THE INFLUENCE OF RELATIONSHIP MARKETING ON CUSTOMER RETENTION BY BRITISH AMERICAN INSURANCE COMPANY

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DECLARATION

This research project is my original work and has not been submitted for award of a degree at the University of Nairobi or any other university.

Signed …………………………………… Date ……………………………………

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

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My heart is full of praise to God for enabling me get this far, for His inspiration and answers to my prayers whenever I called upon His name.

I would wish to express my utmost gratitude to my supervisor, Professor Francis Kibera, for his relentless support in helping me work on this project. I'm grateful to my family for being by side throughout this journey, for always believing in me.

DEDICATION

This project is dedicated to my mum, Mary Muthoni, for all the opportunities she gave me to be better, my dad Mr. Michael Gitahi for his true sacrifice in my education journey and to all those who supported me in the completion of this project.

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ABSTRACT

The inability of an organization to retain its customers translates to loss of potential future business which has a negative effect on revenue and possible profits. A firm's best customers are not those who buy one product or service but rather the ones who keep coming back for more. Organizations however overlook this fact; majority are concerned with acquiring new customers not realizing the potential that lies with existing ones. They fail to get the full customer lifetime value due to a failure of maintaining strong and valuable relationships with them. This study aims to determine how Britam insurance employs relationship marketing to ensure that its existing customer base remains intact and builds on its future revenue while giving it a competitive edge within the Kenyan insurance industry.

The study used interview guides as the source of gathering primary data. The guide had open ended questions which focused on getting details about the various elements of relationship marketing used in the firm. The interviews were carried out among the marketing managers, sales managers, product development team and customer service. Content analysis was used to analyze the data collected from the interviews. The study concluded that there was indeed a positive contribution of relationship marketing towards customer retention. The level of customer service, brand image, pricing and quality of products has a high impact on customer retention whereas incentives and delivery channels have a relative impact on retention. The study recommends the need for organizations to employ a variety of relationship marketing practices as opposed to focusing on only one element. In so doing, they will be able to enhance customer experience and retention.

CHAPTER ONE: INTRODUCTION

1.1 Background of Study

Marketing activities are constantly evolving to a more customer focused orientation as discussed by Craven (2002). Customers are treated as the foundation of all major companies in the world. Paco (1999) stated that a customer has authority and liberty to engage with a company of their choice especially when they feel their interests, needs and preferences and concerns are not met. This concern has greatly contributed to the need of changing the traditional approach of making one-time sales with a more solid and long term relationship with the customer. Nigel (2002) discussed this relationship as being the basis of relationship marketing with the former considered more of transactional marketing.

According to Morgan and Hunt (1994), being a trusted participant within a crowded market is a key feature companies need to adopt so as to stand out from the competition. The need to retain already existing customers has led to the growth of relationship marketing – which has a direct contribution to long-term profitability of a firm. Increase in competition within the insurance sector makes it hard for companies to provide tailor made and unique products to potential customers. Differentiation as a strategy to gain competitive advantage becomes hard to achieve thus creating a need for other initiatives towards retaining customers. Quality products and excellent customer service on their own may also not be adequate enough to gain and retain market share. Gronroos (1990) discussed the need for companies to change from the traditional form of marketing to a relationship marketing concept - which is unavoidable if companies are to remain competitive. As discussed by Catherine (2010) customers currently have a lot of options to choose from in that there are many companies offering almost the same type of product or service. This creates an increased rate of expectation and a decreasing level of tolerance in the customer behavior matrix. This boils down to one hard reality, that most potential customers today are already attached and companies without enough are sure to come looking to lure yours away (Shimmer, 2012). It is with this in mind that a lot of attention has been given to how customers are handled.

1.1.1 Relationship Marketing

Relationship marketing according to Kotler (1996) is the concept of enhancing long-term and fulfilling associations with key parties that include clients and suppliers in order to retain their continuing business and preference. Berry (1983) defined it as marketing activities aimed at building and maintaining effective relationships with clients. Morgan and Hunt (2002) considered it as a strategy designed to encourage strong and long-term customer connections to a brand. McKenna (1991) described it as a strategy whose focus is to hold on to existing customers rather than the acquisition of new ones. This is however based on the assumption that a customer would prefer to maintain the existing relationship with the current organization as opposed to switching to another one. The goal of customer relationship marketing is to create strong and lasting customer relationships to a brand which have the potential of leading to further business. This can be achieved through various platforms that enhance customer satisfaction. Monitoring customer satisfaction gives organizations an opportunity to expand their customer base, enhance customer loyalty and give them competitive advantage as well as generate profits. Customer satisfaction according to Hougaard (2009) is in turn built on the quality and positive experiences a customer receives from a particular good or service. It represents a change within marketing from acquisition- transaction strategy towards a retention-relationship strategy. Other marketing initiatives such as advertising and promotional campaigns – though important – come second to the fact that a customer is more willing to purchase goods and services from an organization that satisfies him the most. Satisfying a customer consistently and adequately requires an organization to be conscious of the customer's tastes and preferences (Webster, 1992). This could be done through a firm's efforts in developing and sustaining lasting relationships enhanced with excellent customer service and product/service innovation. Major firms are now including customer service as part of their core strategies and values. In so doing they seek to address customer queries and complaints before the customer goes back into the wider market and express their dissatisfaction to other would be customers. According to Landis (2016) acquiring a new customer will cost six to nine times more than it does retaining an existing one. It will involve selling a variety of merchandise to a lone customer as opposed to selling a specific good or service to many customers. This will only be achieved if the organization has developed sustainable relationships with the customers.

1.1.2 Customer Retention

This is the willingness and intention expressed by a customer to repurchase a product or service from a specific provider according to Morgan and Hunt (1994). Swan and Zeithaml (1989) further discussed it as the willingness of the customer to recommend the firm to other potential customers. It goes beyond the initial purchase by a customer and evolves into a commitment by both parties – customer and business – to maintain a standing business relationship (Wilson, 1993). It acts as the foundation for a firm's initiatives in reducing or preventing customer turnover which is mainly through brand loyalty initiatives. There is a direct relation between customer retention and service quality. According to Zeithaml and Bitner (1996) and Parasuraman (1991), high quality of service often leads to high customer retention. Ahmad and Buttle (2002) argued that for a firm to be able to retain its customers, it is required to form multiple bonds which could either be financial, social or structural. According to Reichheld (1996) employees play a big role in enhancing customer retention since employees not loyal to a firm are less likely to develop a portfolio of loyal customers. Han and Wilson (1993) identify structural and social bonds as critical features required to hold a relationship in place. Structural bonds reflect on the corporate aspects of the relationship while social bonds deal with the interpersonal aspects. Customer retention is not merely providing the customer with goods and services but more of activities that help a firm exceed the expectations of customers. Such customers eventually turn out to be good ambassadors for the organization and are likely to recommend the firms products and services to others.

According to Bain (2002), retention is a more sustainable business model as opposed to recruiting new clients. The analysis showed that increasing customer retention also leads to increased profits. This assumption together with the comparison of costs related to new customer acquisition has led to relationship marketing being a core strategy within organizations. Emphasis has been placed on acquiring, satisfying and maintaining customers. Organizations are focusing on activities that will help them keep the customer in their hands considering a well-known truth is that loss of one's customer is the gain of the competitor.

1.1.3 Insurance Sector in Kenya

The number of insurance firms operating in Kenya as of April 2019 was 59 which included 5 reinsurance firms (Insurance Regulatory Authority, 2019).This number has increased at a steady rate with the low penetration of insurance within the Kenyan market viewed as the main attraction of new insurance firms (Association of Kenya Insurers, 2019).The demand for insurance has grown over the years as Kenyans seek an avenue to safeguard their assets and livelihood. According to Vijay (2014), insurance in Kenya is not bought but rather it is sold. Insurance firms have on their part increased recruitment of sales agents as well as developed new innovative ways of distribution with an aim of penetrating the rather untapped insurance market in Kenya (Association of Kenya Insurers, 2018).

Insurance firms in Kenya are experiencing constant defies as competition intensifies from both within the industry as well as from external sources. There have been large scale mergers and acquisitions such as acquisition of Real insurance by Britam insurance company (Business Daily, November 2013), the merger between UAP and Old Mutual (Irungu, 2017) as well as the acquisition of Shield insurance by the Prudential group (Business Daily, September 2014).To remain competitive, insurance firms are increasingly focusing on customer attraction and retention - operations are more geared towards the customer and less on the product (Peppers and Rogers, 1993). This has been made possible by various technological advancements that have led to reduction of operational costs as well as improvement of customers experience through enhancing service delivery. Some examples of IT-based services include online registration and payment of premium via such modes as MPESA. The dynamic nature of customers that is characterized by their changing needs and behavior makes it imperative for insurance companies to develop and sustain meaningful relationships with them.

1.1.4 British American Insurance Company - Britam

Britam is a house hold name when it comes to the insurance market in Kenya. It is among the few insurance companies listed on the Nairobi Securities Exchange. It started in Kenya but further spread to neighboring countries of Uganda, Rwanda and South Sudan. Through acquisition of Real insurance, the company was able to set a foothold in Tanzania, Malawi and Mozambique. Though the organization’s core business is insurance – life, medical and general – it has also diversified in pension, asset management and property development. The company started operating in 1965 when British-American Insurance Company Ltd Bahamas established a branch in Kenya. It started off as a home service based company where insurance was being sold door to door and largely to the industrial workers market. There was a government directive to have subsidiaries of foreign owned insurance companies incorporated locally which lead to the birth of British-American Insurance Company (Kenya) in 1979.

Britam is currently the largest life insurer in Kenya with a market share of 25.4 per cent. Britam first became the largest life insurer in the first quarter of 2015 when its 18.7 per cent market share overtook Jubilee’s 15.1 per cent according to a report released by IRA (Insurance Regulatory Authority) in the business daily on 21st July 2015.Britam has been named the Overall Company of the Year for the last 12 consecutive years in the AKI Agent of the Year Awards (AAYA) organized by the association of Kenya insurers.

1.2 Research Problem

Loyal customers are fundamental to an organization's going concern as they ordinarily lead to increased revenues due to their likelihood of repeat purchase of the organizations goods and services. They also facilitate the ability of an organization to preempt future sales and potential profits. Gabarino and Johnson (2002) indicate that other factors held constant, a lasting correlation between an organization and a customer is the best avenue for an organization to remain profitable. Even though this is a well-known concept, it is seldom the common practice. Majority of organizations are still focused on making sales rather than creating effective associations with their customers. Indeed according to Butcher (1998) customer satisfaction with a product/service offer is not a guarantee of customer loyalty.

The competitive nature of the insurance industry requires organizations to develop initiatives that allow them reduce customer attrition. Though organizations realize the value of keeping customers loyal, the steps to do it remain ambiguous. Organizations measure customer satisfaction without the realization that even satisfied customers are subject to leave for an alternative offering by the competition.

There exists a number of studies and literature done focusing on customer retention and ways to enhance it. Lawrence and Buttle (2004) advocated for a well-defined process for handling customer complaints as a way of enhancing retention. According to Ranaweera and Neely (2003), service quality is directly related to retention – poor service leads to attrition and good service creates commitment. Local studies have also been done to try and explain the Kenyan insurance industry. Kiragu (2014) did a study to determine challenges that influence competitive advantage among insurance firms in Kenya. Koima

(2003) and Kamanda (2006) focused on market growth strategies employed by insurance firms. Kitua (2009) conducted a research on the internet being a strategy to gain competitive advantage while Ouma (2007) focused on value chain and its effect on retention within the industry. Not much study has been put into relationship marketing and its contribution to customer retention within the insurance industry. Majority have concentrated solely on competitive advantage and other factors related to retention with little focus on relationship marketing. The aim of this study therefore aims to fill this gap by trying to answer this question; can customer retention be attributed to relationship marketing in Britam as a representative of the overall insurance industry?

1.3 Research Objective

To determine how relationship marketing has contributed to customer retention in Britam.

1.4 Value of the study

The basic goal of any business is to maximize profits. This will require getting customers that are interested in the services or products the organization is offering. Without customers, a business cannot generate revenue, payoff expenses or operate profitably in the long-term. Organizations with an aim of ensuring business continuity may engage in frantic marketing campaigns that may include advertising, sponsorships and increased delivery channels. Though these are good initiatives in increasing market share and expanding the organization’s customer base, without proper controls and careful consideration, the costs incurred may far outweigh the benefits realized.

The findings of the study will be useful to the firm in designing marketing strategies that will reach out to and retain their customers in a bid to eliminate wasteful marketing. It will aid in making improvement measures in order to have better coordination of marketing activities within the organization. The study will highlight the way organizations are achieving and improving customer retention through embracing relationship marketing. It will also highlight some of the reasons that lead to customer turnover. Such information will enable an organization develop counter measures that can help reduce the rates of customers defecting.

It will also be useful to other institutions not necessarily in the financial services sector who would wish to adopt customer relationship marketing. The results will also create a deeper understanding of relationship marketing for academicians reviewing this subject area. The study may also interest other researchers to venture into aspects of relationship marketing on customer retention that have not been discussed in the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents an analysis on theories that define the nature of relationships, attributes that define relationship marketing, strategies employed to facilitate customer retention and the interrelation between relationship marketing and customer retention.

2.2 Theoretical Literature

The dynamics in regards to how the customer is treated has and is continually changing according to Morris (1998).For marketing management to remain relevant, it should be done in a manner that puts into account the changing needs of the society and customers in general (Ngahu, 1986).

This section discusses the theories defining the nature of relationships concentrating largely on the relationship between a customer and an organization.

2.2.1 Social Exchange Theory

The model theory used for this study is the social exchange theory. Homans (1958) proposed that social behavior is the result of an exchange process consisting of the benefits accorded by the relationship in comparison to existing alternatives. This exchange is motivated by the need to minimize costs but at the same time maximizing the benefits. Majority of relationships are governed by the give-and-take principle and though these elements are not always equal, it's the valuing of the cost against benefit that determines the existence and length of the relationship. Costs are seen as the negative aspects which someone puts in while the benefits are the positives derived classified as the return on investment. People generally weigh the possible benefits realizable and the potential risks of any social relationship. If the perceived risk outweighs the benefit attainable, the relationship is terminated (Homans, 1958).

The theory further suggests that beyond cost-benefit analysis, a relationship will be guided by expectations, either social or past experiences. A relationship that does not meet social expectations or match up to a past experience is likely to be discontinued. After a cost benefit analysis and reviewing the ability of the relationship to meet expectations, the theory discusses the existence of alternatives. This is crucial in that a current relationship may not measure up to the comparison levels and fulfill all expectations but may be better suited than the available alternatives.

This theory is relevant to the study in that all business interactions between a customer and an enterprise are seen as social relationships with the customer having an upper hand on whether to maintain a relationship or disregard it for a better alternative (Barnes, 2007).The theory makes a good attempt in outlining the development, growth, continuity or the consequential termination of the same. A customer, who feels that the cost of a relationship outweighs the benefit, does not meet expectations or is not better than the alternative/competition, is guaranteed to terminate it in search of a better one.

2.2.2 Trust-Commitment Theory

This model discusses the nature of a relationship that exists between a customer and the supplier which commences from the point of purchase to a lasting one based on the customer experience (Ford 1980; Dwyer & Schurre 1987; Wilson 1995).This theory highlights trust and commitment as the two fundamental aspects that determine the existence and continuity of a relationship. The model is characterized by several constructs discussed in the below text.

Customer satisfaction is the first stage and outlines the perception and capability of a product or service provided to meet the customer's expectation. This stage is very critical since any relationship the customer might have with an organization stems from here. It's at this point a customer analyzes the dependability and reliability they can attach to a firm's products or services paving way to loyalty and retention (Morgan & Hunt, 1994). Trust stage follows immediately after customer satisfaction. An organization not only sells a product or service, it offers a promise that the product/service will meet customer needs. Once this is achieved, the customer will trust the organization and is likely to re-purchase/interact with the organization in future (Boulding, 1993). Trust is the assurance that parties in any relationship will hold up their end of the deal, it is the confidence to rely on the promise given by either party (Annekie & Berndt, 2009). The mental loyalty stage is third and at this point a relationship already exists though maybe characterized by differences between the firm and the customer (Iacobucci & Zerrillo, 1997). According to Woodruff and Gardial (1996), the customer will evaluate possible alternatives and the value that they present. If the customer perceives the firm's value to be higher than that of the competition, they become mentally loyal. Mental loyalty is the customers' belief that the firm is best placed to meeting their needs. The final stage is commitment where the customer is fully familiar with the firm's behavior, products/services and is settled on maintaining that relationship. Commitment is a need to maintain valued association into the foreseeable future (Annekie & Berndt, 2009) .At this stage the customer is highly unlikely to switch brands (Oliver, 1999) and will even benefit the firm with positive communication to prospective customers. The model is thus important in this study as it gives a step by step analysis of the various stages that lead to customer loyalty and ultimately retention. By understanding these concepts, firms can create strategies that will allow them to facilitate this cycle from purchase decision to customer retention.

2.2.3 Relationship Marketing Practices

Relationship marketing aims to create long, profitable and lasting associations between the firm and customers. This can be achieved through various practices like quality customer service, pricing, brand reputation and value offered according to Bansal, Taylor and James (2005) and Wang (2006). Different firms use other more personalized approaches such as customer segregation and preferential treatment, loyalty programs/rewards and membership. These interpersonal approaches are very useful in enhancing an ongoing relationship with the customer (Tseng, 2007). The noted initiatives will be discussed in the below text outlining their contribution to customer retention.

Service according to Gronroos (2004) is an intangible engagement with a customer revolving around a firm's products and services which are aimed at providing solutions to his/her problem. Organizations cannot compromise on service quality largely due to the fact that the competitive market gives a customer a wide range of alternatives and close substitutes. According to Aydin and Özer (2005), high service quality gives the customer a reason to trust in the firm and enhance their level of satisfaction and loyalty to that firm, especially when this service surpasses their expectations.

Price is the amount – in monetary terms - charged in payment for a good or service (Hill, 2013). It is a major determinant of a customer's purchase decision - though how much customers are willing and able to pay differs based on their needs, tastes and preferences (Peng & Wang, 2006). A high price may negatively influence a customer's decision to buy and may propel him to switch brands especially where they deem the price to be unfair and deceptive. Firms are thus encouraged to manage customers' price perceptions buy such initiatives such as a reasonable price mix or offering reduce prices for products and services without compromising on quality. These activities enhance customer satisfaction and over time contribute greatly to customer loyalty and retention (Peng & Wang, 2006).

Brand as defined by Kotler (2008) is a sign, a name, a symbol or a combination of all that is used to uniquely identify a maker or seller of a product. In the current competitive world, customers require products to have branding and firms likewise need to create brands the customers can relate with. This aspect makes brand image an important tool that has the capability of attracting and retaining customers. Brand image exemplifies the emotional aspects that ascertain a company's brand and/or its products and services (Arora & Stoner 2009).According to Keller (1993), it is the observation around a brand as it is perceived in the customers' memory. Dobni and Zinkhan (1990) viewed it as the mental picture about a brand as it's formed in a customer's mind whether rational or emotional. A brand relationship between a customer and a firm develops from brand contacts the customer has had with the brand (Grönroos, 2004).A good brand image will thus enhance a customer's experience with a firm, improve customer satisfaction that is likely to lead to a long term commitment.

2.2.4 Customer Retention Strategies

Organizations are required to have a defined strategy directly concerned with retaining customers to enhance their going concern within this highly competitive environment. A strategy as defined by Porter (1996) is purposely choosing a different set of activities to deliver a unique value - a plan of action aimed at achieving a long term and overall goal - largely competitive advantage. It can also be seen as a large scale future oriented plan intended to enable an organization meet its objectives (Pearce & Robinson, 1991). It is long term and will involve efficient application and optimization of allocated resources to meet the needs of both the stakeholders and the general market (Johnson & Scholes, 2003).

Kotler (1999) outlines the need of awareness within an organization in regards to what may make customers choose another brand and also the strategies that can be developed to prevent this defection. In order to do so an organization must first determine its retention rate, identify causes of customer attrition, evaluate how much in terms of business profit it will lose due to these defections and the overall cost it will incur in managing the attrition. The strategies discussed relate to service quality, complaint handling or feedback management, customer loyalty and satisfaction. Service quality refers to how the service delivered meets customer expectations (Zeithaml & Bitner, 1996).A failure by an organization in providing reliable customer service may result in that customer's dissatisfaction and possible attrition. The organization will not only suffer the loss of the customer defection but the possibility of any future business from potential customers who come across the negative feedback of the defected customer - a dissatisfied customer is likely to inform other customers of their bad experience. A customer's perception on service quality is a major contributor to an organization's profitability as well as an effective strategy in gaining competitive advantage (Payne, 1997).

Customer loyalty is a commitment to continue purchasing a product or service from a specific supplier despite the available options to purchase the same elsewhere (Ribbink, 2004). Suhartanto (2001) defines a loyal customer as one who not only buys repetitively from the same supplier but also recommends others to do the same. It is a combination of a repeat purchase as well as a mental attitude by that customer that evokes a sense of belonging Smith (1996).Feedback is the reaction from customers in regards to a product or service (Erickson & Eckrich, 2001) It can either be solicited or voluntarily given by the customer (Berry & Parasuraman, 1997).Customer feedback is an important resource that can be used to determine, understand and address the needs and wants of the customer. Managing this feedback is of great importance as it highlights areas the organization needs to improve, areas that are satisfactory as well as making the customer feel involved and contented.

2.2.5 Relationship Marketing and Customer Retention

The ultimate goal of relationship marketing is to promote loyalty, strengthen existing relationships and to convert target customers into loyal ones (Ndubisi, 2007).According to Newell (2009), it reduces customer attrition and also helps to ward off competition. Otim and Grover (2006) state that relationship marketing is important to the customer in that it builds social benefits of friendship and provides economic benefits to them through reward programs and discounts. Seyed (2017) outlines that relationship marketing is characterized by behavioral components broadly classified as trust, commitment, communication and reciprocity. Trust according Callaghan (1995) is the level to which an individual feels comfortable in relying on the promise offered by another party – a firm belief that the other party is going to keep their word. Morgan and Hunt (1994) identified trust as the key component of their model on relationship marketing. It is the central variable under which other aspects of relationship marketing are built on (Berry, 1983). If a customer trusts an organization, they will not have any hesitation recommending it to others (Moorman, 2005).This in turn gives the organization an opportunity to improve/extend market share.

Commitment as discussed by Yu (2008) is the dedication and expectation that a relationship will continue into the fore sable future. Moorman, Zaltman, and Deshpande (2004) described it as a desire to maintain a relationship a customer/organization considers valuable. Creating a relationship alone will not yield the desired goals if there is no commitment between the customer and the organization. Trust will form a foundation for developing a relationship but commitment will dictate the success of that relationship in the long run. Customers are likely to remain committed to organizations that show commitment in maintaining a relationship with them - which in turn creates a good basis for loyalty. Farrelly and Quester (2003) highlighted the fact that business continuity and success is paramount to the commitment exhibited by the stakeholders. Sin (2005) described communication as the timely exchange of information considered valuable between two or more parties. Anderson and Narus (1990) studied communication as a key ingredient in enhancing continuity of a relationship. An effective flow of information free of bottlenecks is a critical characteristic of a robust relationship (Morgan & Hunt, 1994). Moorman (1993) confirmed that communication done in a timely manner strengthens trust between the parties concerned by aligning expectations and perceptions. Woods (2008) discussed various ways of communication that have been used to create customer loyalty and included emails, verbal communication and via the internet. Hutt (2000) also noted that communication facilitates alignment of goals and understanding of responsibilities necessary to achieve these objectives. Reciprocity is a law in social psychology that discusses the concept of paying back to others what they had given. According to Houston and Gassenheimer (1987), it is a norm dictating that an action performed by one party requires a compensating movement by the other party. This shared expectation influences behavior and reinforces the bond between the exchange parties thus paving the way for lasting relationships (Cropanzano & Mitchell, 2005).Reciprocal actions according to Morgan and Hunt (1994) tend to positively influence the quality of a relationship.

2.3 Empirical Review

Radomir, Wilson and Scridon (2010) examined how excellence of service relates to satisfaction of customers. It was observed that one of the major contributors to satisfaction of customers was the human resources that relate directly to giving customers quality service. Mascareigne (2009) highlighted client satisfaction, trustworthiness, effective communication, quality service and proper pricing as factors that broadly promote customer retention. From the study, it was derived that organizations lacked guided procedures for retaining customers. A satisfied customer tends to remain loyal to the organization and thus less likely to defect to the competition. It is therefore critical for insurance firms to develop and sustain profitable relationships that last. Filip and Anghel (2009) also did a study that focused on level of customer loyalty among firms in

Romania. The study also wanted to know whether there were conditions that affected how customers acted and how they related with those firms. Results indicated that customers continued to engage with the firm if there were aspects of the relationship they considered favorable. Retention was not only based on satisfaction but also factors such as attitude of the firms towards its clients, trustworthiness of the firm and its staff as well as customer commitment level. Lack of satisfaction however, highly determined the switch behavior. Unfortunately, customer service, products, price and relationship quality between the firms and its clients was not established.

Fasha (2007) conducted a study on Tanzanian firms to determine how service quality affects buyers. Based on findings, how firms provided information, handled complains and quality of service greatly affected the satisfaction of customers and thus their retaining. Other previously conducted studies focused on retention scope with regards to customer service, product quality and pricing. Local studies have also been done on customer retention. Siboe (2006) conducted a study on the various strategies used by internet service provides within the Kenyan market to enhance customer retention. Jerono (2008) did a study on relationship concepts within the Insurance industry. Karitie (2011) conducted an analysis of the effectiveness of strategies of customer retention in Equity Bank Kenya. Simiyu (2010) had a case tudy of Total Kenya Ltd on factors affecting customer retention in oil industry while Mutai (2013) conducted a study on the elements that influence customer retention among mobile phone service providers in Kenya.

The above studies have majorly dealt with service quality and its contribution to customer retention with little focus on relationship marketing. The study will thus seek to give clarity the extent to which customer retention can be attributed to relationship marketing within the insurance industry.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used so as to meet the objectives of this study. It focuses on the research design, method used for data collection and the methodology for data analysis.

3.2 Research Design

A case study research design was used with British American Insurance Company Kenya as the unit of study. A case study is a detailed examination of an individual, institution or phenomenon (Mugenda & Mugenda 2003). It was appropriate for this study since it involves a comprehensive review of one institution, concentrating largely on depth analysis as opposed to breadth analysis. It is most appropriate where a detailed and in-depth analysis of a single unit of study is required. Kothari (2004) and Yin (1994) noted that a case study involves a careful and complete observation of social units. A case study provides a direct review of a subject whose characteristics are not well known or understood. In a case study, almost all features of the study unit are investigated to unearth behavior patterns.

3.3 Data Collection

Primary data was used to gather information required for this study. Interview guides were shared among ten managers in Britam for purposes of collecting primary data. They included the head of digital marketing, life marketing manager, corporate affairs manager, head of training and product development, head of the sales network, sales manager life, sales executive, branch operations manager, the contact center operations manager and head of customer service.

The interview guides had open-ended questions. This strategy is quite useful as it allows the respondent to express their thoughts, personal views and emotions (Paton, 1990). This less structured approach creates a relaxed environment that allows the parties involved to engage in a meaningful and open conversation which eliminates the likelihood of generating predetermined responses. The interviewee is given the opportunity to freely express themselves and is thus not led by the researcher (Marshall & Rossman (1997). The interview guides will be conducted face to face.

3.4 Data Analysis

Instinctively when we look at data collected, the common occurrence is to try and make sense of it. This is often done by trying to examine the presence of patterns, possible connections or relationships. This study employed content analysis as the technique for analyzing and giving meaning to the data collected from the interviews. Creswell (2003) defined it as a technique for making replicable and valid inferences by identifying and interpreting specific characteristics of a message. Bryman and Bell (2003) describe it as a method used to make interpretations by objectively identifying specific features in text and messages. It is an effective technique for examining responses gotten from interviews and group discussions. The text data from the interview sessions were broken down into meaningful units and further summarized in to more condensed units. Condensed units of data are much simpler to group into labels/codes that are more descriptive of the data collected. This enhanced grouping of the data in meaningful categories where adequate inferences were derived. The data was summarized in prose essay for easier understanding.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter focuses on the review and examination of the data collected from the interviews carried out among senior management staff within Britam insurance. The interview guide was based on the overall research objective of determining the influence of relationship marketing on customer retention. The interviews were directed to the marketing managers, product development, customer service and sales managers. Based on the sessions conducted, all ten respondents were interviewed - which represented a response rate of 100%.

4.2 Relationship Marketing Concept

The interview was used to gauge the respondents understanding of the relationship marketing concept. They were required to state from their own understanding what relationship marketing was, if the same is implemented in their organization and for how long it has been in practice. The general view is that they understood relationship marketing as activities that aimed at creating connections with customers. The life sales manager however stated that it is any initiative undertaken by the organization to compel the customer to make repeat purchases of the firm’s products. There was strong belief that the organization has greatly embraced relationship marketing as a core element towards enhancing customer experience. Some interviewees were not certain for how long it has been in practice but 8 out of the ten confirmed that it was implemented in the company’s 2016 strategic plan under the overall customer service theme. The respondents indicated this concept was aimed at providing the customer with a seamless experience which would help them attain a much sought after peace of mind. This would in turn aid the organization remain profitable and have an advantage over the competition. This was also indicated as a strategy to maintain market share by reducing the number of customer defections.

4.3 Customer Service

The interviewees were asked to highlight the level of customer service within the organization. The responses received greatly supported the ideology that the organization ranks excellent customer as core in meeting its set out agenda and objectives. The customer service manager felt that all other efforts of relationship marketing are founded on how well a customer is treated. An example given was that a low product price would not keep the customer retained if the customer service is poor. It was noted that the organization included customer experience as part of its change agenda within the new strategic plan launched in 2016. Customer focus was also embedded as part of the organizations core values. They confirmed the customer is the central guide to all the operations the organization undertakes. According to the respondents, this was critical in ensuring the organization remains competitive. They indicated that the organization had recognized the need to make customer service meet global standards since competition now included global firms. The respondents identified improved claims processing as key to enhancing the overall customer experience. They confirmed that a customer who gets bad service is unlikely to engage with their organization in future. They also indicated that good customer service enabled the organization cross sell to already existing customers thus reconfirming the notion of selling a variety of products to a single customer and not one product to multiple buyers. The interviewees also mentioned that employees are taken through customer service best practice sessions to make them better equipped in relating to customers. This relationship marketing practice is with an aim of fostering customer satisfaction as well as curbing customer attrition.

4.4 Brand Image

The interviewees were asked to discuss if the organization puts in efforts in creating brand awareness, to highlight examples of how it does that and their thoughts on how the brand is perceived by potential customers. The responses were that the organization is indeed concerned with creating awareness of its brand. The respondents confirmed that adverting is one of the major ways this is done. The modes of adverting range across print media, billboards, round-about branding, electronic media as well as an active social media presence. They also indicated that the organization sponsors sporting events that include tennis tournaments and horse racing. It was also confirmed that the organization had acquired branding rights to Nyayo national stadium (2nd largest national stadium in Kenya) in 2012 as well as a two year sponsorship deal with a local football team. They mentioned these as the organizations attempts to familiarize its self with the public.

There was reasonable indication that these efforts played a role in attracting new customers as well as created a feeling of positive pride among existing customers. The respondents were also of the view that the organizations brand is among the highly ranked brands within the insurance industry in Kenya. This was based on the robust agency network/salesforce which they considered to be the largest and most effective in the Kenyan insurance market. They termed the sales agents as good brand ambassadors of the organization and a key instrument in fostering cross selling among clients. They mentioned that the organization has positioned itself in such a manner that creates trust among the local population. This was viewed as quite effective in attracting new customers in addition to retaining existing ones who feel the brand will not go back on its promises. The marketing manager reiterated the perception of the brand among the general public as “strong and respected”. This was based on a survey conducted by consumer insights on behalf of the firm.

4.5 Feedback Management

The study requested the interviewees to outline areas related to how feedback from customers is attained, analyzed and responded to. From the responses, the organization has created several communication exchange channels between itself and the customers. These include emails, postal mail, 24 hour direct calls service, contact centers for walk-ins and social media platforms such as Twitter, Instagram, and Facebook. These modes have been clearly communicated to the customers with the same printed on the contract documents as well as on billboard adverts and the official organization’s website. This, as discussed by the respondents, was to ensure that customers have all possible means of correspondence best suited to their preference whenever they want to liaise with the firm.

These multiple avenues of communication have made communication simpler and real time thus greatly enhancing customer satisfaction and consequently fostering customer retention. The firm not only focuses on platforms for customers to communicate but also considers critical how this communication from the customer is handled. In place are service level agreements that guide and govern the response time a customer query is addressed. Employees are guided by this code of operation with response rates tracked and remedial action taken when there have been deviations from this agreement. All this is to ensure that a customer compliant is handled in a timely manner. Such actions reduce customer frustration to a high degree, making them feel valued and satisfied.

4.6 Product Portfolio

The respondents were asked to discuss briefly on the products offered by the organization. The firm deals with insurance products across lines such as life, general, medical, pension, group life, property, asset management and micro insurance. The products are made to target potential customers from different walks of life. The firm is continually creating new products and improving on existing ones to make them more appealing to customers as well as help them meet their needs. The respondents confirmed the launch of a research department responsible for identifying what the customer needs and in liaison with the product development team develop a product that meets that necessity. This was discussed as a strategy that the organization employs towards becoming a one stop shop for all insurance needs. The objective is to create products that actually work for people which not only enhances customer retention but also gives the firm competitive edge. The interviews also confirmed that pricing of their products makes them affordable to the mass population. The example given was a medical cover which has been broken down into several groups based on the willingness and ability of a customer to buy. Though the benefits vary based on the premium a customer pays, the organization has made it possible for a customer to be on a medical cover of their choice without compromising quality. They rated the organizations products as one of the key elements that keep customers satisfied and retained.

4.7 Customer Incentives

The organization offers gifts and tokens of gratitude to new customers as a way of appreciating their partnership with them. These gift items are branded merchandise that includes pens, gym bags, key chains and umbrellas. Though not a guarantee of retention, the respondents view this as an initiative by the organization in creating lasting bonds with the customer. The firm however does not have loyalty programs and product discounts for customers who have remained committed to the firm.

4.8 Delivery Channels

Interviewees stated that the existence of multiple channels for sale of products enhances the organizations ability to increase customer share and ward off competition. They indicated that the organization is the first to send the policy contract to customers electronically – the current practice among majority of insurance firms being hand delivery or via postal mail. This has been a good initiative that has reduced customer attrition and enhanced retention. They also discussed the great number of sales agents who are largely the first contact between the organization and the customer. The vigorous sales network has been very instrumental in aiding the organization gain local market leadership.

The respondents mentioned leverage on IT infrastructure as a way of enhancing relationship with its customers. They have developed digital channels and online customer portals through which a customer can update their details or sign up for new products. Not only does this boost sales, it creates a platform that boosts customer engagement.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the research findings, makes conclusions and recommendations about the objectives of the study which aimed at reviewing how relationship marketing has contributed to customer retention in Britam. It makes a summary of the elements of relationship marketing discussed in chapter four that have been employed by the firm and the impact they've had on retention.

5.2 Summary

The study reveals that the organization has been practicing relationship marketing in a bid to enhance customer retention. It has employed various relationship marketing strategies that have had significant success in keeping customers satisfied and enhancing a long term business relationship. Customer service has been a key element in ensuring the organization remains the number one preference for a return purchase by an existing customer as compared to the competition. Service offered has been crucial in reducing to a great deal the rate of customer defection which allows the organization maintain market leadership in life insurance within Kenya. Contact centers, call centers, front office teams, customer service training are all tools the organization has adopted with an aim of keeping the customer happy. Feedback from customers is handled with utmost importance; turnaround time in responding to customer queries has been very satisfactory. The study established that this has been instrumental in improving customer satisfaction which in turn has a good reflection on retention. Britam has also invested heavily in promoting its brand. This has not only helped the organization retain its clientele but has enabled them attract new business as well. The study recognized that a good brand image propels a customer to want to associate more with an organization and be linked to its products, services and activities. A bad brand image on the other hand repels customers, causes defections and termination of the business relationship. Quality of products is a tool of relationship marketing that has helped the organization keep customers loyal. The ability of a product to meet the customer needs is the first aspect of creating a relationship with the customer. A product of poor quality leads the customer to lose trust with the organization and suspend any possible future dealings with the organization. The availability of a wide range of products that meet different insurance needs of customers has also helped the firm make cross selling achievable. Pricing of products has been a good strategy the firm has used to make them more affordable to a wider market. The study confirmed that a customer with an already existing product and a disposable income is able to comfortably add other products to their portfolio. The organization has to some degree created incentives for its customers though this was not directly linked to customer retention. The gifts were viewed as a token of appreciation and not an element of relationship marketing aimed at enhancing customer retention. Findings from the study viewed that even without the incentive; customers would still be interested with a continual association with the organization. Information technology has been used within the organization to improve the overall customer experience. It has granted the customer independence to navigate and update their product portfolio with minimal assistance from a sales agent. It was established that leverage on technology improves the customer engagement with the organization which fosters the likelihood of additional business.

5.3 Conclusion

The discussion of this study revolves around relationship marketing and its impact on customer retention. It confirms that relationship marketing practices have gained momentum within the insurance industry. It can be an effective tool in enhancing customer retention and gaining competitive advantage. It has had a positive impact in aiding Britam maintain its market share by enhancing customer lifetime value. Through relationship marketing, the organization becomes advantaged from repeat sales by loyal customers. These customers further became valuable ambassadors of the brand which consequently leads to more sales and additional customers. This study concludes that organizations will be required to institute various relationship marketing strategies to ensure their customers remained committed to the firm in the long haul. The study also implies that relationship marketing helps retain customers in the long term rather than focusing merely on a one time purchase. A firm’s capacity to attract and retain a customer may not be based on a single element but rather a sequence of initiatives that fosters a fruitful customer relationship and experience. It concludes that Britam has effectively embraced and implemented relationship marketing as a strategy of improving customer retention. Britam is currently the market share leader in life insurance which can be attributed not only to its large customer base but also its ability to sell multiple products to one customer. This has been made possible by its efforts in maintaining good relations with the existing customers.

5.4 Recommendations

In order for organizations to remain profitable over time, the key focus should be put on customer relationships. There is a need to develop strategies that will make the customer happy and contented. The overall customer experience should be satisfactory if there are to continue doing business with that organization in the long term. One way of fostering such associations is by implementing relationship marketing strategies that will be both beneficial to the firm and the customer. Organizations will be required to focus on multiple elements if they are to realize the full benefit of relationship marketing. Emphasis on a single element, say customer service, may not be adequate to ensure customer retention if the pricing is off the roof. These strategies work best when offered to customers as collective unit, thus the need to create a complete relationship marketing package.

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APPENDICES

Appendix 1: Letter of Introduction

Dear Sir/Madam,

RE: REQUEST FOR A PERSONAL INTERVIEW TO COLLECT RESEARCH DATA

I am a student at the University of Nairobi pursuing a Masters in Business administration, specializing in Marketing.

In partial fulfillment of the requirements of the course, 1 am undertaking a research project on customer relationship marketing initiatives adopted by Britam.

1 am kindly requesting for a scheduled personal interview to enable me gather the required information. The information that you will provide will not be used for any other purposes other than those of the study and your responses will be treated with utmost confidentiality. 1 shall be glad to share the outcome of the study upon your request.

Your support will be highly appreciated.

Yours Faithfully,

Anthony Irungu.

Appendix 2: Interview Guide

SECTION A: RELATIONSHIP MARKETING STRATEGIES

Advise what you understand by the term relationship marketing or what you perceive it to be.

Based on your response above, would you say your institution has implemented and is practicing it?

If yes, how long would you estimate the concept has been in practice and what is the aim of having it in your organization?

Advise on the pillars that guide the organization's customer focus strategy.

Does the firm employ product differentiation as a strategy to attract and retain customers?

Would you say the firm considers product quality as a key element in enhancing customer loyalty?

How would you rate the level of customer service offered by your organization?

Is customer service considered critical in retaining customers in the organization?

Is product pricing within your organization competitive compared to other alternatives in the industry?

Does the organization make efforts in fostering brand awareness?

If yes, kindly give examples of how the organization creates awareness of its brand.

How do you think the organization brand image is perceived by external customers?

Highlight the available ways by which customers can give feedback to the organization.

Has the organization made this feedback communication channels known to customers?

Are there service level agreements that govern the time it would take to respond to a customer's query?

Are there incentives offered to new customers?

Does the organization have loyalty programs/rewards/discounts for customers who have remained committed over time?

Other than the concepts mentioned, name any other strategy that the organization employs to attract and retain customers.