom-up process in relation to the operating strategies. Similarly, operation strategies must be derived from the market requirements (i.e. market-led) or from operation capabilities (i.e. operations-led). These lead to the four perspectives of operation strategy (Slack & Lewis, 2002). Each of which places a different emphasis on operation strategies process. Barnes (2008) discusses the four perspectives as follows;

Source: Slack and Lewis (2002)

### Top down

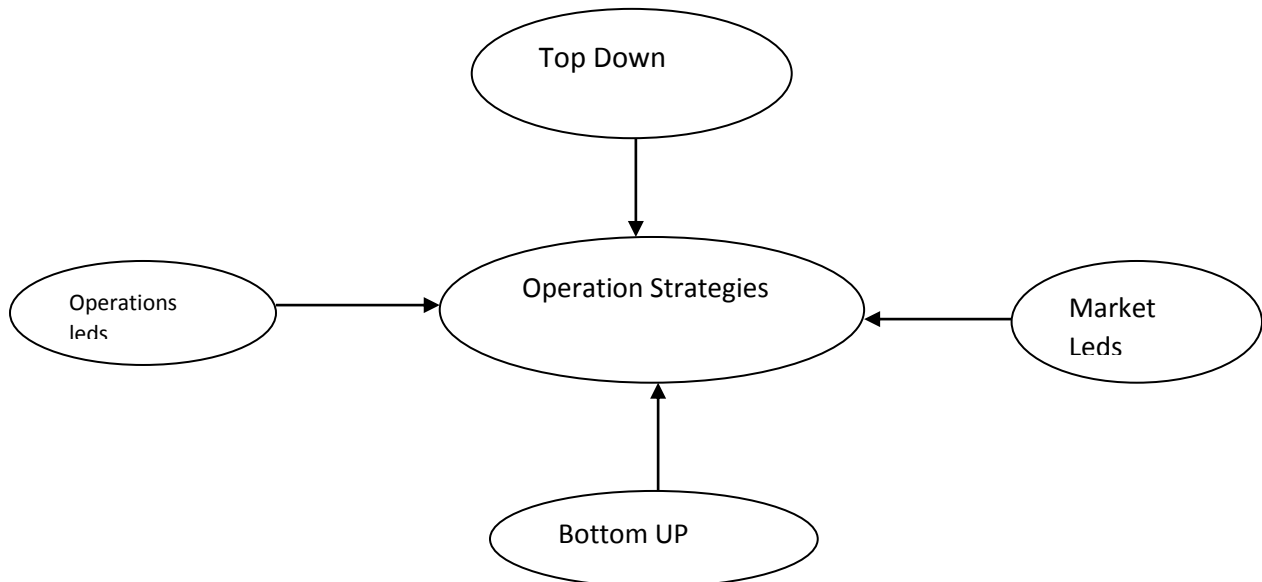


Fig 1. The four perspectives on operation strategies.

#### 2.3.1 Top-Down Perspective

The above perspective is one where the organizations business strategies derives and the operation strategies, intern the operation strategies supports the business strategies; an operation strategies that the organization uses to realize its business strategies. In line with this approach, the method used to develop operation strategies would employ Skinner’s method of selecting operational task (Skinner, 1969). Business strategies would rationally be defined by the operational tasks to be employed. Using Slack *et al.*’s (2004) that operational task is a way of articulation five operations customer retention objectives. For example, if the business strategy is providing clients with speedy delivery, the operation task then should be to achieve speeds operations.

### **2.3.2 Bottom-Up Perspective**

This perspective defines operation strategies as a sequence of actions taken and decisions made and implemented in operation over time. They are a response to customer demand by operation manager and at the inception may appear haphazard; they are usually problem solving in nature of best practices borrowed from other firms etc. This method overtime may formulate a coherent pattern that might lead to formation of an operation strategies. The characteristic of the action take come from a series of continuous incremental improvement as opposed to unique industrially determined changes which usually require huge investments. This approach is where organisation gain experience through enhancing and developing its operation capabilities, this is usually achieved by trying out new things in an experimental manner using the work space as an learning laboratory. (Leonard-Barton, 1992).

Japanese manufacturing industries were faced with a lot of constraints after the Second World War, in response to the challenger the Japanese came up with cutting edge manufacturing practise(e.g statistical process control, JIT, TQM). With these perspective organization usually do not know there operation strategies. Mills *et al.* (1998). To overcome this, managers are required to develop techniques through visual representation of operation strategies as recorded. This is usually achieved through the organisation memory collective memory (whether verbal or written) by mapping our significant past event where managers are able to identify patterns that makeup the existing strategies.

### **2.3.3 Market-Led Perspective**

According to this perspective operation strategies are derived from the market environment the firm operates. Various studies have suggested how the above can be achieved. One of the best is by Terry Hill (1985) he argued that there should be a link between a firm's operation strategies and marketing strategies. The market place should dictate how product and services are offered. He identified two competitive criteria that apply to any market place. Market qualifying criteria are the factors that must be met first before its considered for purchase by customers, and secondly those factor that the purchase decision is ultimately based on Order winning criteria.

Consequently, an operation strategies should aim at meeting market qualifying criteria, but be extremely good in order winning criteria in the market segment the organisation place its offerings. Platts and Gregory(1990) approach was to audit the market offering. The objective being to: identification of gaps between market requirement and customer retention with operation being the driver. The initial step is analyzing market requirement based on competing factors (such as quality, reliability and cost). Customer retention is then assessed against those operational factors.

### **2.3.4 Operations-Led Perspective**

This approach looks at operational excellence as a driver of operation strategies. It argues that instead of looking at the market position the organisatio should focus on resource acquisition, development and deployment, by doing so it should be able to achieve superior customer retention(Barney, 1991; Wernerfelt, 1984).

Thus, current and future market operational capabilities should be analysed and developed in order for the offering to meet the market segment expectation and beat competitors in that market space (Hayes *et al.*, 2005). Mills *et al.* (2002) came up with techniques that aid an organization in idea implementation. This techniques involved examining of resource used by the organization over time. They discovered six resources that were mutually exclusive; system and resource procedure, network resource and resource, tangible resource, knowledge resources skills and experience. criteria used to evaluate the mentioned is sustainability value and versatility. Resources the score highly in this area both individually or collectively considered to be important resources. This are the important source competitive advantage to the organization.

#### **2.4 Operation strategies in Services**

The strategic decision making in the organization will derive the operation process terminology (Ho,1996). Key to any definition of strategies is the consistent mentioning of improving competitive advantage in the market place through building resources and positioning (Swink &Way, 1995). Skinner (1969) recognized a group of areas in decision making that objectives in manufacturing are achieved. Later research confirmed that there existed a high agreement; though different scholars have developed have highlighted sets of decision areas in manufacturing (Mills *et al.*, 1998). Nonetheless traditional operation management writing has looked into service operation strategies and the improvement of service delivery system with the intention of match the customer perception to expectation (Armistead, 1992).

Different services classifications and schemes have been explained through models and frameworks.(Johnston, 1994; Nayyar). However, the dimensions of service operation

strategies have been explained by a few studies. In this context, Arias-Aranda (2002) suggested a model based on the organization activity focus. He identified process, service or customer-oriented as the operations strategies. He argued there exist nine structural and nine infrastructural decision areas that determined service operation strategies.

The operational layout are , extent of process standardization, variety of services offered, utilization of ICT (cost reduction vs service improvement), PUSH/PULL service delivery process orientation, seamless back and front office activities, expert human resources, extent of customer involvement , and new service design and development. Customer retention is a measures of how well the competing strategies have been implemented (Suarez *et al.*, 1996).

## **2.5Customer Retention**

Different scholars have defined customer retention differently. Gerpott, Rams and Schindler(2001) as the continuity of trade relationship between the organisation and the client. Market share and revenues can only be increased through customer rretention and attraction of new customer (Rust, Zohorik & Keiningham 1995).

According to (Saeed, Grover & Hwang, 2005) customer retention is driven by after sale service and it is critical for a firm to know how it serves it clients. Product and service quality should be accurately emphasized by the firm (Lin & Wu, 2011). Statistically there exist a significant positive relationship between the following factors; quality commitment, trust, satisfaction and customer retention, as retention is determined by future uses of the product.

Lin and Wu (2011) researched about, loyalty programs and monetary compensation in step toward great customer retention. Their finding expanded previous studies that there is a solid relationship between quality of services and retention. (Verhoef, 2003), Customer retention has been positively impacted by loyalty programs with financial incentives and emotional commitment as evident in previous studies (Verhoef, 2003).

Rust and Zahorik(1993) found that there was a positive relationship between operations of loyalty and retention. Retention is a mirror reflection of loyalty. (Hallowell, 1996). Similarly, Bolton, Kannan and Bramlett (2000) investigated the relationship between customer loyalty and customer retention and found that loyalty influences retention”.

## **2.6 Empirical Studies**

Numerous studies have been conducted in the service sector and they seem to validate the link between operation strategies elements with behaviors such as retention Mital, V. and Kamakura, A. (2001). The link is important to the marketing concept, which stipulates that meeting customers’ needs is important in building customer retention. Additionally, the significance of satisfaction on retention is highly recognized that some developed countries measure customer satisfaction at now the industry level using statistical methods to predict retention levels, rate customer loyalty and upcoming financial. Fornell, C. (1999). Argued that even satisfied customer switch Schneider, B. and Bowen, D. (1999) build trust over and above satisfaction helps in retention Hart and Johnson (1999). These ideas are in line with channels literature, Morgan, R. M. and Hunt, S. D. (1994) which proved that long-term relationship and economic viability were built on trust. Even though the implication of trust on business-to-business (B-B) relationships are well known, the same do not apply to business-to-consumer (B-C). A lot of research in the



area tend to be conceptual Gremler and Brown (1996) or anecdotal Hart and Johnson (1999).

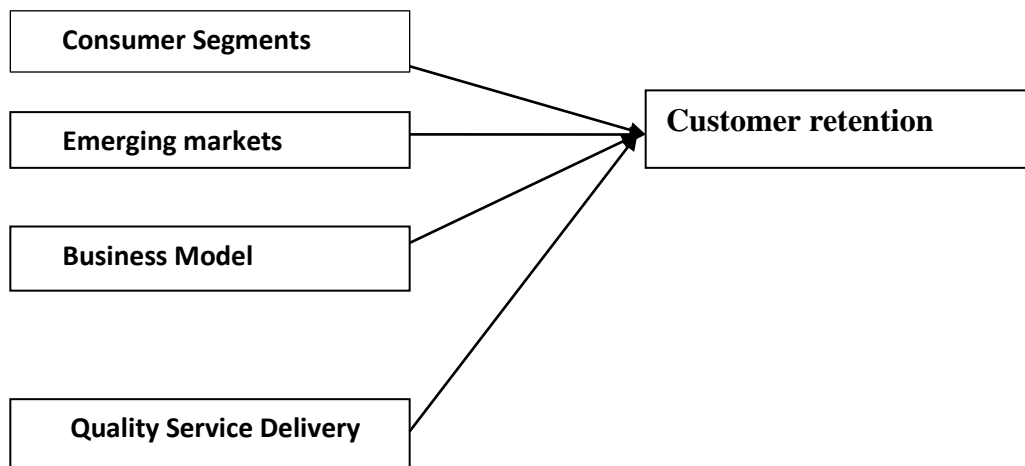
## 2.7 Summary

Chapter two dealt with the literature review which mainly comprised of studies that have been undertaken in relation to operation strategies and retention in the insurance industry in Kenya. Additionally, three emergent theoretical positions (service approach, industrial marketing and general management approach) to customer retention management have been reviewed. The next chapter is on the research methodology.

## 2.8 Conceptual Framework

**Independent variable**

**Dependent Variable**



**Figure 2.1 Conceptual Framework**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Chapter three looked into the how the research was going to be conducted. It dealt with the research design and process, target population and how the data will be collected. The research tool used is in Appendix 1.

#### **3.2 Research Design**

The research design used was descriptive and the target population was a census. Kothari (2004) descriptive research includes describing the state of affairs as it exist it the present using fact-find questions. A descriptive research design aid in describing the traits of the variables of interest in a situation and portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility (Kombo & Tromp, 2006).

#### **3.3 Population of the Study**

The Studies target population was described as all insurance firms recognized by the AKI. They are 55 in number (IRA, 2016). These firms will include.

#### **3.4 Census**

The study shall adopt a census technique. The technique shall involve sending questionnaire to all the insurance firms. The researcher mainly targeted operations managers if available, and in their absence, marketing managers acted on their behalf insurance firms.

### **3.5 Data collection**

The main source of data was Primary data. The Primary data was collected by a questionnaires. It consisted of three sections with the first section collecting general information including the bio data of the respondents, second section collected data on the various operational strategies Employed by the insurance firms and the final section collected information that aimed at establishing the relationship between the operations strategies and customer retention.

### **3.6 Data Analysis**

Editing, coding and tabulation were the initial stages of data analysis of the data this were in accordance to the research questions. The raw data was and loaded into Statistical Package for Social Sciences (SPSS) for analysis. Mean and standard deviation were the descriptive statistical tools employed findings.  $X_2$  was utilized to find out the differences in strategies Employed by different types of insurance firms.

The information was present using bar graphs; frequency tables, standard deviation means, and percentages. The information was to supply three purposes in relation to the research objectives: one was to establish the operations strategies used by different insurance firms, secondly to establish whether the nature of the firm dictate which strategies were employed and finally to determine relationship between the operations strategies employed with customer retention in insurance firms in Kenya.

## CHAPTER FOUR

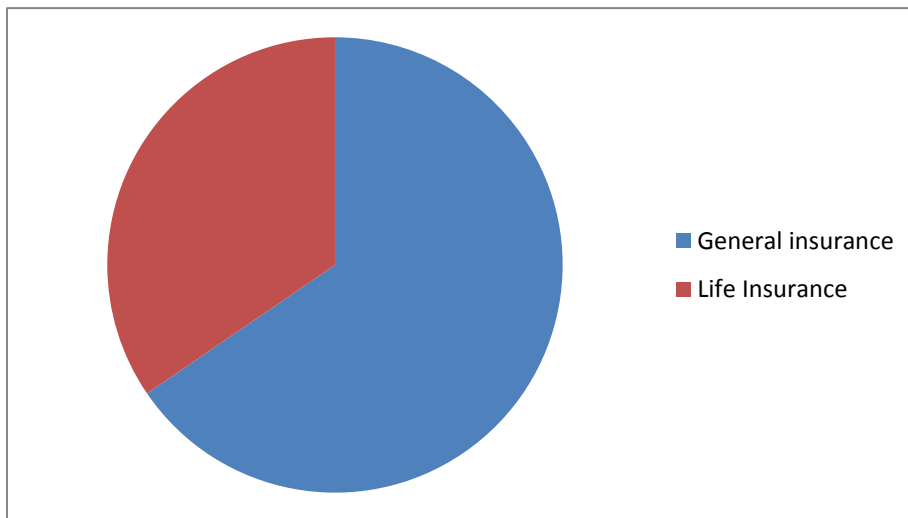
### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Introduction

Chapter 4 presents data analysis, findings, presentation and interpretation of findings. The aim of the study was to establish the extent to which operation strategies employed relate to customer retention. Descriptive statistics was used to analyses the data while frequencies, percentages and standard deviation aided the researcher to interpret the data.

#### 4.2 Classes of the insurance firm

Most respondents interviewed (65.3%) were from general insurance (34.7) were from the life insurance firms.



Classification of insurance firms

**Figure 4.1: Classification of insurance firms**

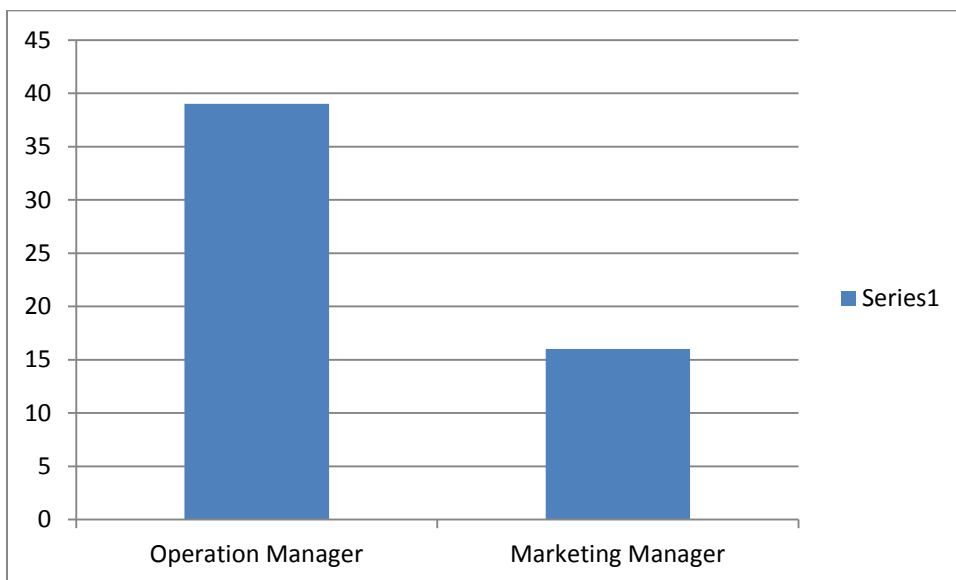
General insurance business had the majority of respondents. Therefore, operation strategies used will be most aligned to general insurance business since they are majority. This leads to the conclusion that there are more general insurance firms.

#### 4.3 Respondents characteristics

Manager's position, work experience and the professional qualification was the information sought after and the present as below

##### 4.3.1 Respondents Title

The title held by the respondent are presented in the graph below. Majority of them were Operation manager (70%) and Marketing manager (30%).



**Figure 4.2: Respondents title by respondents**

It is evident that majority of the respondents were from the operation department this indicates the majority of the respondent will be subjective and bias toward linking strategies the overall customer retention.

### 4.3.2 Industry Work Experience

The table below shows the statistic relation to work experience the average number of year worked was 4 years. The total population total N=55 respondents with a standard deviation of 1.720. The majority of the respondents has worked for 4 year in the industry shown by a Mode=4 which corresponds the mean. The responded with the least work experience was 2 years and the one with the highest was 8 years.

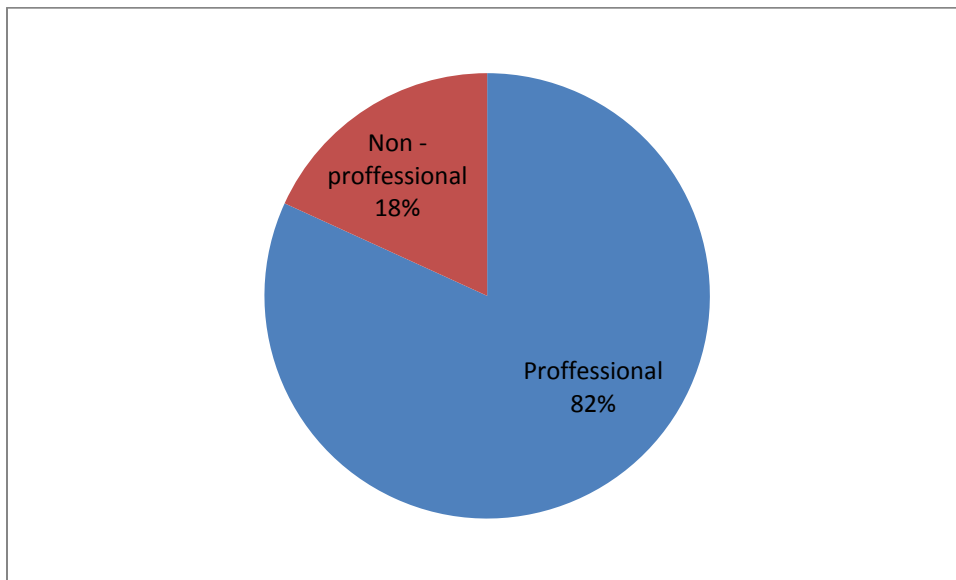
**Table 4.1: Professional qualification held**

N	55
Mean	3.84
Median	4.00
Mode	4
Std. Deviation	1.720
Minimum	2
Maximum	8

With a mode of 4, this indicates that the respondents had reasonable experience gain in the amount of time they held the position to understand the various operations strategies implemented by their firms and the impact on customer retention.

### 4.3.3 Professional qualification and Experience

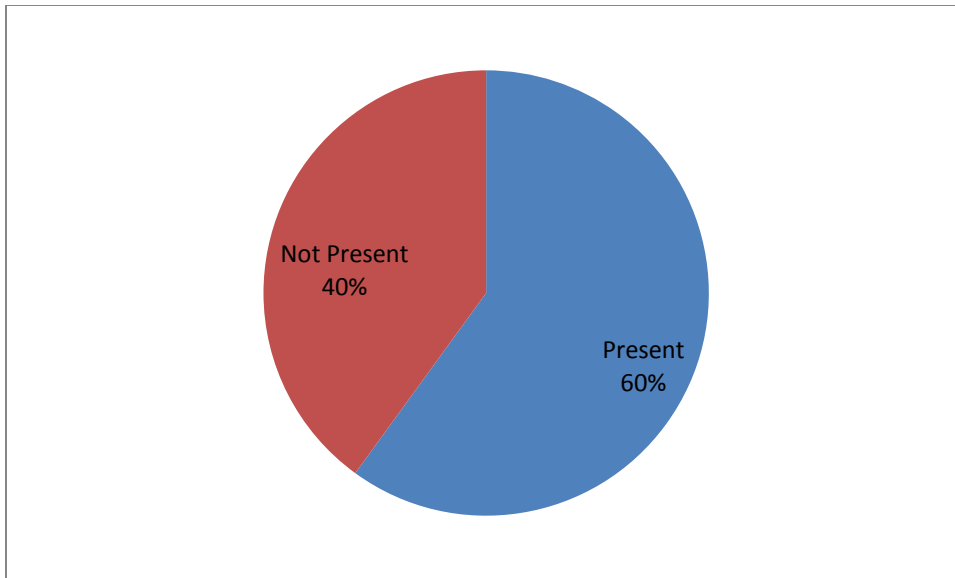
Majority of the respondents at 82.5% were industry professional on the other hand 17.5% possessed other qualification that were not insurance profession relevant professional. The show that some insurance firm don't employ professional in the insurance field



**Figure 4.3: Possession of relevant professional qualification**

### 4.4 Presence of Operations Manager in the Insurance firms

The study noted that majority of insurance firms had operation department and managers. 70% of respondents reported that their firms had operation manager while 30% reported the lack of operation managers in their firms. The researcher sort to find out who operated as the operation manager in firms that lack one ant the response is as in table below.



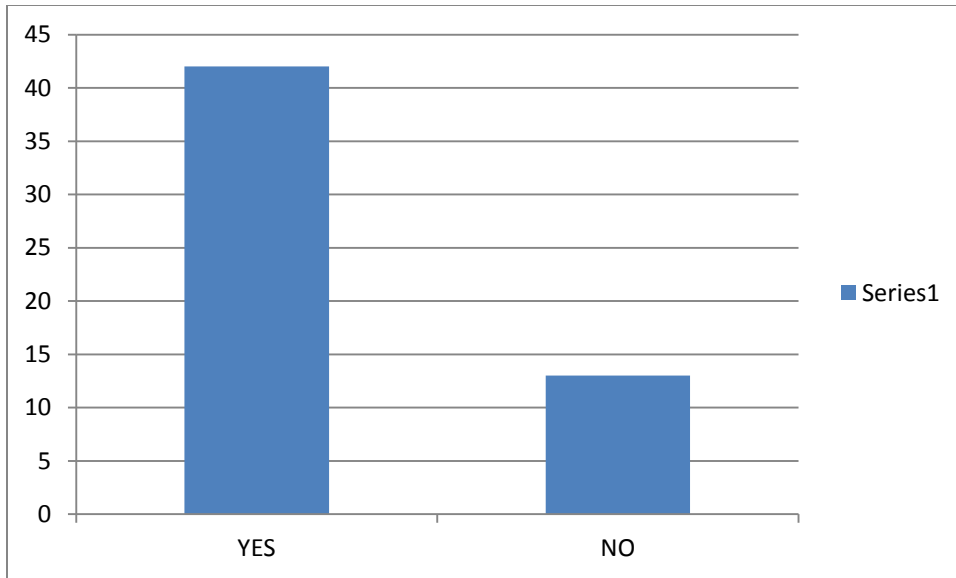
**Figure 4.4: Presence of operations manager in insurance firms**

Majority of the insurance firm had an operation manager as indicated above, they also noted that some insurance firms had no operation managers. The above presentation goes to show that insurance firms have understood the importance of having an independent department to oversee the smooth running of the firm. The existence of operations managers qualifies the responses that there is a relationship between operations strategies adopted and customer retention of the insurance firms.

#### **4.4.1 Availability of Written Operation strategies**

Approximately a third of all respondents interviewed (75.0%) reported the existence of documented operation strategies within their firm while only 25.0% indicated that their firms lacked one.



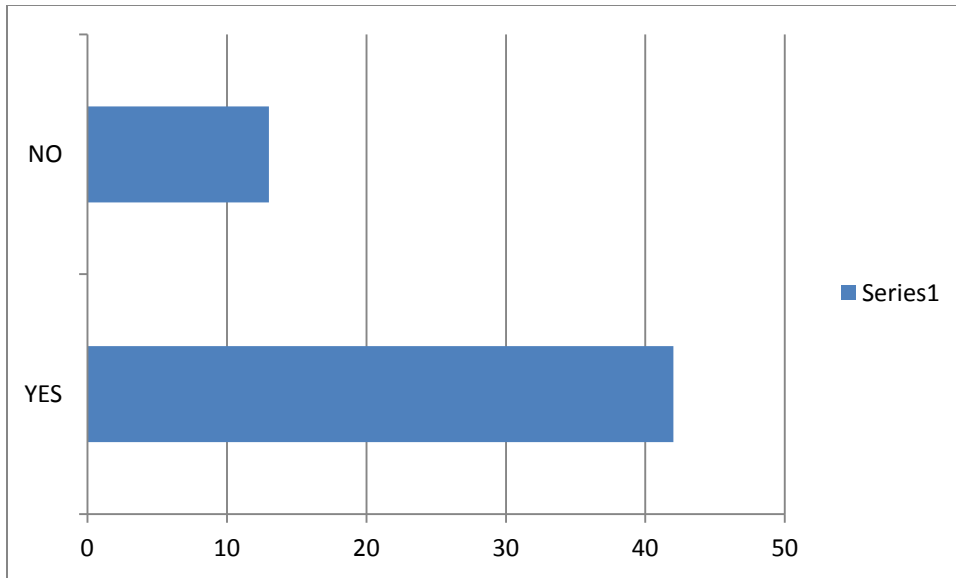


**Figure 4.5: Availability of written operation strategies that contributes to overall customer retention in the insurance firms**

The fact that there exists a document showing all the strategies employed impacts positively on this study since reference can be made whether the strategies are still operational and how often the mentioned strategies are changed also reference can be made as to impact of the strategies on customer retention. These documented strategies make for easy comparisons

#### **4.4.2 Influence of Operations Department on customer retention in the Insurance firms.**

Slightly over a third of all respondents (76.4%) indicated that the existence of an operations department in their firms contributes positively to high customer retention in the insurance firms with (23.6%) reporting that operation strategies have no impact on customer retention in the organizations. This leads to the conclusion that the operations department is significantly important in improving customer retention in the insurance firms.



**Figure 4.6: Does presence of operations department contribute to customer retentions in the insurance firm**

As shown above operations department lead to improved customer retention in the insurance firms. Studies done by Malinga, (2004) and de Waal,(2007) indicated that a well thought our operation system has greater predictive validity and leads to improves customer retention than one which isn't.

#### **4.5 Operations Strategies Applied by Insurance firms**

The study brought to light the fact that the entire insurance industry firm to a greater extent applied the operation strategies mentioned below. It is evident that the respondents could positively perceive emerging markets, quality of service delivered and customer segmentation were strategies implemented in their firms and had the following means (4.06, 4.93, and 4.67)

It was clear that respondents had a positive perception that consumer segments, emerging market and quality service delivery were much applied operation strategies in

the sampled insurance firms as indicated by the following means (4.67, 4.06 & 4.93) respectively. While significant number of respondents reported business model being either much or very much applied, A good number at 29.1% were of the contrary opinion that it was little of very little applied.

**Table 4.2: Extent insurance firms apply the above operations strategies**

<b>Operations strategies</b>	<b>N</b>	<b>Mean</b>	<b>Very much</b>	<b>Much</b>	<b>Moderate</b>	<b>Little</b>	<b>Very little</b>
Emerging market strategies	55	4.06	45.8%	31.9%	8.3%	9.7%	4.2%
Quality service delivery strategies	55	4.93	94.4%	4.2%	1.4%	-	-
Consumer segments strategies	55	4.67	80.6%	9.7%	6.9%	1.4%	1.4%
Business model strategies	55	3.47	33.3%	19.4%	18.1%	19.4%	9.7%

The information present above lead to the conclusion that most insurance firm are concerned with the quality of service delivery to their client with the highest mean of (4.93) which lead to increased customer retention. Insurance firm can create competitive advantage over other firms through successful implementation of Consumer segments strategies this advantage can be realized through focusing on the mass market while

emerging market strategies can be to tap into upcoming markets. The least important is business model strategies due to the fact that it is of no much importance to customer retention.

It was also observed that operation strategies were changed frequently giving minimal time to any particular strategies hence sufficient results could not be sufficiently observed.

#### **4.6 Correlation Analysis of Operation Strategies and Customer Retention**

The study carried out a correlations test to establish how the operations strategies related to the customer retention in the insurance industry in Kenya assemblers. The findings are shown in table 4.6

**Table 4.3 Correlation Analysis of Operation Strategies and Customer Retention**

<b>Operation strategies</b>	<b>Mean</b>	<b>Std Dev</b>
The customer segmentation strategies have resulted in increased customer retention in your firm	4.2674	0.3975
The emerging market strategies has been contributed greatly to customer retention	3.6669	0.4911
The operation strategies of quality service delivery contributed to customer retention	4.6060	0.5519
The business model strategies result in increased customer retention in the insurance firm company	3.4852	0.5774
Overall	4.0064	0.5045

The null hypothesis that there is no relationship between operation management and customer retention was tested at 95% confident level using the t-test. Customer retention was measured using five years average customer retention for each firm. Operations management score was achieved by determining the score of each firm from the questionnaires. Mean difference in customer retention was compared with mean difference in the operations management strategies adopted by both firms. The t value obtained was 4.7304 while the critical t at 95% (two tailed, degree of freedom 2) was 2.57. This implied that the computed t was falling on the rejection area and hence null hypothesis that there is no relationship between operation management and customer retention was rejected and alternative hypothesis that there is relationship between operation management and customer retention was accepted.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

In this chapter we will look into the summary of the study, its findings, conclusions and what it recommends. Further areas of study will also be recommended in this chapter.

#### **5.2 Summary of the study**

The aim of the research was to find out the impact of operation strategies on customer retention amongst insurance firms in Kenya. Furthermore, it delved into the various operational strategies adopted by insurance firms in order to gain competitive advantage in the industry. The study also looked into the different aspects those insurance firms' priorities as significant to their operations with the aim of achieving improved customer retention. The study objectives were to examine operation strategies adopted by insurance firms in Kenya, investigates if customer retention is depended on the operation strategies used, and finally to determine the relationship between operation strategies and customer retention in insurance firms in Kenya.

This research utilized a census design and was aim at operation managers of all the insurance firms in Kenya. In the absence of operation manager, marketing manager were selected since they were considered to be well vast with the operation strategies and rate of customer retention.

Due to ethical requirement an official introductory letter was sought from the university of Nairobi. Number were categorized and assigned to open ended questions. Descriptive statistics such as variability and measures of central tendency were used. The study also employed the use of median, mean and mode.

### **5.3 Major Findings of the study**

Findings will be presented in this section and will be organized into subsection based on demographic information, presence of an operations manager, Change of operations strategies, and the influence of operation strategies on customer retention.

#### **5.3.1 Demographic findings**

The research found that majority of the respondents was operation manager (70%) and Marketing manager (30%). The study also found that the average work experience was 4 years. A large number of respondents (63.5%) reported to be professionals in the insurance field whereas 36.5% were not insurance professional qualification. The result shows that some insurance companies

#### **5.3.2 Presence of Operations Manager**

The majority of insurance firms at 60.8% had operation department will 39.2% of Kenyan insurance firms operate without the operation department. Operation in insurance firms that had no operation department, the operation role was handled by branch manager and marketing manager. About 75% of all insurance firms has written operation strategies which represent almost a three quarter of the firms in the country while 25.% did not have documented strategies .

### **5.3.3 Change of Operation strategies**

Most insurance firm change their operation strategies often with little time for the strategies to be fully implement and the result to be properly ascertained. This affected majority of the firms, this might the contributing factor to the low customer retention reported in some firms. 51.7% which represent slightly more than half reported that operation strategies were a management function and manager were in charge of the changers 31.0% argued that was the board while 15.5% reported that consultant contribute the most to changes. A further, 1.7% of the respondents reported that other not mentioned above were involved.

### **5.3.4 Influence of Operation strategies on customer retention**

Slight over a third of all respondents 76.4% reported that the operation department in the firms contributed significantly to improved customer retention will 23.6% contradict the argument reporting that there was no link between the two. The finding bring the light the importance of operation strategies to improved customer retention in the insurance industry in Kenya.

### **5.4 Conclusion**

This section was derived from the set objectives which included operation strategies adopted; customer retention and impact of operation strategies on customer retention on Kenyan insurance firms. Operation plays a key role the overall success of the firm through attraction and retention of customer. In business it cheaper to retain a customer than to get a new one, and firms that are able to retain in this competitive market will



survive into the future. Manager need to streamline their operation to meet customer expectation and supersede them in order to meet the bottom-line.

## **5.5 Recommendation**

The study was conducted in the insurance industry which quite complex in it undertaking. The industry has to distinct segment (life and general insurance) and the all require different operation strategies which one of the major limitation this study. the study could not explain every variable that lead to customer retention more study need to be conducted on the factors customer satisfaction play on customer retention and how customer satisfaction scheme relate to operation strategies how the influence customer retention.

## REFERENCES

- Anderson, E.W. (1994). Variation in Operation strategies and Retention. *Marketing Letters*, 5(1), 19-30.
- Anderson, E.W., Fornell, C., and Mazvancheryl, S.K. (2004), “Operation strategies and Shareholder Value”, *Journal of Marketing*, Vol. 68, pg; 172–185.
- Auh, S., & Johnson, M. D. (2005). Compatibility effects in evaluations of satisfaction and loyalty. *Journal of Economic psychology*, 26, 35-57.
- Berry, L. L., & Parasuraman, A. (1992). Prescriptions for a service quality revolution in America. *Organizational Dynamics*, 20(4), 5-15.
- Bodet, G. (2008). Operation strategies and loyalty in service: two concepts, four construct several relationships. *Journal of retailing and consumer services*, 15, 156-162.
- Bolton, R. N., Kannan, P. K., & Bramlett, M. D. (2000). Implications of loyalty program membership and service experiences for customer retention and value. *Journal of the Academy of Marketing science*, 28(1), 95-108.
- Chang, Y. H., & Chen, F. Y. (2007). Relational benefits, switching barriers and loyalty: A study of airline customer in Taiwan. *Journal of Air transport management*, 13, 104-109.

- Chen, P. T., & Hu, H. H. (2010). The effect of relational benefits on perceived value in relation to customer loyalty: An empirical study in the Australian coffee outlets industry. *International journal of Insurance industry management*, 29, 405-412.
- Ciavolino, E. & Dahlgaard, J.J. (2007). "Operation strategies modeling and analysis: A case study", *Journal of Total Quality Management*, Vol.18, No.5, pp 545-554.
- Gerpott, T. J., Rams, W., & Schindler, A. (2001). Customer retention, loyalty, and satisfaction in the German mobile cellular telecommunications market. *Telecommunications Policy*, 25, 249-269.
- Grasse, W., (1999). The reality of brands: Towards an ontology of marketing. *American Journal of economics and sociology*.
- Guillén, M., Nielsen, J.P., Scheike, T.H., & Pérez-Marín, A.M. (2011). Time varying effects in the analysis of customer loyalty, A case study in insurance. *Expert systems with applications*.do 10.1016/j.eswa.2011.09.45.
- Guo, L., Xiao, J. J., & Tang, C. (2009). Understanding the psychological process underlying operation strategies and retention in a relational service. *Journal of Business Research*, 62, 1152-1159.
- Hallowell, R. (1996). The relationships of operation strategies, customer loyalty and profitability International. *Journal of Service Industry Management*, 7(4), 27-42.

- Hart, C. W. and Johnson, M. D. (1999) 'Growing the trust relationship', *Marketing Management*, Spring, pp. 8–19.
- Hauser, J. R., Simester, D. I., & Wernerfelt, B. (1994). Operation strategies incentives. *Marketing Science*, 13(4), 327-350.
- Herrmann, A., Xia, L., Monroe, K.B., and Huber. F., (2007) "The Influence of Price Fairness on Consumer Satisfaction: An Empirical Test in the Context of Automobile Purchases," *Journal of Product & Brand Management*, Vol. 16, No. 1, 49-58.
- [http://etd.lib.stut.edu.tw/ETD-db/ETDsearch/view\\_etd?URN=etd-1215110-100000-118](http://etd.lib.stut.edu.tw/ETD-db/ETDsearch/view_etd?URN=etd-1215110-100000-118).
- Insurance Regulatory Authority. (2012). *Insurance Industry Report for the Period January to June 2012*. Second Quarter Release. Retrieved from <http://www.IRA.co.org>.
- Kayali, D.E., & Taher, A. (2010). Developing Benefit based measurement scale using factor analysis: an improved method for understanding Egyptian car buyers. *International review of Business Research Papers*, 6(4), 58-76.
- Khanh, V.L. & Kandampully, L. (2002). *Electronic retailing and distribution service; cyber intermediaries that serve customers and service provider*.

- Kim, H.S., & Yoon, C.H. (2004). Determinants of subscriber churn and customer loyalty in the Korean mobile telephony market Determinants of subscriber churn and customer loyalty in the Korean mobile telephony market. *Telecommunications policy*, 28, 751-765.
- Kim, K.J., jeong, I. J., Park, J. C., Park, Y. j., Kim, C.G., & Kim, T. H. (2007). The impact of network customer retention on operation strategies and loyalty: High speed internet service case in Korea. *Expert system with Applications*, 32, 822-831.
- Kogi, M. (2009, October). Insurance penetration in Kenya. *College of Insurance Times*, 4(10), 26-29.
- Kotler, P. (2000). *Marketing Management. Analysis, Planning, Implementation and* Prentice-Hall, Englewood Cliffs, NJ.
- Kumar, V., & Shah, D. (2004). Building and sustaining profitable customer loyalty for the 21st century. *Journals of Retailing*, 80, 317-330.
- Lin, H. H., & Wang, Y. S. (2006). An examination of the determinants of customer loyalty in mobile commerce contexts. *Information & management*, 43, 271-282.
- Lin, J. S. C., & Wu, C. Y., (2011). The role of expected future use in relationship-based service retention. *Managing Service Quality*, 21(5), 535-551.

- Luarn, P., & Lin, H.-H. (2004). A customer loyalty model for e-service context. *Journal of Electronic Commerce Research*, 4(4), 156-167.
- Mcllroy, A., & Barnett, S. (2000). Building customer relationships: do discount cards work? *Managing service quality*, 10(6), 347-355.
- Mital, V. and Kamakura, A. (2001) 'Satisfaction, repurchase intent, and repurchase behaviour: investigating the moderating effect of customer characteristics', *Journal of Marketing Research*, Vol. XXXVIII, February, pp. 131–142.
- Mukiri, P. (2001). Perceived quality the case of Mobile services in Kenya, *Unpublished MBA journal. University of Nairobi*.
- Mungai, K.E. (2008). The Factors That Determine Customer Loyalty the Case of the Port Of Mombasa. Unpublished MBA project. University of Nairobi.
- Muturi P.W. (2004), Factors that determine customer loyalty to a mobile phone service Nairobi. Unpublished MBA Journal. University of Nairobi.
- Ndung'u, N.(2012, July). *Developments in Kenya's insurance industry sector*. Paper session presented at the Launch of Continental Reinsurance brand and products, Nairobi.
- Ng'ang'a A.W.(2013), Operation strategies and customer retention in the hotel industry; A study of hotels in Nairobi, Kenya. Unpublished MBA journal. University of Nairobi

- Onwuchuruba, G. U, (2002), Marketing Financial Services in Nigeria, Lagos: Servo Marketing and Management Services,
- Oso H. (2009), A statistical aid for the grid administrator. In M. L. G. Shaw (Ed.) *Recent advances in personal construct technology* London: Academic Press.
- Pan, Y., Sheng, S., & Xie, F. T. (2011). Antecedent of customer loyalty: An empirical synthesis and reexamination, *Journal of retailing and customer services*, doi:10.1016/j.jretcons.
- Petterson, P. G. (2004). A contingency model of behavioral intention in a service context. *European journal of marketing*, 38(9), 1304-1315.
- Quine, M.P. (1993). Distribution”, Probability and *Mathematical Statistics*, 14 (2), 257-263
- Rauyruen, P., & Miller, K.E. (2007). Relationship quality as a predictor of B2B customer loyalty. *Journal of Business Research*, 60, 21.31.
- Rust, R. T., & Zahorik, A. J. (1993). Operation strategies, Customer Retention and Market Share. *Journal of retailing*, 69 (2), 193-215.
- Rust, R. T., Zohorik, A. J., &Keiningham, T. L. (1995). Return on Quality (ROQ): Making Service Quality Financially Accountable. *journal of marketing*, 59, 58-70.

- Saeed, K. A., Grover, V., & Hwang, Y. (2005). The relationship of E-commerce Competence to customer value and firm customer retention: An Empirical Investigation. *Journal of Management Information System*, 22(1), 223-256
- Shankar, V., Amy, K. Smith, A. K., & Rangaswamy, A. (2003). Operation strategies and loyalty in online and offline environments. *International journal of research in marketing*, 20, 153-175.
- Smith, M., & Chang, C. (2009). The impact of customer related strategies on shareholder value: evidence from Taiwan. *Asian review of accounting*, 17(3), 247-268.
- Spreng, R. A., & Mackoy, R. D. (1996). An empirical examination of a model of perceived service quality and satisfaction. *Journal of Retailing*, 72(2), 201-214.
- Tanui.P.K. (2007). *A survey of customer loyalty programs applied by petrol stations in Nairobi*. Unpublished MBA project. University of Nairobi. June 11, 2005, from [http://www.annenbergpublicpolicycenter.org/04\\_info\\_society/Turow\\_APPC\\_Report\\_WEB\\_FINAL.pdf](http://www.annenbergpublicpolicycenter.org/04_info_society/Turow_APPC_Report_WEB_FINAL.pdf).
- Turel, O., and Serenko, A. (2006), "Satisfaction with mobile services in Canada: An empirical investigation", telecommunication policy, volume 30, issue 5, 6, Pages 314-331.



- Verhoef, P. C. (2003). Understanding the Effect of Customer Relationship Management Efforts on Customer Retention and Customer Share Development. *Journal of Marketing*, 67, 30-45.
- Vesel, P., & Zabkar, V. (2009). Managing customer loyalty through the mediating role of satisfaction in the DIY retail loyalty program. *Journal of retailing and customer services*, 16, 396-406.
- Wahome, M. (2013, July 16). Insurers turn to under pricing for survival, Smart Company. *The Daily Nation*, pp7.
- Wong, Y. H., Chan, R. Y. K., Ngai, E. W. T., & Oswaldw, P. (2009) Is customer loyalty vulnerability based? An empirical study of a Chinese capital intensive manufacturing industry. *Industrial marketing management*, 38, 83-93.
- Yang, Z., Jun, M. & Peterson, R.T. (2004) Measuring customer perceive online service quality: scale development and managerial implication. *International Journal of Operations & Production Management*, 24(11), 1149-1174.
- Yen, H. J. R., & Gwinner, K. P., (2003). Internet retail customer loyalty: the role of relational benefits. *Journal of service industry management*, 14(5), 483-500
- Zindelin, M. (2000), TRM Total Relationship Management, student literature, Lund.



## Section B: Operation Strategies

Indicate using a tick (✓) the extent to which you agree or disagree with the following statements.

1. Does your firm have an operations manager?

YES [ ]                      NO [ ]

2. Is there a definite operation strategy that you think contributes to customer retention in the firms?

YES [ ]    NO [ ]

3. In your opinion does operation strategy contribute to the overall retention of customer in the firm?

YES [ ]    NO [ ]

4. To what extent does your insurance firms apply the following operations strategies?

5. What are the three most important goals of your strategy?

Rank the options below in order of their importance (on scale of 1-5, where 5 most important, 4 important, 3 neither important nor unimportant, 2 unimportant and 1 most unimportant)

Use a 5-point scale: **1.Very little 2. Little 3.Moderate 4.Much 5.Very**

	1	2	3	4	5
Operation strategies					
Consumer segments					
Emerging markets					
Business model					
Quality service delivery					

6. How often is the operation strategies changed?

Often ( )

Quite often ( )

Very often ( )

Not at all ( )

7. What differentiate your insurance firms in the industry from the Competition?

Rank the options below in order of their importance (on a scale of

### **Section E: The Relationship between Operation strategies and Customer Retention**

Indicate using a tick (✓) the extent to which you agree or disagree with the following statements using the following key, **SA** - Strongly Agree, **A**– Agree, **U** – Undecided, **D** – Disagree, **SD** - Strongly Disagree.

	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
Because of our operation strategies our customers remained loyal to our products					
We have been able to establish long term relationship with our customers					
Our inherently good services operation strategies have ensured a constant market for our products/services					
We have developed varied services to meet all our customer range and expectations					
Our operations strategies have enhanced the company's customer retention in production and service delivery					
Our commitment to quality service delivery has promoted our reliability in the market					
We have developed strategies to ensure that we understand all our customers present and future expectations					
We serve our customers with dignity and respect which has helped in creating customers loyalty					
We offer post sales services to find out how the customers feel about our services/products.					
Our quality commitment and customer focus look into both present and future expectations of the customers					

**Thank you for Your Cooperation.**