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The Role of Customer Relationship Marketing on Customer Retention: A case of Ethiopian Insurance Corporation in Mekelle Branch (Tigray)

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A Thesis Submitted To The Department of Management in Partial Fulfilment for the Award of Masters Degree in Business Administration (MBA) Specialization in Marketing Management

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DECLARATION

I, Dambush Negasi, declare that the thesis entitled “The Role of Customer Relationship Marketing on Customer Retention in Ethiopian Insurance Corporation: A Case of Mekelle Branch”, submitted for the award of Degree of Masters of Business Administration (MBA) with specialization in Marketing Management, is my own original work and all sources of materials used for the study have been duly acknowledged. This study has not been submitted for the award of any other degree in this University or any other University.

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CERTIFICATION

This is to certify that this thesis work entitled, “The Role of Customer Relationship Marketing on Customer Retention in Ethiopian Insurance Corporation: A Case of Mekelle Branch” submitted in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration (MBA) with specialization in Marketing management to the College of Business and Economics, Mekelle University, through the Department of Management, done by Dambush Negasi, ID No.CBE/PR:041/05 is an authentic work carried out by him under our guidance. The matter embodied in this thesis has not been submitted earlier for award of any degree or diploma to the best of our knowledge and belief.

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Abstract

The success of any organization depends on its customers and many organizations attempt to establish strong relationship with their customers to achieve customer retention. The overall objective of the study was to assess the role of customer relationship marketing on customer retention focusing on Ethiopian Insurance Corporation (Mekelle Branch). Therefore the study tries to examine the level of customer retention in EIC. The study employed cross sectional survey design. Both qualitative and quantitative type of data was used for the purpose of the study. In order to collect the primary data, structured questionnaire was designed and collected through convenient sampling technique from customers of EIC. Structured questionnaires were distributed to 188 customers, only 162 (86%) complete responses were returned from the customers. Moreover, semi structured interview with marketing manager was conducted to supplement data collected using questionnaire. The SPSS version 16.00 was used to process the primary data which is collected through questionnaire. The finding indicates that relationship marketing dimensions (the independent variables) such empathy, trust, commitment, communication and responsiveness are positively and significantly correlated with customer retention and satisfaction. Generally all the independent variables are positively and directly related to customer retention and satisfaction in Ethiopian Insurance Corporation Mekelle branch. The result of the study indicated that the insurance doesn't provide clear and detailed information about all conditions of the service to its customers. Finally, to enhance the flow of information, the corporation should work cooperatively and make the whole system on work with customers, in order to improve customer retention.

Keywords: *Relationship Marketing, Empathy, Trust, Responsiveness Commitment, Communication, Customer satisfaction and Customer retention.*

Table of content

Content	page
Declaration.....	II
Certification.....	III
Acknowledgement.....	IV
Abstract.....	V
Table of content	VI
List of Table.....	IX
List of Figures.....	X
List of Abbreviations and Acronyms	XI
Chapter One: Introduction	1
1.1 Background of the Study.....	1
1.2 Statement of the problem	3
1.3 Research question.....	6
1.4 Objective of the Study.....	6
1.4.1 General Objective	6
1.4.2 Specific Objectives	6
1.5 Significance of the Study	6
1.6 Scope of the study	7
1.7 Limitation of the study	7
1.8. Organization of the study	7
Chapter Two: Review of Related Literature.....	9
2.1 Evolution of Relationship Marketing.....	9
2.2 Definitions and goals of Relationship Marketing	9
2.3 Customer Relationship Management and Information Technology	11
2.4 The Contribution of Relationship Marketing on Customer Retention.....	12
2.4.1 Customer Acquisition.....	12
2.4.2 Customer Satisfaction.....	13
2.4.3 Customer Retention	14
2.5 The Drivers and Determinants of Success to Attract and Retain Customers.....	14

2.5.1 Effective Communication System	15
2.5.2 Quality Products and Services	15
2.5.3 Loyalty/Frequency Programs	16
2.5.4 Customer Service.....	17
2.5.5 Talented and Motivated Employees	17
2.6 Influencing Factors of Customer Retention	18
2.7 Relationship Marketing Practices and dimensions.....	19
2.7.1 Trust.....	19
2.7.2 Commitment	19
2.7.3 Communication	20
2.7.4 Empathy.....	21
2.7.5 Social Bonds.....	21
2.7.6 Conflict Handling	21
2.7.7 Competence	22
2.7.8 Responsiveness.....	22
2.8 The Effects of Customer Relationship Marketing on Customer Retention	23
2.9 Customer Relationship Marketing Strategy	23
2.10 Empirical Findings in the service provider organizations.....	24
2.11 The Conceptual Framework	26
Chapter Three: Research Design and Methodology.....	28
3.1 Research Strategy and Design.....	28
3.2 Data type and Data Source	28
3.2.1 Data type.....	28
3.2.2 Data sources.....	29
3.3 Sampling Method and Sampling Size	29
3.4 Method of Data Collection.....	31
3.4.1 The Questionnaire.....	31
3.4.2 The Personal Interview.....	31
3.5 Methods of Data processing and Analysis	31
3.5.1 Data Processing	31

3.5.2 Data Analysis and interpretation	32
3.6 Validity and Reliability Test Result	32
Chapter Four: Discussion and Analysis	34
4.1 Respondents' demographic characteristics	34
4.2 Descriptive Statistics results and discussion	37
4.3 Customers' response towards Empathy	38
4.4. Customers' response towards responsiveness	43
4.5 Customers' response towards Trust	47
4.6. Customers response towards communication	51
4.6.1 The insurance service uses technology to become unique among competitors	54
4.7 Customers' response towards commitment	56
4.8 Customers' response towards customer retention	61
4.9 Customers' response towards customer satisfaction	65
4.10 Correlation analysis between relationship marketing and Customer retention	68
Chapter Five: Conclusion and Recommendation	73
5.1 Conclusions	73
5.2 Recommendations	74
Bibliography	77
Appendix 1: Household survey questionnaire to be filled out by customers	A
Appendix 2: Semi-structured Interview Questions	F

List of Tables

Table 3.1: Reliability test result for the questionnaire.....	33
Table 4.1: Demographic Information of Respondents and Business Characteristics	35
Table 4.2: Descriptive statistics of empathy.....	38
Table 4.3: Employees understanding customers need.....	39
Table 4.4: The insurance see things from different angles	40
Table 4.5: Service delivery system of the insurance	40
Table 4.6: The insurance works co-operatively.....	42
Table 4.7: Descriptive statistics of responsiveness.....	43
Table 4.8: Employees devote enough time	45
Table 4.9: Providing services done without delay.....	46
Table 4.10: Employees training	47
Table 4.11: Descriptive statistics of trust.....	48
Table 4.12: Showing respect and honest to customers.....	50
Table 4.13: Descriptive statistics of communication.....	51
Table 4.14: Allow to express your opinion	52.
Table 4.15: The insurance applies technology	53
Table 4.16: Descriptive statistics of commitment.....	57
Table 4.17: The insurance willingness	57
Table 4.18: The insurance provides information	60
Table 4.19: Descriptive statistics of customer retention.....	61
Table 4.20: Giving positive word of mouth	62
Table 4.21: Descriptive statistics of customer satisfaction.....	65
Table 4.22: Improved service/products accessibility	65
Table 4.23: Recommend this insurance to others.....	67
Table 4.24: Correlations between relationship marketing and customer retention.....	69
Table 4.25: Correlation analysis between relationship marketing and customer satisfaction...	71

List of Figures

Figure 2.1: Conceptual Frame-work for the study.....	27
Figure 4.1: Listening problem of customers.....	41
Figure 4.2: Employees response to customers' request.....	44
Figure 4.3: Ability to discuss solutions when problem arise.....	48
Figure 4.4: The insurance service uses technology.....	55
Figure 4.5: The insurance make sure that problems do not rise in your relationship.....	59
Figure 4.6: Marketing message of the insurance.....	64

LIST OF ABBREVIATIONS AND ACRONYMS

CRM	Customer Relation Management
CR	Customer Retention
Ethiopian Business Dev't	Ethiopian Business Development
EIC	Ethiopian Insurance Corporation
Ethiopian Insurance Co. Insurance Co.	Ethiopian Insurance Corporation Insurance Corporation
IT	Information Technology
SPSS	Statistical Package for Social Science
Std. Dev	Standard deviation
RM	Relationship Marketing

CHAPTER ONE

INTRODUCTION

This chapter provides introductory information. It presents background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope and limitation of the study, and organization of the study.

1.1 Background of the Study

During the 20th century relationship marketing began to dominate the marketing field. At that time relationship marketing became a major issue in marketing and managing business (Egan, 2001). Relationship marketing has been developed over the years as stimulating area of marketing that emphasis on creating and maintaining long-term relationships with customers and other parties. In the competitive market, organizations are not only concerned on providing quality products or services but the key concern is to communicate with customers and understand their requirement to satisfy and retain them with a profitable relationship (Tseng, 2007). Relationship marketing strategy plays a decisive role in interacting and retaining customers, especially in service industries because of the intangible nature of service and high level of interaction with customers. Nowadays most organizations are implementing customer relationship marketing as a strategy to gather and use data for increasing customer value, company profit and to improve customer satisfaction and retention (Aaltonen, 2004).

Today, we live in a competitive world where customer demands from businessmen or organizations products/service more than before. No business can live on without satisfied customers unless it is a government-owned monopoly. It must be noticed that customers' needs and demands is increasing rapidly. Therefore companies are looking for strategies to go beyond the needs and expectations of their customers. During the past years, a new viewpoint has been formed in this respect and that is customer relationship management. If this new viewpoint is understood and enacted properly it will change all parts of an organization (Hasanzadeh, and Kazemnejad, 2010). In view of customer importance as one of the bases of an organization's life and CRM emphasis on service improvement, customer

satisfaction, costs reduction, mutual relationship between company and even millions of customers. Customers' place and value is very vital in today's competitive atmosphere and therefore marketing experts encourage companies to look for newer and more effective methods. Products variety presents providing many choices for customers. Companies have learned that losing one customer is not only losing one sale item, but also it means losing all purchases of the customer that he/she could have made during his life, so company should emphasis on retaining its customers (Kotler and Armstrong, 2002).

According to Gronroos (2000) Customer relationship is developed when a customer perceives a mutual way of thinking exists between customer and service provider. From the organization viewpoint, relationship can develop only when the company builds a good contact and interaction with all or at least most important customers. Therefore, organizations should create communication and interaction processes with customers to develop effective and continuous relationship. Customer relationship marketing plays a decisive role for strategic position of an organization and concentrates on the integration of customer information, knowledge for finding, retaining and make customers loyal for long lasting relationships. Organizations should understand the reason of why customers leave them and finding the way of retaining them (Raghu, 2005).

Today service providers are highly competitive, and this is very challenging for companies to provide unique services as required by customers, to overcome this challenge, companies can build effective interaction and relationship with their customers, because customer focus is on the service delivery system and interaction with the service provider when evaluating the service provider company. Creating effective relationship with customers is critical issue; because service requires high interaction with customers, and this relationship has a great influence on customers' satisfaction and retention (Rootman, 2006). Relationship marketing strategy highly contributes to the development of IT applications often referred to Customer Relationship Management which act as an enabler and creating relevant customer information and making them readily available to different touch points (Chen and Popovich, 2003). Effective customer relationship marketing is the key issue for the success of firms and to retain profitable customers. Therefore insurance managers should develop effective relationship with customers to enable their companies more competent in the market. In

recent years insurance companies have been strongly competitive in their strategic approach to meet the growing demands of their customers (Zinkhan, 2002).

In the early 20th century, European entrepreneurs who came from Great Britain, Italy, France and others saw a significant interest in insurance industry and foreign investors owned the lion share of the investments. Jointly owned by the Emperor, his supporters and foreign companies, the first domestic insurance company namely, Imperial Insurance Company started issuing policies in fire, life and general accident since 1951. The insurance sector during the command economic system was characterized by monopoly of the sector meaning it was under the control of the government and reliance on both motor and marine insurance business for much of gross premium income. The nationalization of private insurance companies and the restrictions imposed on private business enterprises had significant adverse impact on the development and growth of Ethiopian insurance industry (Hailu, 2007). Proclamation No. 86/1994 directed a new era in the history of insurance business in which 'Ethiopian insurance market has become an arena where the public and private insurance companies increase their competition. Ethiopian insurance industry has grown rapidly over the past few years.

Mekelle is the capital city of Tigray National Regional State in Ethiopia and located at the northern part of the country at a distance of 780 km from the capital city of Ethiopia. Ethiopian Insurance Corporation (EIC) was established in 1976 and come in to existence with Birr 11 million paid up capital (Ethiopian Business Dev't, 2002). Hence, this study is intended to assess the role of customer relationship marketing on customer retention in EIC Mekelle branch and the corporation has 32 employees and 4406 customers.

1.2 Statement of the problem

Customer Relationship marketing in service provider organizations increases its importance through systematic and rational way of managing and maintaining relationships with their customers. Managing customer relationship in business organizations is a challenging phenomenon, because customers' requirement can significantly vary and organizations are concentrated on different operations to meet their customer needs (Kleinaltenkamp and Ehret, 2006). Today, in the fierce competitive market, customers have information access

related to different products and services, when organizations are unable provide their requirement, so customers can move to those organizations that are responsive to their request and provide high quality services that meet their expectation. So, service providers attempt to use distinctive strategy to attract, satisfy and retain their existing customers instead of acquiring new customer which needs more expenditure (Winer, 2001).

The difficulty in building customer relationship has created low confidence and trust in the insurance market today. The complexity and peculiarity of insurance contracts as well as the nature of the product/service remains a major barrier to the provision of satisfactory services to customers of insurance. Furthermore, market information is either not available or insufficient and too technical for the ordinary person to understand. In view of the competitive nature of insurance market, there is the need to develop a more proactive approach by insurance companies in marketing their product and services. The strategy should not just aim at getting the product to the client but also develop a means of keeping the client to become loyal to the company (Eduankuma, 2011).

Customer relationship management is an integration of people, process and technology and these elements play a great role on creating and developing effective relationship with customers. When these elements are fail to perform as the customers' requirement, then it can affect the quality of an organization's management of customers (Burca, Fines and marshall, 2005). According to Kale (2004) many customer relationship marketing strategies can never be successful. There are many reasons for the failure of these strategies, the most common are; losing sight of customers, lack of management support, undervaluing customer data analysis, inflexible business process and underestimating required management involvement. Consequently the problem on how to integrate IT in creating and developing effective relationship marketing has not been solved yet in a comprehensive and satisfactory way (Greenberg, 2001). Service providers lack an in depth understanding of customer preferences because of information gap. When customers are not fully satisfied by the service delivery system of the organization, they will not provide repeated purchase and customers shift to another organization. This creates a problem for insurance companies as the market is getting continuously competitive (Baran, Galka and Strunk 2008).

In service rendering organizations, developing effective communication and interaction with customers and providing quality service is essential to build effective relationship and to retain the existing customers. In the competitive environment, retaining customer is a very challenging assignment, because organizations compete by providing distinctive services to attract new customers and retain the existing ones (Leverin and Liljander, 2006). The continual survival of any organization is highly depends on the quality of service delivery system and the relationship with its customers and organizations should develop effective relationship marketing to understand the requirement of their customers. The application of customer relationship marketing is vital in today's fierce competition because when there is proper communication and smooth relationship with customers' organization should retain their customers (Kotler and Armstrong, 2010). Moreover, though companies have been implementing different customer relationship marketing strategies to improve customer relationship and to provide better service, however some of these strategies fail to perform effectively (Ang and Buttle, 2006; Hendricks, Singhal and Stratman , 2007).

As a leading insurance company the Ethiopian Insurance Corporation has larger number of customers. The corporation has made efforts to improve its customer communication strategy. There are different strategies exerted by the corporation to improve the strategy of communication with its customers through customized (unique) channel of communication by using face to face communication, phone call and through web site of the corporation. In addition to that transparency and access to adequate information on time are the efforts developed by the corporation to enhance relationship with its customers. What are the contributions of all those customer communication strategies upon retention of customers? How successful is the company in retaining customers and how much is the role of its customer strategy in doing so? Therefore the study tries to examine the level of customer retention in Ethiopian Insurance Corporation. Hence this study was intended on assessing the role of customer relationship marketing in retaining customers in the context of the Ethiopian Insurance Corporation (EIC).

1.3 Research question

Generally the study was conducted to answer the following basic questions.

- ❖ How does Ethiopian Insurance Corporation practice customer relationship marketing strategy to retain its customers?
- ❖ What customer relationship marketing strategies are the corporation pursues?
- ❖ To what extent relationship marketing is contributing in attracting and retaining customers?
- ❖ What are the key factors that affect customer retention in EIC?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of the study is to assess the Role of Customer Relationship Marketing on Customer Retention in Ethiopian Insurance Corporation in the context of Mekelle branch.

1.4.2 Specific Objectives

The specific objectives of the study are:

- To examine the practice of customer relationship marketing strategy on customer retention in Ethiopian insurance corporation
- To identify customer relationship marketing strategies the corporation pursues
- To investigate the contribution of customer relationship marketing in attracting and retaining customers in Ethiopian insurance corporation
- To explore the key factors that affect customer retention in the insurance

1.5 Significance of the Study

The study enables the student researcher to have an academic knowledge on conducting research. The study will also contribute to the future development of this type of research, especially in developing countries like Ethiopia. The findings of this study will assist academicians in broadening and providing a deeper understanding of the critical factors that affect customer retention. And also the result of this study will provide valuable inputs and

directions to these companies to integrate their marketing strategies and customer knowledge management. It can also help for companies to identify the requirement of their customers and to improve the quality of their services and to retain the existing customer by providing technology based service in light of its competitors. Identifying the factors that affect customer retention in advance helps to achieve the objectives of the government especially it is important for insurance corporation managers to evaluate customer relationship marketing strategy and forward possible solutions for the problems.

1.6 Scope of the study

Even if broader research that encompasses all EIC would give a more holistic view on the study; however, due to time and financial constraint the study was delimited geographically, conceptually and methodologically. Geographically EIC Mekelle branch was selected for the purpose of this study, because it was difficult and unmanageable to include all the branches of EIC found in different branches of the country. Conceptually, the study was confined to assess the Role of Customer Relationship Marketing on Customer Retention in terms of relationship marketing dimensions such as Empathy, Trust, Commitment, Communication and Responsiveness are the focuses of this study. Methodologically customers who are registered after December 2013 were not included in the study.

1.7 Limitation of the study

The limitation of the study is emanated from its scope. As the study emphasized on the role of customer relationship marketing on customer retention in EIC in Mekelle city, it is difficult to conclude about other EIC out Mekelle branch. Finally the secondary data gathered from magazines and annual reports of EIC were too small and almost all of the documents were prepared at the main branch of Addis Ababa and the researcher was used these documents to support/supplement the data that was collected through questionnaire.

1.8. Organization of the study

The study is organized in to five chapters. The first chapter deals with introduction part of the study which consists of background of the study, statement of the problem, research

questions, objectives of the study, significance of the study, scope and limitations of the study. The second chapter deals with review of related literature about customer relationship marketing and customer retention, the third chapter deals with methodology of the study which includes research strategy and design, data type and data source, sampling method and sampling size, method of data collection instruments, methods of data processing and analysis. The fourth chapter presents data analysis, findings and discussion of the data gathered. Finally the fifth chapter presents conclusion and recommendations of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This part of the research tries to show the theoretical and empirical literature about customer relationship marketing and the conceptual framework of the study.

2.1 Evolution of Relationship Marketing

Relationship marketing is a new phenomenon which is developed in the 21th century and all marketers and managers uses it, but they define differently. The dramatic change from transactional marketing to relationship marketing increases its significance and contribution in the customer relationship marketing (Lindgreen, 2001). In the recent time relationship marketing has become known as most important strategic element of business. It has direct impact on firm's strategic performance and also relationship marketing is more effective when the relationships are more critical to customers. Moreover effectiveness is greater when relationships are built with an individual than a firm (Robert and Daunt, 2006).

The main purposes of relationship marketing is creating and enhancing customer relationship starting from the beginning to satisfy and retain the existing customers, in the other way transactional marketing attempts to make the sale and acquire new customers rather than retaining the existing customers (Vence, 2002). According to Boulding (2005), Dimitriadis and Stevens (2008), CRM is an integration of marketing activities and technological resources to create strong relationship firms with their customers. Customer relationship management focuses on building relationship, applying systematic way to collect and analyze data, and integrate all these activities throughout the firm, and enhancing the ability of integrating these activities throughout the network of firms that collaborate to generate customer value, while creating shareholder value for the firm.

2.2 Definitions and goals of Relationship Marketing (RM)

Relationship marketing focuses on how a firm contributes to its customers and stakeholders and how this impacts on the firm's performance and the management of customers' requirement (Gronroos, 2000). RM is the process of attracting, retaining and improving

relationships with customers and terminating them when necessary, so the purpose of those individuals involved in relationship marketing is to achieve their objective through mutual exchange and the fulfillment of promises (Zineldin and Philipson, 2007, Das, 2009, Gronroos, 2004). According to Bruhn, (2003) RM deals with planning, understanding, analyzing, monitoring and control of measures that initiate, stabilize, intensify and promote business relationships with stakeholders, mainly with customers and the creation of mutually beneficial relationships. Customer relationship marketing is a customer oriented approach and focuses on the long lasting relationship with customers (Gray and Byun, 2003). The objective of Customer relationship marketing is to provide benefits and values to customers based on their requirement rather than what the company wants to sell. To make customers loyal it requires building and developing strong relationship. The basic goals of Customer Relationship Marketing include;

Customer identification; companies can collect complete information about their customers over time through interaction and other relationship marketing channels. Companies need to identify who are their customers and what they need so as to provide the service required by them.

Customer differentiation; Customers are segmented based on their lifetime value and unique service requirements.

Customer interaction; companies continuously needs to identify and understand customer requirements to create strong relationship and retain them.

Customization/personalization; the slogan of CRM is that customers need to be treated in different manner, through customization process to increase customer retention.

The main benefit of Customer Relationship Marketing is enhancing acquisition and retention capability of the firm to increase customer lifetime value through interacting and improving customer service. A successful Customer relationship marketing program helps company to create wealth and sustainable growth through integrating with customers and receiving value through relationship (Cap-Gemini and Young, 2005).

According to Das (2009) RM has been defined as customer satisfaction, retention and loyalty and characterized according to related underlying constructs of trust, commitment, collaboration, closeness and effective relationship. RM is a continuous, long-lasting win-win

relationship with customers through the use of interactive databases and networking so as to retain valuable customers on the basis of mutual benefit (Tadajewski, 2009). The development of industrial marketing and service marketing led to an improvement on customers' life time value and enhances close relationship between customers and service providers. Therefore transaction-based marketing is concentrated on selling of the product and services, where as integrated relation marketing focus on the establishment of sustainable and long term relations with customers (Abbasi and Turkemani, 2010).

2.3 Customer Relationship Management and Information Technology

Customer relationship management gives more attention on the improvement of service quality and marketing function, and also it focuses on cross-selling and providing the required products or services better than competitors. Well-known IT applications are play a decisive role on creating effective relationship with customers and achieving the firm's objective. Today organizations use CRM-based IT to improve channel integration, product innovation, customer interaction, loyalty and retention, cost reduction, customer service, and management. IT integrates marketing activities, customer service, and diverse contact channels and provides customized services by understanding customers' requirement so as to maximize the value of the firm. IT provides completely new communication channel and contributes on enhancing the role and function of customer interaction (Buttle, 2009).

According to Combe and Buttle (2004) customer relationship management strategy requires center of information about all customers to understand the requirements of each customer so as to provide the required service. This center should have efficient and effective structure of information technology which is arranged based on the changing environment. It should have a systematic way of CRM so as to communicate with customers through direct transmission of information for satisfying and retaining with the organization (Steffes, 2005). And also the quality of information provided by service provider can affect building of good relationship with customers. In this context, application of IT can play a great role on promoting relationship marketing and information qualities (Zablah, 2005).

2.4 The Contribution of Relationship Marketing on Customer Retention

According to Walsh, Gilmore and Carson (2004) Relationship marketing is define as activities that are implemented by service provider companies in order to attract, interact with, and retain more profitable customers. Customer retention refers to firm's ability on providing the required services, without defections to profitable customers' to satisfy and retain them. The main goal of effective Customer relationship marketing is retention and the key to retention is through different means and practices to ensure repeat trade from existing customers by satisfying their requirements better than those of competing brands. Now a day companies are concentrated on developing strong relationship and loyalty with their ultimate customers. In the past companies did not worry about fully satisfying and retain their customers, because at that time customers did not have many alternative suppliers and the firm believed on sales volume rather than satisfying and retaining customers Effective customer relationship marketing makes customer satisfied and delight. In turn, delighted customers remain loyal and talk favorably to others about the company and its products. Different studies indicated that there is a big difference in the loyalty of customers who are less satisfied, somewhat satisfied, and completely satisfied (Kotler and Armstrong, 2010).

2.4.1 Customer Acquisition

According to Mittal and Kamakura (2001) Customer acquisition is a starting point in building customer relationship. Targeting, attracting and retaining the right customers require a consideration of fit with current firm providing, future profitability, and contribution to the overall success and risks of business. Many firms do not use appropriate criteria to identify and attract profitable customers and their marketing strategy is widely communicated to potential customers who may or may not be profitable. Subsequently, customer acquisition can be a costly and risky process because new customers may not represent a good fit for the organization's value proposition. Inadequate focus during acquisition activities result in adverse selection and make firms less profitable. Cao and Gruca (2005) describes that solving the problem of adverse selection by using data from firm's CRM system helps to target prospects and respond for the problem. This approach improves customers who are approved while reducing the number of "bad" customers. This method can be expanded to

new customer attraction and better targeting of promotions to migrate customers to higher levels of lifetime value.

2.4.2 Customer Satisfaction

According to Berman and Evans (2010) customer satisfaction occurs when customers expectation have been met or exceeded by the firm in terms of value and customer service provided. Customer service needs to be integrated with the overall value provided by the product or services to satisfy the customers' requirement. Retaining customers and building customer relationship on a long lasting base can be very challenging for many organizations. Therefore measuring customer satisfaction is very important in building and developing CRM strategies. Oztaysi, Sezgin and Ozok (2011) describes that in order to develop CRM strategies first of all companies should assess their customers satisfaction level and this helps in developing effective relationships with customers. It is clear that a customer who has been loyal to the organization or a brand will have high amount of satisfaction from their purchases over time. Therefore the higher the amount of satisfaction organization or a brand provides large number of loyal customers it will have.

According to Roberts-Lombard (2009) customer satisfaction is defined as the degree to which a business product or service performance that meets the expectation of customers. When the firm's product or service performance matches or exceeds the expectations, then the customer is satisfied or delighted, if not then the customer is dissatisfied. There are different factors that influence customer satisfaction such as expectations, perceived service and perceived quality (Hu, Kandampully and Juwaheer, 2009). Expectations influence the total satisfaction when the customer evaluates a product or service performance. Satisfaction is customer's emotional response when evaluating the difference between expectation of the service and the perception of actual performance. This perception of performance is obtained through physical interaction with the organization and the product and services of the organization (Salami, 2005). The customer first forms an expectation based on their needs, values, past experiences about product/service and the perceived value is evaluated through recent service experiences such as perceived product quality and perceived service quality. There is direct relationship between perceived service quality and satisfaction (Balaji, 2009).

2.4.3 Customer Retention (CR)

According to Menon and O'Connor (2007) customer retention is define as holding and maintaining customers to maximize customer life time value by creating effective relationship with the firm. There are different variables that can influence companies' relationship marketing and customer retention such as communication, customer information, empowerment, customization, loyalty programs, ethical behavior and technology of the firm. According to Ang and Buttle, (2006) described that when customers are loyal, the volumes of purchased items will increase and reduces costs of relationship because both organizations and customers know each other better than past, these loyal customers pay higher prices than the new ones, and are not claim for discounts which the organization offer to new customers in order to attract and acquire them. Therefore, to maximize the share of these customers, all of the necessary conditions for CRM programs should be integrated effectively. However some organizations perform different activities that can be associated with retaining the customers like the processes for planning, customer satisfaction measurement, complaint handling mechanism and quality assurance processes. Generally, to be successful implementing this program, companies should consider the related issues such as the type of customers to be retained and the nature of product or services provided to them (Ahmad and Buttle, 2002).

2.5 The Drivers and Determinants of Success to Attract and Retain Customers

Helgesen (2007) describes that companies are developing relationship marketing strategies so as to retain their customers and to increase profit per user through customer retention, process enhancement and product innovation. Companies are looking to derive value through effective customer relationship management, value chain and cost reduction strategies, which can provide highest level of customer service. The main objective of retention strategy is to keep existing customers of an organization, increase brand loyalty and talk positive word of mouth for other customers (Miocevic, 2008). Retention drivers are promotional strategies that increase the life time value of customers. These drivers are:

2.5.1 Effective Communication System

Effective communication system provides innovative and timely information to customers, and this helps to improve retention level (Meyer-Waarden, 2008). In order to create and develop long term relationship with customers, companies develop two-way communication model, and currently, it has become multisided communication model. Communication helps in the exchange of thoughts, feelings and reaction of customers with their companies and generally helps for companies to obtain feedback from their customers (Egan, 2000). Companies can provide products and services based on their customers' requirement and ability to buy. These information exchange tools and communication process enables customers to share their thoughts, feelings, habits, cultural values, other activities that develop relationship (Romano and Fjermestad, 2003). From this database information about customers, organizations create a long lasting relationship and make profits from their retained customers (Ahmed and Buttle, 2002).

2.5.2 Quality Products and Services

The products and services that offer to customers are key elements for the success of business. Highest quality and reasonable cost of products and services are preferred by customers (Kaynak and Kara, 2001). High quality products and services can attract and acquire new customers and builds brand loyalty. In order to retain loyal customers who will bring long-term profits to the firm, the key issue for service provider is developing long term relationship in the way of managing customers by providing the required products and services to them. The quality of the service is individually perceived by customers during the interactions with the service provider (Grönroos, 2000). Parasuraman et al. (1988), develops service quality measurement model to measure the differences between customer expectations and perceptions based on the following determinant elements, these are:

Tangibles: physical facilities, equipment and communication materials from service providers.

Reliability: The ability of Service Company to provide the promised services and products as required by the customers.

Assurance: employees' knowledge and ability to understand courtesy, trust and confidence.

Responsiveness: is willingness to help customers and provide timely service to customers such as quick service, professionalism in handling and recovering from mistakes. Today service providers have the ability to provide the required services to customers in a timely manner.

Empathy: A service company provides customized services and individualized attention to its customers, as well as developing convenient working hours. High service quality is considered as a key to succeed in competitive service markets and directly influence on customers satisfaction as well as trust in the service firm (Aydin and Ozer, 2005, Ismail et al., 2006).

2.5.3 Loyalty/Frequency Programs

Loyalty program provides reward to targeted customers in order to encourage them to buy products and services repeatedly. Loyalty program helps firm to make competitive in the market place by retaining its customer (Winer, 2001). In service provider organization customer loyalty involves three dimensions such as affective loyalty, behavioral loyalty, and cognitive loyalty. Affective and behavioral loyalty are formed based on cognitive loyalty, and cognitive loyalty itself is influenced by company's good will, brand recognition, its public image and most importantly, corporate social responsibilities. On the other hand, in the intermittent service industry, customer satisfaction, service quality and customer perceived value are the main factors that affect customer loyalty (Farquhar and Panther, 2008; Juan and Yan, 2009). Besides there are also some determinants of behavioral loyalty like customer satisfaction, service quality, affective loyalty, customer perceived value, and cognitive loyalty. Generally, the main factor that can influence cognitive loyalty is the service quality (Juan and Yan, 2009).

Good customer relationship marketing makes customers satisfied and delighted. Those delighted customers are remaining loyal and talk favorably to others about the company and its products or services. Studies indicate that there are big differences in the loyalty of customers who are less satisfied, somewhat satisfied, and fully satisfied. Even a slight

difference from complete satisfaction can create a huge difference in loyalty. So, the purpose of customer relationship marketing is to create not just customer satisfaction, but customer delight and customer retention (Kotler and Armstrong, 2010).

2.5.4 Customer Service

Customer service refers to a contact that customers have with a service provider company so as to acquire their requirement. There are two types of services by which companies can improve their customer service (Winer, 2001), these are:

Reactive service is practiced when a customer faces problem such as product failure or question about bill and contacts the firm to solve it or to get more information through e-mails, phone etc.

Proactive service is a situation where firms do not wait until customers communicate and contact them. Proactive service holds information about their customers prior to use reactive solutions such as complaint handling. This can be done where employees are dealing with and interested to realize customers' expectations (Winer, 2001 and Alireza, 2010).

2.5.5 Talented and Motivated Employees

In order to compete and achieve their success companies employ highly motivated and talented employees. Employees' communication skill, positive attitude and effective relationship with customers are essential to attract and retain customers. These motivated employees can provide quality product and services to the customers' to improve sales performance. Motivated employees can deal more effectively and efficiently with customers and this makes customers more loyal to the company (Miocevic, 2008).

According to Magazine of EIC (2011) described that in order to continually upgrade the educational qualification of its employees, EIC exhibited out standing commitment in providing its staff with short and long term training programs in different area of study both in Ethiopian and abroad to enhance their knowledge, skill, and ability in making them always competent and responsive in performing their duties. The short-term training and skill development given by the insurance is in the area of Management, Marketing and Customer

Services, Strategic Management, Information Technologies, as well as Insurance Principles and Auditing to improve their performance.

2.6 Influencing Factors of Customer Retention

Farquhar (2004) describes that, customer retention requires a clear direction from top management which serves as the first motive for customer retention practice. Top management needs to implement more common approach in order to make more receptive towards latest changes within the industry in serving and satisfying their customers. Switching cost plays an important role on customer retention (Chen and Hitt, 2002; Kim, Park and Jeong 2004). It involves all costs incurred when a customer switches between different brands of products or services and it consists of both loss and gain costs. Loss cost occurs when customers withdraw from service providers while gain cost occurs when customers start to promise to new service/product providers (Burnham, Frels and Mahajan 2003, Hongyi and Man, 2011).

Customer retention is highly depends on customers perception towards service delivery system (Kim et al. 2004). It is based on unique attributes of products, value added services, customer treatment, price and convenient transactions greatly influence the customers perception towards the service provider. According to Kim et al. (2004), Molapo and Mukwada (2011) Retained customers tend to have higher levels of perceived service quality which subsequently results in improving firms' performance. Relationship marketing is an important tool that promotes long-term relationships with all customers in general and profitable customer in particular throughout the process of creating and maintaining effective relationship (Petzer Steyn and Mostert, 2009). Interactions with customers would be effective when sustained through effective relationship marketing, where firms can interact effectively with customers (Farquhar, 2004, Ang and Buttle, 2006).

Employees are able to provide the required products/services to their customers' beyond their expectations when they are empowered, well-informed and have access to customers' information (Farquhar, 2004). Price of firm's offerings can affect customer satisfaction and also it influences customer retention. It is perceived that price set is expected to enhance both post-purchase satisfaction and repurchase intention (Srivastava and Lurie, 2001). Firms

should also match prices with value of the products or services to promote repeat purchases which in turn influences customer acquisition and retention (Kukar-Kinney, 2006). Relationship allows firms to register detailed information about the individual customers. This information will be linked to customer database, which forms the basis for individualized marketing measures. Existence of effective information systems facilitate record keeping of customer membership and would be helpful for the firm's decision making process (Farquhar, 2004).

2.7 Relationship Marketing Practices and dimensions

2.7.1 Trust

Trust is the “corner stone” for building and developing long term relationship with customers (Juscus and Grigaite, 2011). According to Chattananon and Trimetsoontorn, (2009) Trust is defined as a belief or conviction about the other party's intention within the relationship. In relationship marketing perspective, trust is defined as the dimension of a business relationship marketing that determines the level in which each party feels rely on the integrity of the promise offered by the other party. According to Clow and Kurtz (2003), the key issue to develop customer relationship marketing is not only obtaining a contractual agreement, but development of mutual trust is must. The primary issue in gaining customer acceptance of service delivery system and process modification is to develop customer trust and relationship. This relationship involves both parties sharing information and working together effectively to solve problems. Generally, trust is shown to have a positive influence on key relational outcomes, customer retention (Doney et al., 2007).

2.7.2 Commitment

Commitment is fundamental to all relational exchanges between the firm and its different partners. Commitment is a critical issue in building customer loyalty, in identifying customers' need, modifying products or services to meet customers' requirement, and also the existence of flexibility in customer relationship is essential to improve the service delivery system (Ndubisi, 2007). According to White and Yanamandram (2007) Commitment provides an enduring desire to develop and maintain effective customer

relationship. Commitment is an important ingredient that determines customers from switching to an alternative service provider. Commitment is central issue to develop successful relationship marketing, and the level of trust influences it, Moreover, commitment is one of the factors that enhance the level of long-term relationship and increases customer loyalty. According to Rowley (2005) also described that service providers should consider the influence of service commitment on retaining loyal customers, and act accordingly and also show genuine commitment to improve customer relationships. Committed customers are resistant to competitors, attempts to convince and tell good thing about the company to other customers and they are willing to expand their business with the brand, and to develop their relationship with the brand over a period of time.

2.7.3 Communication

Communication is defined as a formal as well as informal exchanging and sharing of meaningful and timely information between customers and service providers (Sin et. al, 2002). Communication is transmitting of message or information, through different methods, from the firm to customers and vice versa (Bosch, et al., 2006). According to Kotler et al., (2010) describes that word of mouth and marketing communication are considered as methods of communication to and from clients. Communication refers to the ability to provide timely and reliable information to customers. Today, there is a new view of communications as an interactive conversation between company and its customers, which takes place during the pre-selling, selling, and post selling stages. Communication in relationship marketing is keeping valued customers by providing timely and reliable information on the way of services delivery system and service changes and communicating with customers if a delivery problem occurs. Communication tells dissatisfied customers what the organization is doing to correct the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal to the organization (Ndubisi, 2007).

2.7.4 Empathy

This is another key element of relationship marketing that can be defined as the ability to understand, share and have another person's feeling in a relational situation. Empathy is dealing with an organization and it allows two parties to see situations in the same perspective (Sin et al. 2002). According to Ndubisi (2004) empathy is the ability to share and understand another person's state of mind or behavior. He also described that the basic idea of empathy is characterized by looking expressions of the people facial expression or body movement, or by hearing their tone of voice, which will have immediate response on how they feel and treat them in the manner they would like to be treated. According to Clow and Kurtz (2003) empathy is defined as the ability of an individual to identify with the feelings or thoughts of another person. This skill is necessary for organization because customer contact serve as the interaction between customers and service provider organization. When customers have special requirements or problems, employees should understand the problem from their point of view and they attempt to solve it.

2.7.5 Social Bonds

Bonding: is defined as the measurement of business relationship between customers and the service providers, in providing the desired service. Bonding also defined as a dynamic process which is improved over time and the bonding process initiates the fundamental force of need for service providers to find customers for their product or services, and the desire for the customers to provide the product or services that will satisfy their needs. Different bonds exist between parties and shows different levels of relationships. Therefore, in order to create and develop long term relationship among parties existence of bonding should be essential (Frank, 2010).

2.7.6 Conflict Handling

There is a significant relationship between conflict handling and customer loyalty, and this develops trust and perceived relationship quality (Ndubisi and Wah, 2005). In service delivery system, there are constraints to be occasional service failures in spite of all the efforts put in by the service provider (Lovelock and Wirtz, 2007). According to Zeithaml and

Bitner (2000) service failure is unavoidable even for the best firms with the best of intentions and for those firms that provide unique products and services. A major strategy organizations should develop is that proactive planning and implementation on identifying potential conflicts, solving conflict before they manifest, avoiding potential conflict etc. Those efforts can bring better relationship and loyalty to the particular service firm with its customers.

2.7.7 Competence

When customers perceive the organization to be competent, they are more likely to stay with organization for longer period of time. It is assumed that competence as a relationship marketing practice that would have positive effect on customer retention. One major way that customers become very committed to service provider is the level of organizational competence demonstrated by the service provider (Aldlaigan and Buttle, 2005). According to Kim and Cha (2002) competence is expressed in terms of professional training and development of staff, organizing knowledgeable staff, ability of identifying customer needs, having adequate knowledge of the organization products and services, and providing quality and professional services to clients. Narteh (2009) described the positive relationship between service providers' competence and its customers' satisfaction and retention.

2.7.8 Responsiveness

Responsiveness is a firm's ability to respond the needs and wants of its customers in timely manner. For a firm to be responsive, it must gain deeper understanding and profiling of customer behavior, real-time customer information and loyalty, management at Point of Service, optimized sales through cross-sell activities and rapid response to customers requirement. The firm's ability to respond the changing market conditions and increase customers choice, satisfaction and loyalty provides valuable to customers. Showing sincerity and willingness to help customers are some of the key issues in responsiveness and enhances customer retention (Kojokuranchie, 2010).

2.8 The Effects of Customer Relationship Marketing on Customer Retention

The final goal of Customer Relationship Marketing is customer retention which is the key to survive in competitive market for any firm. Customer satisfaction and surviving in today's competitive environment requires the ability to understand the requirement of customers, intelligence to analyze and capability to provide products and services to customers. Customers are the most significant factor in management of businesses, because they are able to choose the items they want from different choices and therefore change the strategies and programs firms have. Hence, having adequate information about customers' requirement and marketplace is a key factor to interact with their unexpected behaviors and then act in the direction of companies' objective (Ghahfarokhi and Zakaria, 2009).

According to Becker, Greve and Albers (2009) implementation of customer relationship programs affects the firm's goals in a different way and may result poor economical outcomes. For example, although many firms employ consultants and project members to implement Customer Relationship Management technological systems such as software applications and databases, to organize the firms' structures and they cannot be sure that focusing on these activities will guarantee on reaching the final goal of customer relationship marketing which is customer retention. Companies can reduce their cost significantly through customer retention by building strong relationship with customers. Firms can also reduce uncertainty of demand by building strong relationship with customers (Ndubisi, 2006). According to Zablah et al., (2004), there are five major concepts of CRM; these are technology, strategy, philosophy, process, and capability that represent an important insight toward an integrated CRM framework. Indeed, many models have been developed to propose how CRM affects the firm performances which are different in conceptualization of key measurements and the relationships among them (Keramati, Mehrabi and Mojir, 2010).

2.9 Customer Relationship Marketing Strategy

Relationship marketing strategy provides a rise to the development of IT applications often referred to as customer relationship management system which perform as an enabler,

producing relevant customer related information and making them readily accessible to various touch points (Chen and Popovich, 2003). This promotes customer relationship and leads to effective delivery of customer value (Bose, 2002). The main emphasis of relationship marketing is building closer relationships with customers as a strategy to overcome problems such as obtaining global competitive advantage, managing the rapidly changing technologies and reducing time to market of new products (Wel and Bojei, 2009).

In many organizations CRM strategy is a broad and detailed description of the scope of CRM programmed towards organizational goals. The strategy helps to the company to build and develop internal processes and technology, to acquire and retain business customers. CRM is basically a strategy associated with maximizing a firm's profitability, revenue and customer satisfaction by focusing on a customer centric process. CRM strategy helps businesses to use IT and human resources to gain insight into the behavior of customers. At the heart of perfect CRM strategy is the creation and development of mutual value for all parties participated in business process through creating sustainable competitive advantage, by being the best at understanding, communicating, providing and developing existing customer relationships in addition to creating and keeping new customers (Richa and Rashmi , 2009).

The last developments in information technology data warehousing and data mining have made it possible for organizations to develop and sustain one-to-one relationship with their customers. Organizations can often manage every single contact with their customer through account management, call centers, interactive voice response systems, on line dial up applications, and web sites to build effective and long lasting relationship. These interactions can potentially help for firms to collect information and insights about customer requirements and their buying behavior, to design and develop services that create value for both customers and organizations. Although customized as well as off the shelf technological solutions are accessible in the marketplace, business need to do a lot more than just accept these solutions to apply good customer relationship practices (Pisharodi et al., 2003).

2.10 Empirical Findings in the service provider organizations

The Key findings of Gee, Coates, and Nicholson (2008) indicate that organizations must understand what drives both value and delight for their customers and adopting a customer

centric vision that enables an organization to understand their customers, deliver customer delight and drive for loyalty and retention. They also described that different customers have different requirements and will be delighted in different ways and appropriate monitoring of customers is important to ensure customer satisfaction. This is essential for the sustainable growth of an organization.

According to Huseyin, Salih and Salime (2005) findings, it is more expensive to find and attract new customers than to retain an existing one and banks need to redefine their corporate image to one that emphasizes service quality by introducing standards for service excellence to make customers loyal. The study also indicates that customers are looking for banks that keep their promises, confidence about the way they handle transactions, provide prompt service and have employees that are competent and always willing to help the customers. They also described that due to the highly interactive nature of the employee-customer relationship, including input from employees on what constitutes service excellence will be beneficial for banks and need to reassess what customers expect from them in terms of products and services and thus, provide client specific services is very important.

According to the findings of Gee, Coates, and Nicholson (2008) states that service providers aimed at customer relationship management often look at four areas such as satisfaction, retention, loyalty and lifetime profitability. They also suggest a fundamental criterion for the success of customer initiative schemes is making sure that customer perceived value is met or better still, whether it is exceeded and organizations should evaluate future service schemes with respect to cost and results. They also described that in a competitive environment where customers have numerous choices and few switching costs, loyalty could from the organization point of view decrease costs and increase revenues. The need for businesses to retain customers is an important issue in today's competitive marketplace. They also recommended that to retain customers, business must build long-term relationships with profitable customers.

Effective communication in service provider organizations should affect all aspects of the relationship, but largely trust, satisfaction, and loyalty (Ball, Simoes and Macha 2004). Interactions between customers and the service providers lie at the heart of service delivery and people who deliver the service have key importance to both the customer they serve and

the employer they represent (Huseyin et al., 2005). They also indicated that bank customers want a high degree of interaction with bank staff that are sensitive to their needs and expect personalized service.

The findings of Ndubisi (2007) described that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Effective communication affects customers to stay with service providers. Loyalty can be cultivated by providing timely and reliable information, for example about the uses and benefits of the company new services. It can also be reinforced by the provision of honest information on what the bank is doing about existing problems and what it does to anticipate potential ones. The findings of Zablah et al. (2004) distinguishing the concept of CRM on building a comprehensive framework to aid marketers to achieve CRM implementation successfully. They concluded that perceiving relationships with customers as a continuous process helps maximize and save the profits to stay in the competition.

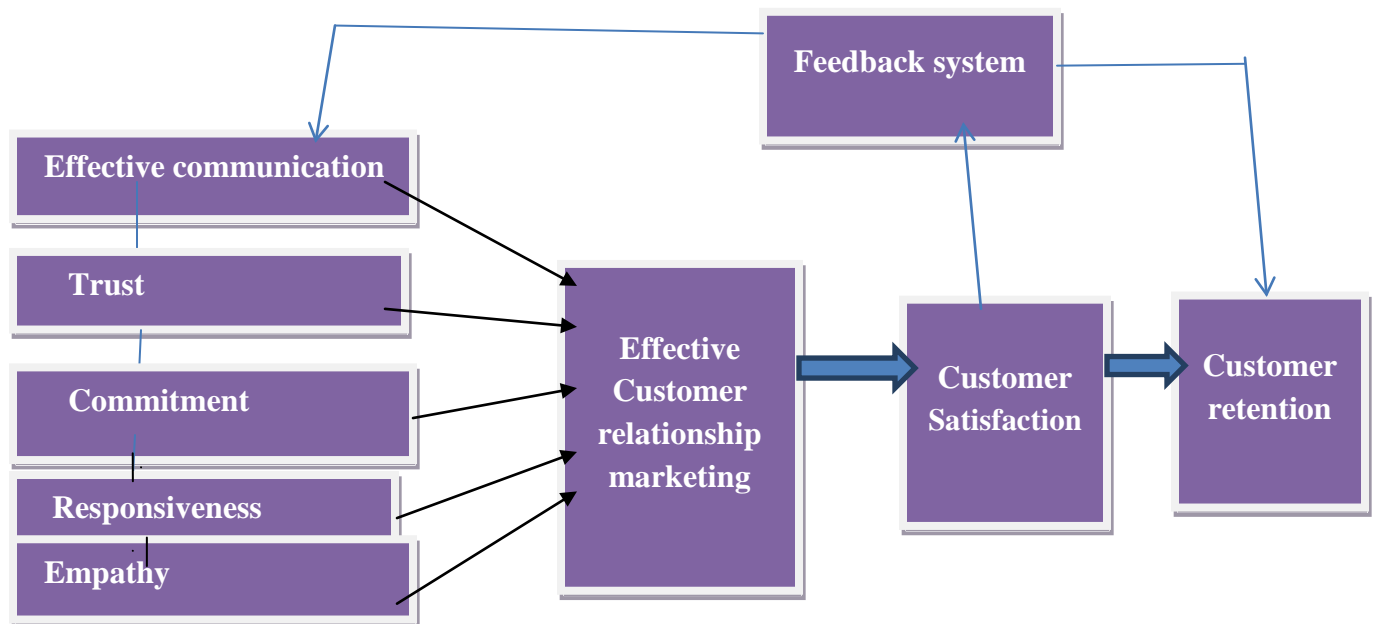
Kumar (2012) have been identified the key issues and successful patterns for collaborative customer relationship management in Swiss and German financial services networks. He identified key issues were privacy constraints, redundant competencies of partnering companies, customer information exchange and customer relationship management process and systems integration. For addressing these issues the partnering organizations have to give their consensus on well defined responsibilities in the collaborative processes. Other issues such as data privacy protection law, process integration, web services and internet-based standards and data integration were also explored in the study. The finding of Gera (2011) also has been identified and discussed the key conceptual and empirical inter-relationships between overall customer satisfactions, retention, service encounter variables of perceived agent service quality and perceived value and their relationships with repurchase intentions, word of mouth and intentions to complaint in the Indian life insurance services.

2.11 The Conceptual Framework

The overall objective of relationship marketing is providing higher level customer service than similar companies do. Therefore, companies must measure their customers' satisfaction level and improve their relationship marketing which help to deliver products and services

beyond customer expectation to retain the existing customers (Winer, 2001). The conceptual frame work for the study is developed from the literature review done above, based on this framework effective customer relationship marketing is key ingredient for customer satisfaction and retention. Therefore the researcher set the conceptual framework to guide the study as follows.

Figure 2.1: Conceptual Frame-work for the study



Source: Researcher’s own conceptualization

When firms want to efficiently retain their profitable customers, they need to implement a comprehensive set of relationship marketing dimension such as trust, commitment, effective communication, empathy and responsiveness. These variables are the main determinants of customer retention in this study. The above figure indicates that the five relationship marketing dimensions play great role in building and developing effective relationship marketing. When there is effective relationship marketing between customers and the firm, customers should be satisfied by the service of the firm and the customers provide their feedback or level of satisfaction to the firm about the service/products provided to them and finally this leads to customer retention.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This section presents research strategy and design, data type and source, sampling method and sample size, method of data collection, methods of data processing and analysis.

3.1 Research Strategy and Design

The study employed cross sectional survey design. According to Zikmund (2000) cross sectional survey design is type of survey design which is employed to collect necessary data at one point in time from particular set of population. This research design was utilized because of resource and time limitation to undertake longitudinal survey. Descriptive statistics was used for the purpose of this study. And also both qualitative and quantitative types of data were employed. This study employed more of quantitative case study method to answer the research questions and used some qualitative information to know the current conditions of EIC with regard to relationship marketing and customer retention.

3.2 Data type and Data Source

3.2.1 Data type

The study was used both qualitative and quantitative data. Kumar (2005) has described qualitative and quantitative research methods based on the purpose of the research, data collection process and analysis of data. The purpose of quantitative study is to quantify the extent of variation in a phenomenon or situation through the use of a structured and predetermined methodology and analyzes them with some statistical procedures. Whereas qualitative research seeks to collected data in order to describe variation in a situation, phenomenon by the use of an unstructured and flexible methodology and analyzes them in descriptive and non-quantifiable form. Therefore the researcher was used quantitative type of data to analyze and interpret the data that collected through questionnaire and qualitative type of data was employed to analyze and interpret the data that was collected through personal interview using narrative type of analysis.

3.2.2 Data sources

The study employed both primary and secondary sources of data. Primary data sources can be collected through interview, observation, focus group discussion and questionnaire. Saunders et al. (2009) state that questionnaire is one of the most widely used techniques to collect the necessary data from large sample and each respondent answers the same set of questions, it is an efficient technique of gathering responses from large sample. For the purpose of this study the data was collected from the selected sample customers' who are invited Ethiopian Insurance Corporation two or more than two times in order to obtain the required data. The primary data was collected through close ended questionnaire and personal interview. Semi-structured interview was conducted with marketing manager of the corporation and the information gathered from personal interview was used to strengthen the information collected through structured questionnaire. Therefore the researcher was used both questionnaire and personal interview as best instruments to collect the primary data.

On the other hand, secondary data is second hand information and for the purpose of this study secondary data was collected from studies done before, like journal, articles, Internet/libraries and other references that are related to the topic, in addition to that annual report of EIC (2009/10) and magazines of the corporation from (2011-13) was used to strengthen the study. Annual report and magazines of the corporation were used to strengthen the data collected through questionnaire. Because the documents of the corporation were not adequate for analysis purpose and almost all of the documents were prepared at the main branch of Addis Ababa. So the researcher was decided to use the documents of the corporation to strengthen the data which was collected through structured questionnaire.

3.3 Sampling Method and Sampling Size

Ethiopian Insurance Corporation (EIC) was purposely chosen among different insurance companies found in Mekelle city as a study area, because EIC is the early established corporation and has large numbers of customers than others. In addition to that the corporation is nearest and convenient to the researcher to collect the data and also the contribution of Customer Relationship Marketing on customer retention in this area is not researched, so by considering all these issues, the researcher selects Ethiopian Insurance

Corporation for the purpose of this study. In order to collect necessary data through questionnaire, the target population for this study was customers of the EIC who were registered until December 2013 and their total number is 4406 and these customers are Local and International NGO, Public Enterprises, Financial Private, Government Institution, Private Enterprise, Financial Government, and Private Individual customers. The sample size is determined based on the following simplified formula proposed by Kothari (2004).

$$\text{Sample size (n)} = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N-1) + z^2 \cdot p \cdot q}$$

Where, n is sample size,

N is the population size, which is 4406

p is sample proportion of success

q is sample proportion of failure

q = 1 - p, p is 0.02

e is the level of precision (acceptable error) and its value is 0.02

z is the value of the standard variant at a given confidence level which is 2.005

Accordingly, the sample size for the study was calculated as follows.

$$n = \frac{(2.005)^2 (0.02) (1 - 0.02) (4406)}{(0.02)^2 (4406 - 1) + (2.005)^2 (0.02) (1 - 0.02)}, n = 188$$

Since the data was collected from 188 customers by using convenience sampling technique based on the availability and willingness of customers to answer the questions. The reason for applying convenience sampling technique was to collect the required data from the sample customers who are found in Mekelle city easily or conveniently. Determining an efficient sample size has a great importance in any research. This is because too small sample size may lead to inaccurate results, while too large sample size may also lead to time and resources wastage (Frank, 2010). However, there is no one hard and fast rule for determining the sample size. Therefore the data was collected through questionnaire from the sampled customers who visit the insurance company at the time of data collection, and also the researcher visited the customers working place, specifically (governmental and private customers) to collect the required data.

3.4 Method of Data Collection

3.4.1 The Questionnaire

It is the most convenient when the sample size is large, because it limits inconsistency and also saves time. In order to collect the required data the researcher was used well-designed/ structured questionnaire as best instrument. The design of the questionnaire was used simple and clear language to collect meaningful data from the respondents. The reason for the structure and design of the questionnaire has great importance in any survey where the questionnaire is to be completed by the respondents (John A. et al., 2007). Therefore the researcher was collected the necessary data from the customers of EIC through close ended questionnaires. The questions were in statements form and customers were asked to express their agreement/disagreement in the five point Likert scale (1=strongly disagree, 2= disagree, 3= neutral, 4= agree, 5=strongly agree). The researcher was used two enumerators and provided them detail information for each question so as to collect the necessary data without any error from the enumerators' side.

3.4.2 The Personal Interview

The interview schedule was designed to conduct semi-structured interview with marketing manager of EIC, the marketing manager was selected, because he has high contact with customers and he has better knowledge or information better than other professionals of the corporation. During interview session, the researcher doted down all important points on notebook and organized them for analysis purpose.

3.5 Methods of Data processing and Analysis

3.5.1 Data Processing

This section deals with data processing procedure such as editing, coding, classification and tabulation of the collected data. The process and procedure of assigning numerical or other symbols come at this part to reduce responses into a limited number of groups/ classes. After this, the processes of classification of large volume of raw data into classes or groups on the

basis of common characteristics were applied. Finally, the researcher was used tabulation and pie charts to summarize the raw data which was gathered from the respondents.

3.5.2 Data Analysis and interpretation

The data collected through questionnaires was analyzed quantitatively by utilizing statistical techniques such as tabulation and pie charts to present the data. The qualitative method of data analysis was employed for the analysis of the data collected through personal interview. The qualitative type of data was employed to analyze and interpret the data collected through personal interview using narrative type of analysis. This is the further transformation of the processed data to look for patterns and relationship among data groups by using descriptive and statistical analysis. In addition, descriptive statistics such as mean, percentage, and standard deviation are used to analyze and interpret the data. The Statistical Package for Social Science (SPSS) version 16 software was used to analyze the data collected through close ended questionnaire.

3.6 Validity and Reliability Test Result

Content validity of the instrument for the present study was ensured as the relationship marketing dimensions and items are identified from the literature and were reviewed by professionals and academicians. The data was collected from customers who invited EIC two or more than two times in order to collect accurate/valid data. According to Bryman and Bell (2003) Reliability is defined as fundamentally concerned with the degree of consistency measures. According to Hair *et al.* (2003) described Cronbach's Alpha is a method used to measure the reliability of the questionnaire between each item and the mean of the whole items of the questionnaire. The normal range of Cronbach's coefficient alpha value is between 0 and 1, and the higher value indicates that higher degree of internal consistency. Different authors accept different values of Cronbach's alpha so as to achieve internal reliability, but the most frequently accepted value is 0.70 and above to reach internal reliability. The result of reliability test for the questionnaire is shown in the following table.

Table 3.1: Cronbach's Alpha for each variable of the questionnaire

No	Variables	Number of Items	Cronbach's Alpha
1.	Empathy	6	0.833
2.	Responsiveness	6	0.701
3.	Trust	5	0.784
4.	Communication	9	0.716
5.	Commitment	8	0.776
6.	Customer retention	7	0.765
7.	Customer satisfaction	6	0.886
Total		47	0.948

Source: Own survey result, 2014

The Cronbach's coefficient alpha was calculated for each variable of the questionnaire. As it is indicated in the above table the values of Cronbach's Alpha for each variable of the questionnaire is presented and the tested result is between 0.701 and 0.886, and the tested result of the entire questionnaire is 0.948. Therefore, based on the test, the results for the items are reliable and acceptable.

CHAPTER FOUR

DISCUSSION AND ANALYSIS

This chapter presents the analysis and discussion of the data gathered from primary and secondary sources. The primary data was collected from customers and marketing manager of EIC. The data collected through questionnaires were analyzed and interpreted by using the SPSS 16th version soft ware. During the survey a total of 188 questionnaires were distributed to the customers of EIC, out of this 169 were returned but 7 of them were rejected as a result of so many omissions in filling. Overall, 162 questionnaires (86%) complete responses were returned from the customers. So the analysis was made based on 162 successfully responded questionnaires.

4.1 Respondents Demographic Characteristics

The demographic characteristics of the respondents play a significant role on their decision to purchase the insurance service/ products. The demographic characteristics included in this study were gender, age, marital Status, educational qualification, occupation, type of policy purchased policy term (in years) and premium amount (in birr) purchased by the customers. Accordingly, the following variables were described and summarized in table 4.1.

Table 4.1: Demographic Information of Respondents and Business Characteristics

Demographic Variables	Classification of variables	Frequency	Percent
Gender	Male	137	84.6
	Female	25	15.4
	Total	162	100.0
Age	≤ 25	13	8.0
	26 -35	70	43.2
	36 - 45	51	31.5
	46 -55	21	13.0
	≥ 56	7	4.3
	Total	162	100.0
Marital Status	Married	111	68.5
	Single	45	27.8
	Other	6	3.7
	Total	162	100.0
Educational qualification	No formal schooling	3	1.9
	Primary	16	9.9
	Secondary	26	16.0
	Diploma	36	22.2
	1st Degree	73	45.1
	Masters and above	8	4.9
	Total	162	100.0
Occupation	Student	2	1.2
	Private sector	26	16.0
	Own business	85	52.5
	Government sector	46	28.4
	Other	3	1.9
	Total	162	100.0
Type of policy purchased	Asset	105	64.8
	Business	20	12.3
	Staff	13	8.0
	Asset and Staff	18	11.1
	Staff and Business	6	3.7
	Total	162	100.0
Policy term (in Years)	Less than one	11	6.8
	1-5	90	55.6
	6-10	31	19.1
	11-15	21	13.0
	>15	9	5.6
	Total	162	100.0
Premium amount (in Birr)	Less than 1000	10	6.2
	1000-5000	23	14.2
	5001-10,000	40	24.7
	More than 10,000	89	54.9
	Total	162	100.0

Source: Own survey result, 2014

As it can be easily seen from table 4.1 majority of the respondents (84.6%) were males and the rest 15.4% were females. Comparing the percentages of males and females, customers' population is male dominated. The above table 4.1 indicates that the number of respondents in five different age groups. Majority of the respondents (43.2%) were with the age group of 26-35 years old, followed by respondent at the age between 36-45 years old with 31.5%. 8.0% of the respondents were with age group of less than or equal 25 years old, 13.0% and 4.3% were with age group of 46-55 and greater than or equal to 56 years old respectively. Generally, it can be brightly seen from the above table, majority of the customers are between the ages of 26 and 45. This implies that the customers are youthful, energetic and potential prospects to the insurance. The marital status of respondents also shows that majority of the respondents (68.5%) were married and 27.8% were single while 3.7% individuals who have different marital status.

The educational qualifications of respondents were shown in table 4.1, as it is presented in the table, 45.1 % of the customers hold a first degree. In the other way, 22.2% were diploma holders, while 16.0% of the respondents achieved secondary education. 4.9% of the customers hold masters degree and above, 9.9% of the customers achieved primary education. The remaining 1.9% of the customers have no formal schooling. This shows that majority of the customers of the insurance are educated and the implication here is that educated customers may initiate the insurance to adopt new technology such as communicating through email, website of the corporation and transmitting individualized marketing message through telephone and the like.

As indicated in the above table 4.1 the occupation of the customers, majority of the customers (52.5%) working in their own business (self employed). 28.4% of the customers were working in governmental sector, 16.0% of the customers were working in private sector, 1.2% of the respondents were students, the remaining 1.9% of the respondents were work in other occupation. This indicates that majority of the customers are running their own business and they are major sources of profit to the insurance. As presented in the above table the most purchased type of policy was Asset with 64.8% of the total type of policy purchased. 12.3% were policy purchased for business, 8.0% were purchased for staff, 11.1%

were purchased for Asset and Staff and the remaining 3.7% were purchased for Staff and Business. This implies that majority of the customers were purchased asset type of policy.

The policy term indicates that the customers length of time serving with Ethiopian Insurance Corporation. As presented in table 4.1 majority of the respondents (55.6%) have 1-5 years of service experience with the insurance. 19.1% of the respondents have 6-10 service experience, 13% of the respondents have 11-15 service experience. 6.8% and 5.6% of the respondents have less than one year and more than 15 years of service experience respectively. This implies that the insurance is in a good position on maintaining and enhancing long- lasting relationships with its customers.

Finally, the above table 4.1 indicates that majority (54.9%) of the respondents purchased policy with premium amount of more than 10,000 birr while 24.7% of the respondents purchased 5001-10,000 birr policy. 6.2% and 14.2% of the respondents were purchased less than one thousand and 1000-5000 birr respectively. Majority of the respondents were purchased policy with premium amount of more than 10,000 birr. This implies that the insurance is effective and in a good way on establishing, maintaining and enhancing relationships with profitable customers.

4.2 Descriptive Statistics results and discussion

Descriptive statistics is presented in the form of mean and std. deviation to demonstrate the level of agreement/disagreement of customers with their implications to Ethiopian Insurance Corporation. The responses of the customers for the variables indicated below were measured on five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. But, while making interpretation of the results of mean and standard deviation the scales are reassigned as follows to make the interpretation easy and clear. 1 - 1.8= Strongly Disagree, 1.81 – 2.6 = Disagree, 2.61 – 3.4= Neutral, 3.41 – 4.20= Agree and 4.21 – 5 = Strongly Agree (Best, 1977 as cited by Yonas, 2013).

N.B Higher standard deviation indicates that dispersion/variation in customers' response whereas the lower standard deviation indicates that lower variation in the customers' response.

4.3 Customers' response towards Empathy

Empathy plays a decisive role in building and developing effective relationship. Table 4.2 indicates that, the mean score and std. deviation of the customers' response for each variable of empathy.

Table 4.2: Descriptive Statistics of Empathy

No	Variables of Empathy	N	Mean	Std. Dev
1	Employees' understanding of customers need	162	3.99	.968
2	The insurance see things from different angles	162	4.11	.912
3	Service delivery system of the insurance	162	3.77	.816
4	Working hours of the insurance	162	3.88	.987
5	The insurance listen problems	162	3.71	.950
6	The insurance works in co-operation	162	3.62	.926

Source: Own survey result, 2014

Table 4.2 illustrates the reflection of the respondents towards the individual variables of empathy using mean and standard deviation. As presented in the above table the results of the variables are fall between the range of 3.41 and 4.2 and this indicates that majority of the respondents agreed as employees' understand specific needs of customers, the insurance see things from different point of view, on time service delivery system, convenient working hours, the insurance listen problems of its customers, and works in close co-operation with its customers. According to this result the insurance see things from different point of view has scored the highest mean of all the variables of empathy. So, it is pertinent to say that it has a great role in retaining customers to the insurance. Besides, the table also indicates that the insurance works in close co-operation with its customers has scored the lowest rating mean of 3.62 from the other variables of empathy. But, still customers are in agreement with this statement. This indicates that if the insurance is good in empathy will result an increase in the customers purchase of services/products of the insurance and vice versa.

Table 4.3: Employees' understanding of customers need

Description	Responses	Freque	Percen
Employees of the insurance understand your specific needs	Strongly disagree	4	2.5
	Disagree	15	9.3
	Neutral	7	4.3
	Agree	88	54.3
	Strongly agree	48	29.6
	Total	162	100.0

Source: Own survey result, 2014

As table 4.3 indicates that majority (83.9%) of the respondents support the statement up on the employees of the insurance understand the specific needs of its customers, that is 54.3% of the customers agreed and 29.6% of the customers strongly agreed with the statement. However, minority (11.8%, including 2.5% strongly disagree and 9.3% disagree) oppose the statement. The remaining 4.3% neither agree nor disagree with the above statement. Moreover, according to table 4.2, the employees of the insurance understand the specific need of its customers has scored mean of 3.99 with Std. deviation 0.968, this shows that majority of the customers agreed with the statement. The implication is that employees of the EIC treat its customers based on their specific needs so as satisfy and retain them.

Employees are at the front line of service and they know more than anyone else in the organization what customers want (Zeithaml et al., 2006). Employees' communication skill, positive attitude and effective relationship with customers are essential to understand customers' requirement. Companies hire highly motivated and talented employees so as to compete and achieve their success. These motivated employees can provide quality product and services required by customers and deal more effectively and efficiently with customers to make them loyal for the company (Miocevic, 2008). Therefore the finding of Miocevic, (2008) and Zeithaml et al. (2006) are consistent with this study.

Table 4.4: The insurance see things from different point of view

Description	Responses	Frequency	Percent
The insurance always see things from different point of view	Strongly disagree	4	2.5
	Disagree	8	4.9
	Neutral	11	6.8
	Agree	82	50.6
	Strongly agree	57	35.2
	Total	162	100.0

Source: Own survey result, 2014

According to table 4.4, majority of the respondents (85.8%, including 50.6% agree and 35.2% strongly agree) support the statement up on ‘the insurance always see things from different point of view’, 7.4%, including 2.5% strongly disagree plus 4.9% disagree, the remaining 6.8% of the respondents were neither agree nor disagree with the statement. In addition, according to the table 4.2, the mean score of customers’ response on the statement is 4.11, with Std. deviation of 0.912, showing that majority of the customers agreed with the statement. When accident may be face to the customers, the accident may be deliberately or unintentionally happen, and the insurance carefully examined for the accident from different point of view and decision is made based on the examination result. According to this result the insurance always see things from different point of view has the highest mean score from all variables of empathy and it is pertinent to say that it plays a great role in retaining customers. The implication here is that the insurance attempt to see things from different point of view on communicating, treating and on providing services to its customers.

Table 4.5: Service delivery system of the insurance

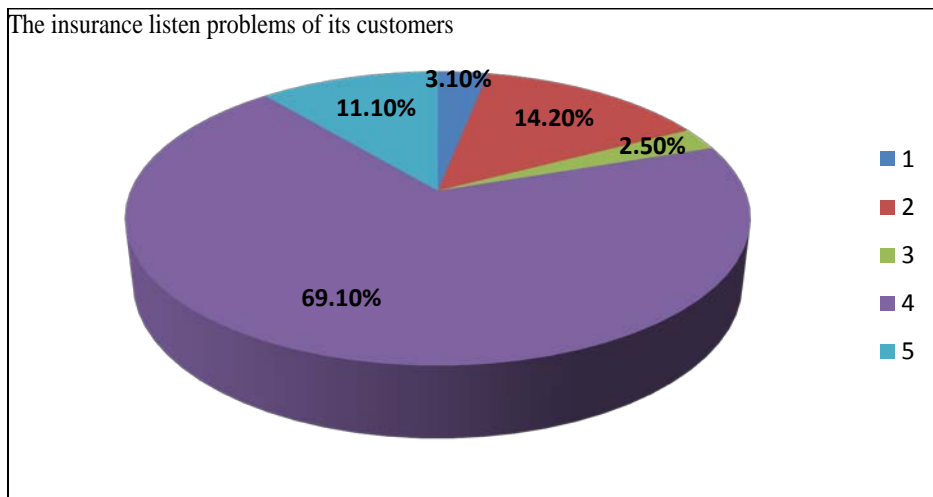
Description	Responses	Frequency	Percent
The insurance provides the service on the agreed time	Strongly disagree	5	3.1
	Disagree	17	10.5
	Neutral	10	6.2
	Agree	109	67.3
	Strongly agree	21	13.0
	Total	162	100.0

Source: Own survey result, 2014

As presented in table 4.5 about 13% of respondents strongly agree, 67.3% of the respondents agree up on the statement the insurance provide the service on the agreed time. However, 6.2% of the respondents were neither agreed nor disagreed with the statement and the remaining 10.5% and 3.1% of the respondents disagree and strongly disagree respectively on the statement up on the insurance provides the service on the agreed time. Besides according to table 4.2 the mean score of customers' response on this statement is 3.77 with Std. deviation of 0.816, showing that majority of the customers agreed with the statement. The implication here is that majority of the respondents were in support with the statement the insurance provides the service on the agreed time and this have a favorable impact on customer satisfaction, developing strong relationship, customer retention and finally enhances the performance of the insurance.

Furthermore, customers were also asked to express their agreement/disagreement on the statement 'working hours of the insurance is flexible and comfortable to its customers,' the mean score of the customers response is 3.88 with Std. deviation of 0.987 (see table 4.2), this indicates that majority of the customers were in agreement with statement. The implication is that the insurance working hours were flexible and comfortable to its customers and this plays a decisive role in improving the service delivery system of the insurance and its relationship with its customers. According to the marketing manager's response the insurance works out of normal working hours when there are customers that wait for the service.

Figure 4.1: Listening problem of customers



Source: Own survey result, 2014

Hence, 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree.

Looking at figure 4.1 one can notice that majority of the customers 80.2% support the statement up on the insurance listens to the problems of its customers. More specifically 69.1% of the customers agree and 11.1% of customers strongly agree with the statement. On the other hand only minority (17.2% including 14.2% disagree and 3.1% strongly disagree) didn't support the statement. The remaining 2.5% were neither agreed nor disagreed with the statement. Besides, according to the above table 4.2 the mean score of the customers response is 3.71 with Std. deviation of 0.950, this indicates that majority of the customers were agreed with statement. Generally the analysis shows that the insurance listens and understands problems of its customers. In today's competitive market understanding customers' requirement and solving their problems on time are essential for the insurance to develop strong relationship with its customer.

Table 4.6: The insurance works co-operatively

Description	Responses	Frequency	Percent
The insurance works in close co-operation with you	Strongly disagree	3	1.9
	Disagree	29	17.9
	Neutral	6	3.7
	Agree	112	69.1
	Strongly agree	12	7.4
	Total	162	100.0

Source: Own survey result, 2014

As presented in the above table 4.6, about 1.9% of the respondents were strongly disagree, 17.9% of the respondents were disagree, 3.7% of the respondents were neither agree nor disagree with the statement. 69.1% of the respondents agree and 7.4% of the respondents strongly agree with the above statement. And also based on table 4.2 the insurance works in close co-operation with its customers has scored mean of 3.62 with Std. deviation of 0.926, this shows that majority of the customers were agreed with the statement. The implication here is that the insurance works in close cooperation with its customers and this helps to

minimize the problems and complaints of the customers, develops strong relationship with customers, enhances customer retention level and finally leads to success for the insurance.

According to Magazine of EIC (2011/12) the corporation provides seminars for its customers so as to create effective working relationship with its key customers (with governmental, private sectors and individual customers). The main aim of the seminar is to develop strong relationship and work cooperatively with its customers. Besides the insurance communicates with its customers and received constructive comments from them as an ingredient to solve the problems which were faced in the working environment and to retain its customers. It is clear that no business can exist without customers. In business it's important to work closely with customers to make sure the service you are giving them is as close to their requirements as you can manage. Because it's critical that you form a close working relationship with your customers is vital importance. This finding supports Magazines of EIC (2011/12).

4.4. Customers' response towards responsiveness

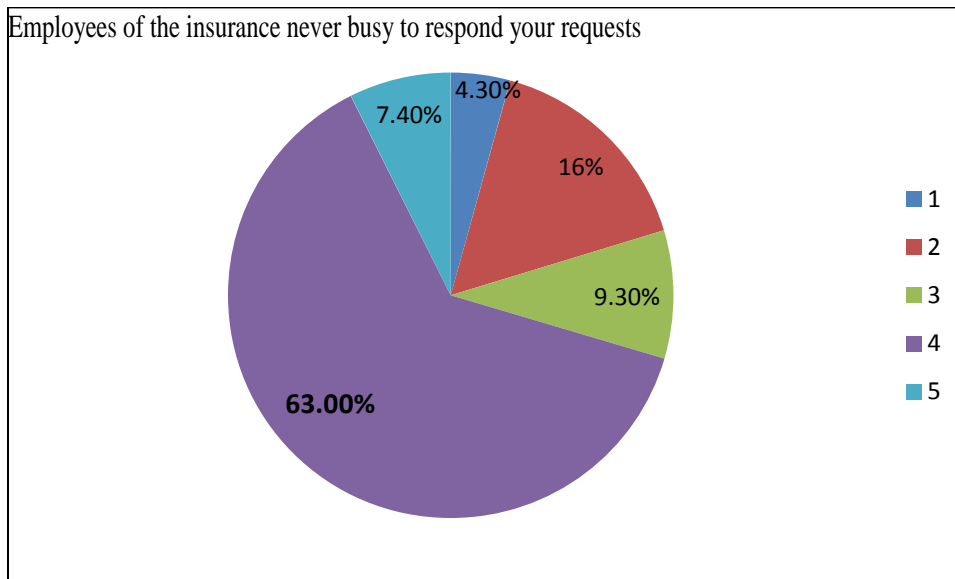
Responsiveness is the ability to respond the needs and wants of customers. For a firm to be responsive it must gain deeper understanding and profiling of customers requirement, real-time customer information and rapid response to customers need. The firm's ability to respond to the changing market conditions and increased customer choice, satisfaction and loyalty provides valuable to customers (Beauty, 2012). Table 4.7 indicates that, the mean score and std. deviation of the customers' response for each variables of responsiveness.

Table 4.7: Descriptive statistics of Responsiveness

No	Variables of Responsiveness	N	Mean	Std. Dev
1	Employees response to customers request	162	3.53	.992
2	Employees devote enough time	162	3.94	.998
3	Services is done without delay	162	3.48	.979
4	Responsiveness of the insurance	162	3.69	.968
5	The insurance quickly solve your problem	162	3.52	.960
6	Employees are well trained	162	3.45	.859

Source: Own survey result, 2014

Table 4.7 illustrates the reflection of the customers towards the variables responsiveness using mean and standard deviation. As it can be seen from the table the results of the variables of responsiveness are fall between the range of 3.41 and 4.2, this indicates that majority of the customers were agreed with all the individual variables of responsiveness. The implication here is that the insurance is responsive to the requests' of its customers and this is essential to build and develop strong relationship with its customers and other parties.



Source: Own survey result, 2014

Figure 4.2: Employees response to customers' request

The above figure 4.2 revealed that when respondents were asked to express their agreement or disagreement on the statement 'Employees of the insurance never busy to respond your requests', 4.3% of respondents were strongly disagreed, 16% of respondents were disagreed, making 20.3% disagreement rate. However, the agreement rate is 70.4% (7.4% strongly agree plus 63.7% agree), and the remaining 9.3% were neither agreed nor disagreed with the statement. This is also reflected by 3.53 mean score and 0.992 Std. deviation of customers response (table 4.7). From this description, one can notice that majority of the respondents support the idea up on employees of the insurance never busy to respond customer requests. The implication is that the insurance is responsive to its customers' request, and customers are not waiting for the service and this helps for the insurance to establish strong and long lasting relationship with its customers.

Table 4.8: Employees devote enough time

Descriptions	Responses	Frequency	Percent
Employees devote enough time to answer your question	Strongly disagree	5	3.1
	Disagree	15	9.3
	Neutral	10	6.2
	Agree	86	53.1
	Strongly agree	46	28.4
	Total	162	100.0

Source: Own survey result, 2014

Table 4.8 reveals that when customers were asked to express their opinion on the statement ‘Employees devote enough time to answer your questions’; majority of the respondents (81.5%, including 53.1% agree plus 28.4% strongly agree) support the statement. On the other way, 12.4 % of the respondents were opposed the statement i.e. 3.1% strongly disagree plus 9.3% disagree. The remaining 6.2% of the respondents were neither agree nor disagree with the statement. Additionally, it is shown in table 4.7, the mean score of customers’ response is 3.94, with std. deviation of 0.998. This implies that majority of the customers agreed with the statement. According to this result employees devote enough time to answer your questions has the highest mean score from all variables of responsiveness and it is pertinent to say that it plays a great role to retain customers and customers care about relationship. Based on the analysis employees of the insurance devote enough time to answer questions raised by its customers and this helps for the customers to continue with insurance without any complain and improves customers’ satisfaction.

And also customers were asked to reflect their agreement/disagreement on the statement up on ‘The insurance is responsive to your complaints’ as it is indicated in table 4.7 the mean score of customers response is 3.69 with std. deviation of 0.968. This reveals that majority of the customers were agreed with the statement. Based on the information gathered from marketing manager through interview the insurance has no clear compliant handling procedure but the insurance attempts to handle complaints of its customers through face to face communication in addition to that the corporation allows for its customers to provide their complaints in written document and the corporation communicates freely and openly with customers to handle their complaints. Therefore it is possible to conclude that the

corporation is responsive in solving the complaints of its customers and this is important for the insurance to build and develop strong relationship with its customers.

Table 4.9: Providing Services without delay

Responses	Frequency	Percent
Strongly disagree	5	3.1
Disagree	30	18.5
Neutral	21	13.0
Agree	94	58.0
Strongly agree	12	7.4
Total	162	100.0

Source: Own survey result, 2014

The above table 4.9 indicates that more than half (65.4%, including 58% agree plus 7.4% strongly agree) of the customers supported the statement ‘Services of the insurance is done without delay’. On the other hand, 21.6% (3.1% strongly disagree and 18.5% disagree) of the customers opposed the statement. The remaining 13% were neither agreed nor disagreed with the statement. Besides, according to table 4.7, the mean score of customers’ response is 3.48 with std. deviation of 0.979, this indicates that majority of the customers were agreed with the statement. The implication here is that the insurance provides the service on time to satisfy and retain more profitable customers better than its competitors and also this helps for the insurance to attract new customers, because on time service delivery system is the main reason for firms to continue their operation and to success in the competitive market.

Furthermore, customers were also asked to express their agreement/disagreement on the statement ‘the insurance quickly solve your problem’ has scored mean 3.52 with std. deviation of 0.968 (table 4.7) this indicates that majority of the customers were agreed with the statement. Generally, from the above description it is possible to say that majority of the customers believe that the insurance quickly solve the problems of its customers. The implication here is that providing fast response for problems of the customers helps for the insurance to minimize the occurrence of the problems and to attract and retain its customers.

Table 4.10: Employees training

Description	Responses	Frequency	Percent
Employees of the insurance are well trained in using computer related technologies	Strongly disagree	5	3.1
	Disagree	27	16.7
	Neutral	32	19.8
	Agree	86	53.1
	Strongly agree	12	7.4
	Total	162	100.0

Source: Own survey result, 2014

The above table 4.10 indicates that, one can easily notice that majority of the customers (60.5%, including 53.1% agree and 7.4% strongly agree), support the statement up on Employees of the insurance are well trained in using computer related technologies. While 19.8% including 3.1% strongly disagreed and 16.7% disagreed with the statement, the remaining 19.8% were neither agree nor disagree with the statement. Besides, as table 4.7 indicates that the overall mean score of customers' response is 3.45 with std. deviation of 0.859. Based on this evidence majority of the customers were in agreement with the statement. This implies that well trained customers are responsive and understand customer requirements. And also providing adequate training for employees of the insurance is important to improve their skills, knowledge and their communication skill with customers. This finding supports Annual report of EIC (2009-2010) Human resources development is all about identifying and preparing capable employees to take up more responsible positions, whether fairly soon or in the new future. Provision of training to the management members as well as to employees, with the aim of enhancing their knowledge, skill, and ability in making them always competent and responsive in performing their duties, is considered to be one of the key strategies that enhance the Corporation's efforts to achieve its objectives. The Corporation, in this regard, has continued to provide different trainings to its personnel with the same vigor.

4.5 Customers' response towards Trust

The finding of Ndubisi (2007) indicated that trust is an important ingredient in firm-customer relationships and ultimately in the development of customer retention. Shortly trust has the power to increase customers' retention. Teichert and Rost (2003) investigated the

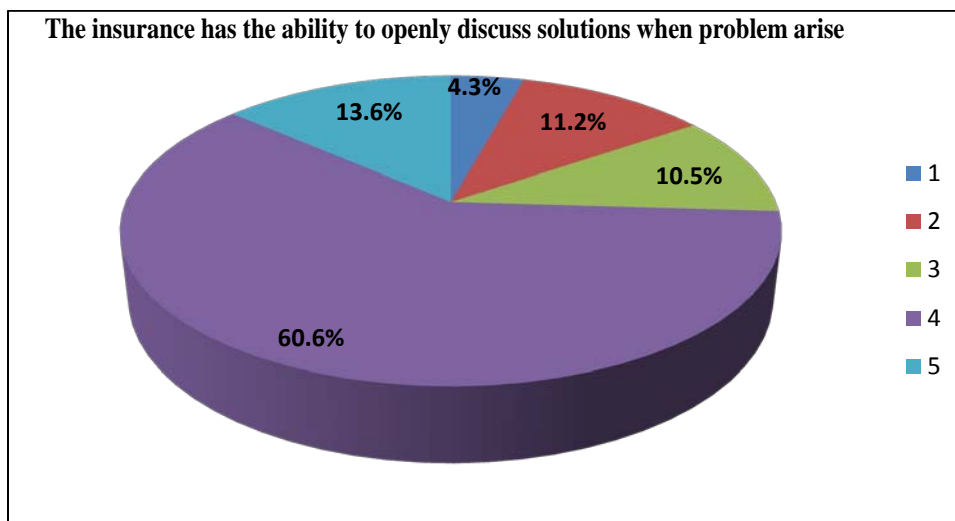
relationship between trust and customer retention and they measured the effects of trust and involvement on customer retention. They found that trust serves as a strong trigger for enhancing customer retention, and involvement is revealed to play a prominent role in explaining both trust creation and customer retention. They also concluded that trust is a major constituent element of relationship marketing that plays great role on customer retention. Table 4.11 indicates that, the mean score and std. deviation of the customers' response for each variables of trust.

Table 4.11: Descriptive statistics of Trust

No	Variables of Trust	N	Mean	Std. Dev
1	Ability to discuss solutions when problem arise	162	3.68	.988
2	Trust of the insurance	162	4.16	.787
3	The insurance fulfils its obligation	162	4.07	.789
4	The insurance show respect and honest	162	4.08	.923
5	Ability to meet promises	162	3.79	.902

Source: Own survey result, 2014

Table 4.11 illustrates the reflection of the customers towards the individual variables of trust using mean and std. dev. And the results of the variables of trust are fall between the range of 3.41 and 4.2 and this indicates that majority of the customers were agreed with all the individual variables of trust.



Source: Own survey result, 2014

Figure 4.3: Ability to discuss solutions when problem arise

The above figure 4.3 indicates that majority of the respondents (74.2%, including 60.6% agree plus 13.6% strongly agree), support the statement up on the insurance has the ability to openly discuss solutions when problems arise. On the other hand, 15.5% of the customers (4.3% strongly disagree and 11.2% disagree) oppose the statement. The remaining 10.5% were neither agreed nor disagreed with the statement. Besides, according to table 4.11 the mean score of customers' responses is 3.68 with std. deviation of 0.988, implying that the customers were agreed with the statement. Therefore, the analysis shows that the corporation openly discusses solutions when problem arise and allows for its customers to express their problems openly and this helps to develop strong relationship with its customers and improves customer satisfaction and retention level of the insurance.

Furthermore, customers were also asked to express their opinion on the statement, 'the insurance fulfills its obligation to you' according to table 4.11 the mean score of customers response is 4.07 with std. deviation of 0.789. This indicates that majority of the customer were agreed with statement. This shows that the insurance fulfills its obligation to its customers in order to satisfy and retain them. When the insurance fulfills its obligation customers can purchase the services/products of the insurance repeatedly.

Moreover customers were responded to the statement 'The insurance is trusted on anything you ask' as table 4.11 indicates that the mean score of customer response is 4.16 with std. deviation of 0.787. Based on this evidence majority of customers were agreed with the statement. According to this result the insurance is trusted on anything you ask' has scored the highest mean of all variables of trust. So, it is pertinent to say that it has a great role to retain customers of the insurance. The insurance is willing to respond for all the questions raised by its customers and to develop long lasting relationship with its customers. Therefore, the analysis shows that the insurance is trusted on fulfilling its customers' request.

Table 4.12 Showing respect and honest to customers

Description	Responses	Frequency	Percent
The insurance always show respect and honest to you	Strongly disagree	4	2.5
	Disagree	11	6.8
	Neutral	6	3.7
	Agree	89	54.9
	Strongly agree	52	32.1
	Total	162	100.0

Source: Own survey result, 2014

The above table 4.12 shows that almost all of the respondents (87%, including 54.9% agree plus 32.1% strongly agree) support the statement up on ‘the insurance always show respect and honest to you’. Despite of this, about 9.3% of the respondents including 2.5% strongly disagree and 6.8% disagree with the statement, where as the remaining 3.7% were neither agree nor disagree with the statement. According to table 4.11, the mean score of customers’ response is 4.08 with std. deviation of 0.923. The implication is that the insurance always show respect and honest to its customers. When the insurance is honest and respect to its customers, customers can continue its good relationship with the insurance and this is important for the customers to communicate openly and freely with the employees

Furthermore customers were also asked to express their agreement/disagreement on the statement ‘the insurance has the ability to meet its promises’ as shown table 4.11 the mean score of customers response is 3.79 with std. deviation of 0.902. This shows that majority of the customers were agreed with the statement. The implication is that meeting the promises at the agreed time make customers loyal and develop good image towards the insurance and customers care about the corporation.

The simple message: when you promise something, deliver. Clients don’t like to be disappointed. Sometimes, something may not get done or you might miss a dead line through no fault your own. Treat your customers like your friend and they will always come. In conclusion, ability to meet promises, showing respect and honest for customers helps the corporation to develop strong relationship with its customers, increases customer retention level and reduces the cost of acquiring new customers (Magazine of EIC 2012).

4.6 Customers response towards communication

Effective communication is a key ingredient for any form of relationship to thrive. Partners in relationship need to decide on how they will communicate, the type and amount of information they need to share and how frequently they must exchange the information. Communication must be two way process, where the organization can pass information to inform customers of new products, promotions, advice on product usage, service recovery messages. On the other hand customers can put forward their complaints, queries, and request for their need. The organization gathers and analyzes customers' information from all touch points and this information is critical for their marketing decisions. The greater the communication is the greater the trust and the relationship commitment (Gummerson, 2008). Table 4.13 indicates that, the mean score and std. deviation of the customers' response for each variable of communication.

Table 4.13: Descriptive statistics of communication

No	Variables of Communication	N	Mean	Std. Dev
1	The insurance allow to express your opinion	162	4.17	.831
2	The insurance communicates timely when there is change in policy	162	3.61	.960
3	The insurance applies more technology	162	2.40	.999
4	Marketing strategy is effective to inform you	162	2.59	1.000
5	The insurance uses technology to become unique among competitors	162	3.43	1.043
6	The insurance communicates based on your desire	162	4.16	.898
7	The insurance communicates its policy	162	2.41	.994
8	Providing channels to enable two way communication	162	3.95	.951

Source: Own survey result, 2014

The above table 4.13 contains individual variables, which are grouped together and named as variables of communication. As it is presented in the table the result of the customers response towards the individual variables of communication were in different ranges, meaning customers are in different levels of agreement. The above results imply that there are tasks that insurance has to do on the variables of communication.

Table 4.14: Allowing to express your opinion

Description	Responses	Frequency	Percent
The insurance allow you to express your opinion freely	Strongly disagree	3	1.9
	Disagree	6	3.7
	Neutral	8	4.9
	Agree	88	54.3
	Strongly agree	57	35.2
	Total	162	100.0

Sources: Own survey result, 2014

As indicated from the above table 4.14 almost all of the respondents 89.5% (54.3% agree plus 35.2% strongly agree) support the statement, the insurance allows you to express your opinion freely. However, about 5.6% of the respondents including 1.9% strongly disagree and 3.7% disagree with the statement, where as the remaining 4.7% of the respondents were neither agree nor disagree with the statement. Besides, the above table 4.13 revealed that the mean score of customers' responses is 4.17 with std. deviation of 0.831, this indicates that majority of the customers agreed with the statement. Since the insurance allows you to express your opinion freely has scored the highest mean from all variables of communication and it is realistic to say that it plays a pivotal role in creating and building customer retention. This implies that allowing for customers to express their opinion is essential for the corporation to receive direct feedback from its customers and this feedback helps to correct and improve the service delivery system or any other problem. According to the response of marketing manager of the corporation allows for its customers to express their feeling freely and collecting direct feedback from its customers, through face to face communication to improve the service performance as well as customer retention level of the corporation.

Moreover, customers were also responded to the statement, when there is a change in policy or any other relevant issue, the insurance communicates with you on time. As table 4.13 shows that the customers' response on the statement had resulted in mean scores of 3.61 with std. deviation of 0.960. This shows that majority of customers were in agreement with the statement. The implication is that the insurance communicates on time with its customers when there is a change in policy or any other relevant issue so as to make customers

informed about any change or anything which is new for them. In the competitive market receiving and transmitting updated information on time is essential for the success of business and the insurance is in good position on transmitting information to its customers.

Based on the information gathered from marketing manager of the insurance through interview, the insurance communicates with its customers to inform about any change in policy or any other issue through telephone, formal letter, fax, and sales agents to provide relevant information to customers about any change in the corporation, specially telephone is the most commonly used by the corporation to communicate with its customers.

This finding supports for the findings of Sin et al. (2002) which presented, effective and timely communication helps in formation of cooperation and trust in relationships and glues the customers to an organization. Therefore, the effectiveness of communication between service provider and customers are very essential in influencing the trust that customers develop in the firm, their satisfaction with that firm and subsequently loyalty to the firm.

Table 4. 15: The insurance applies technology

Description	Responses	Frequency	Percent
The insurance applies more technology to meet your need	Strongly disagree	26	16.0
	Disagree	78	48.1
	Neutral	29	17.9
	Agree	26	16.0
	Strongly agree	3	1.9
	Total	162	100.0

Source: Own survey result, 2014

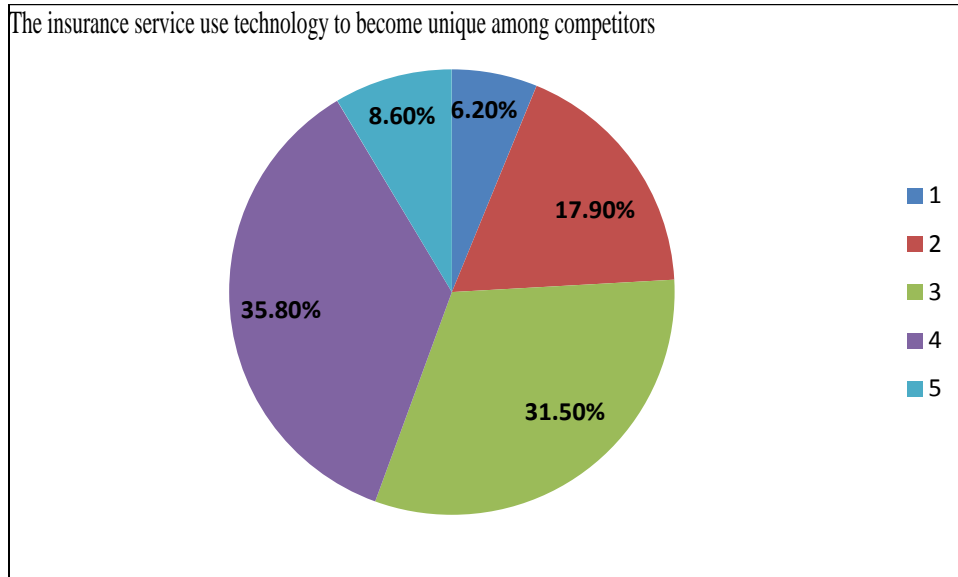
The above table 4.15 shows that majority of the customers (64.1%, including 16% strongly disagree plus 48.1% disagree) opposed the statement, the insurance applies more technology to meet your needs. However, 17.9% of the customers including 16% agreed and 1.9% strongly agreed with the statement, where as the remaining 17.9% of the respondents were neither agree nor disagree with the statement. Additionally, according to table 4.13, the mean score of customers' response on the statement is 2.40, with std. deviation of 0.999. This shows that majority of the customers were disagreed with the statement. Today in the competitive market applying more technology plays a great role on communicating and

delivering the required service on time to customers. But the analysis shows that the corporation doesn't apply more technology in meeting the customers need. This creates a problem on managing customers in the corporation.

Moreover, customers were also asked to express their opinion on the statement 'Marketing strategy of the insurance is effective to inform you.' as table 4.13 revealed that, the mean score and std. deviation of customers' responses are 2.59 and 1.00 respectively. This indicates that majority of the customers were disagree with the statement. Effective marketing strategy contributes to attract and retain profitable customers but in the insurance it is not workable. However, according to the interview gathered from marketing manager of EIC advertisement and magazine are the most common type of promotional marketing strategy used by EIC to communicate with its customers, in addition to that the insurance communicates with its customers through telephone, letter, fax and face to face communication but this is contradicted with the customers' response.

4.6.1 The insurance service uses technology to become unique among competitors

Figure 4.4 below indicates that, 44.4% of the respondents including 35.8% strongly agree and 8.6% agree; support the statement, the insurance service use technology to become unique among competitors. On the other hand, 24.1% (17.9% disagree plus 6.2% strongly disagree) of customers were against the statement. The remaining 31.5% of customers were neither agreed nor disagreed with the statement. In addition to that the mean value of customers' response is 3.43 with std. deviation of 1.043 (table 4.13). Based on the analysis majority of the customers were agreed with the statement. The implication is that EIC applies/uses better technology to become unique among competitors and this helps for the corporation to develop strong relationship, to satisfy and retain its profitable customers. According to Magazine of EIC (2013), Ethiopian Insurance Corporation was introduced error free accounting soft ware by using technology so as to provide fast service to its customers



Source: Own survey result, 2014

Figure 4.4: The insurance service uses technology

Moreover, customers were also asked to express their opinion on the statement ‘the insurance communicates with you based on the way you desire’, according to table 4.13 the mean score of customers responses is 4.16 with std. deviation of 0.898. This implies that majority of the customers were agreed with the statement. Generally speaking EIC clearly communicates with its customers using easy and understandable language to make the communication clear and meaningful. Therefore the insurance transmits information clearly to its customers.

This finding supports for the finding of Chen et al. (2008) which indicates effective communication helps to shape realistic expectations between exchange partners and develops a sense of closeness and ease in the relationship. Consequently, effective communication creates trust and customer satisfaction finally leads to customer retention.

Furthermore, customers were asked to express their agreement/ disagreement with the statement, the insurance clearly communicates about each policy to you (about your right, responsibility, and other related issues), the overall mean score of customer response is 2.41 with std. deviation of 0.994 (table 4.13). Based on this analysis majority of the customers were disagreed with the statement. This implies that the corporation didn’t clearly communicates with its customers about each policy and other related issues and this makes

customers complicated and confused with policies and other related issues of the corporation and finally customers can move to other corporations that provide clear instruction and policies to them.

Moreover, customers were also asked to express their opinion on the statement 'The insurance provides channels to enable ongoing two way communication with you.' The above table 4.13 revealed that, the mean score of customers' response is 3.95 with std. deviation of 0.951. This indicates that majority of the customers were support the statement. This implies that the corporation provides channels to enable two way communications with its customers. This helps for both the customers and the corporation to communicate and ask anything they want to obtain clarity. And also it is important for the insurance to obtain direct feedback from its customers and to develop strong relationship with them.

Today, there is a new view of communication as an interactive conversation between the company and its customers which takes place during the pre-selling, selling, and post selling stages. Communication in relationship means providing information that can be trusted and fulfilling promises to retain customers (Ndubisi and Wah, 2005). For customers to perceive relationship as valuable, the customers' need should be fulfilled. The need of the customers can be identified by collecting information through face-to-face interviews with customers, focus groups and observing the services customers purchase (Du et al., 2005). This finding supports the findings of Ndubisi, Wah and Du et al. (2005).

4.7 Customers' response towards commitment

Commitment is an important ingredient for customer retention. This is supported by White and Yanamandram (2007) who propose major factors that determine customers from switching to an alternative service provider: switching costs, interpersonal relationships, attractiveness of alternatives, service recovery. Consequently, commitment is a key ingredient to successful relationship marketing, and the level of trust influences it because it has been conceptualized that trust exists when one party has confidence in an exchange partner's reliability and integrity. Fullerton (2003) reveals that when commitment is based on shared values and identification, it has a uniformly positive impact on customer retention.

Table 4.16 indicates that, the mean score and std. deviation of the customers' response for each variables of commitment.

Table 4.16: Descriptive statistics of commitment

No	Variables of commitment	N	Mean	Std. Dev
1	Insurance willingness to help customers	162	4.23	.836
2	Flexibility to change service	162	3.85	.927
3	Being flexible to serve customer needs	162	3.78	.899
4	Employees are polite during service contact	162	4.44	.756
5	The insurance makes sure that problems do not rise in your relationship	162	3.49	.992
6	The insurance keeping customers informed	162	4.06	.868
7	Providing consistent quality service	162	3.68	.937
8	The insurance provides detail information	162	2.48	.986

Source: Own survey result, 2014

As it is clearly indicates in table 4.16, the perception of the respondents towards the individual variables of commitment using mean and standard deviation and the results were ranged between 3.41 and 4.20 for majority of the variables. And insurance willingness to help customers and employees are polite during service contact are ranged between 4.21 and 5, this implies that majority of the customers are strongly agreed with these statement. But the insurance provides detail information about all conditions of the service is ranged between 1.81 and 2.60. This implies that majority of the customers were agreed with almost all of the variables of commitment. However customers were disagreed with the statement the insurance provides detail information about all conditions of the service

Table 4.17: The insurance willingness

Description	Responses	Frequency	Percent
The insurance always willing to help you	Strongly disagree	3	1.9
	Disagree	6	3.7
	Neutral	6	3.7
	Agree	83	51.2
	Strongly agree	64	39.5
	Total	162	100.0

Source: Own survey result, 2014

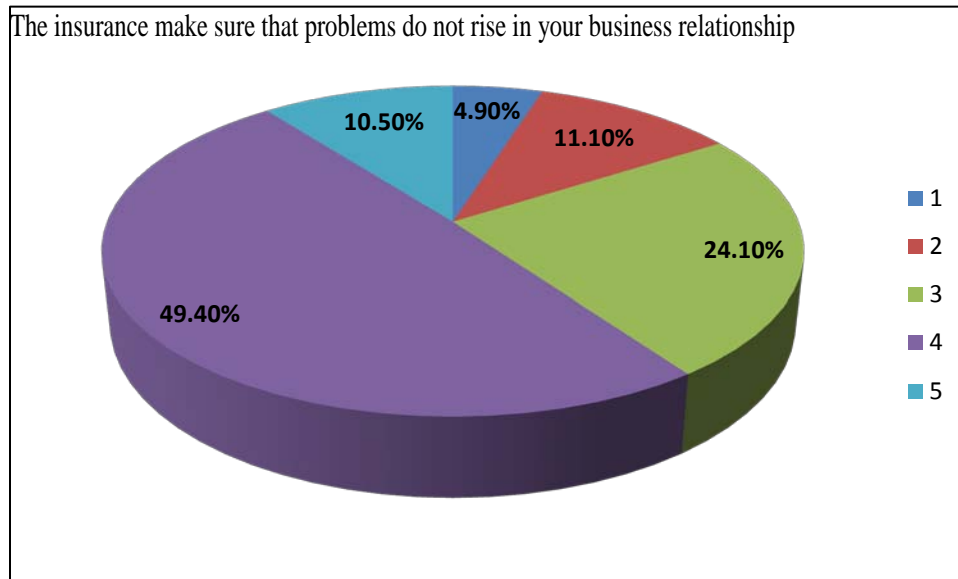
As table 4.17 shows that 39.5% of the respondents strongly agree, 51.2% agree with the statement. However, 3.7% disagree, 1.9% of the respondents strongly disagree with the above statement, while the remaining 3.7% were neither agreed nor disagreed with the statement. This means that almost all (90.7%) of the customers support the statement up on the insurance always willing to help you. Besides as table 4.16 indicates that the mean score of customers' response is 4.23 with std. deviation of 0.836. The implication is that majority of the customers strongly agreed with the statement. This is essential to provide appropriate and timely solutions for problems and to build strong relationship with customers and finally enhances customer retention level.

Moreover, customers were also given a chance to express their opinion on the statement, 'The insurance is flexible when its service is changed.' According to table 4.16, the mean score of the customers' response is 3.85 with std. deviation of 0.927. This shows that majority of the customers were agreed with the statement. The implication is that the insurance is flexible when service is changed this helps to update and improve service delivery system of the corporation. Generally flexibility in serving the requirement of customers is important to build strong relationship and satisfy them effectively.

And also customers were express their opinion on the statement up on 'the insurance is flexible in serving your needs,' as table 4.16 indicates that the mean score of customers response is 3.78 with std. deviation of 0.899. This show that majority of the respondents agreed with the statement. This implies that the insurance is flexible in serving and treating its customers. In the competitive market flexibility in serving customers need should be essential and required by every firm. When flexibility is performed well it improves service delivery system, customer satisfaction and retention level of the insurance.

As table 4.16 indicates that when customers were asked to reflect their opinion on the statement 'Employees are consistently polite during service contact,' accordingly the mean score of customers' response is 4.44 with std. deviation of 0.756. The implication is that majority of the customers were strongly agreed with the statement. Hence, employees are consistently polite during service contact has the highest mean score from all the variables of commitment and it is possible to say that it plays a great role to customer retention. The

analysis shows that employees of the insurance are politely treated their customers so as to develop strong relationship and retain them.



Source: Own survey result, 2014

Figure 4.5: The insurance make sure that problems do not rise in your relationship

According figure 4.5, majority of the customers (59.9 %, including 49.4% agree and 10.5% strongly agree) support the statement. However, 11.1% of the customers disagree and 4.9% of the customers strongly disagree, the remaining 24.1% of the customers neither agreed nor disagreed with the statement. According to table 4.16 the mean score of customers’ response is 3.49 with std. deviation of 0.992. This implies that majority of the respondents agreed with the statement. This shows that the insurance make sure that problem do not raise in business relationship with its customers and this helps to reduce the occurrence of the problem, to make the insurance responsive to the problems of its customers and finally to build strong relationship with its customers.

Moreover, customers were also asked to express their agreement/disagreement on the statement ‘The insurance keeping customers informed about when services will be performed’, as the above table 4.16 revealed that, the mean score of customers’ response is 4.06 with std. deviation of 0.868. The implication is that majority of the customers were agreed with the statement. Based on this analysis customers are well informed about when the service is performed and this helps to make customers loyal and customers care about the

corporation. Allocating accurate information about service delivery time is essential for customers to make the informed. According to magazine of EIC (2013) customers should be informed the right information, protected against fraudulent, deceitful, misleading information, advertising, labeling or other practices and to be given the facts he/she needs to make an informed choice.

Furthermore, customers were asked to reflect their agreement/disagreement on the statement ‘The insurance is consistent in providing quality service’, according to table 4.16 the mean score and std. deviation of customers’ response are 3.68 and 0.937 respectively. This implies that majority of the customers agreed with the statement. Generally providing quality service helps for the corporation to compete over its competitors effectively. Based on this analysis the insurance provides quality products/services to meet the expectation of its customers. This finding supports for the findings of (Gronroos, 2000) indicates that high quality products and services can attract and acquire new customers and builds brand loyalty. In order to retain loyal customer who will bring long-term profits to the firm, the key issue for service provider is developing long term relationship in the way of managing customers by providing the required quality products and services to them. The quality of the service is individually perceived by customers during the interactions with the service provider.

Table 4. 18: The insurance provides information

Description	Responses	Frequency	Percent
The insurance gives sincere and detail information about all conditions of the service	Strongly disagree	17	10.5
	Disagree	86	53.1
	Neutral	28	17.3
	Agree	26	16.0
	Strongly agree	5	3.1
	Total	162	100.0

Source: Own survey result, 2014

As the above table 4.18 revealed that majority of the customers (63.6%, including 53.1% disagreed plus 10.5% strongly disagreed) oppose the statement. However, 16% agreed and 3.1% strongly agreed with the statement. Whereas the remaining 17.3% of the customers were neither agree nor disagree with the statement. In addition to this, according to table 4.16 the mean score of customers’ response is 2.48 with std. deviation of 0.986. The implication is

that majority of the customers disagreed with the statement. From this description, it is possible to conclude that the insurance didn't provide clear instruction in use of the service and this makes customers confused in use of the service. According to the marketing manager's response the corporation communicates with its customers through face to face, telephone, letters, advertisement, and magazines to inform the customers about all conditions of the insurance service, but this contradicts with the customers' response.

4.8 Customers' response towards customer retention

Customer retention refers to firm's ability on providing the required services, without defections to profitable customers' to satisfy and retain them. The main goal of effective Customer relationship marketing is retention and the key to retention is through different mechanisms and practices to ensure repeat trade from existing customers by satisfying their requirements better than those of competing brands (Walsh, Gilmore and Carson 2004). Table 4.19 indicates that, the mean score and std. deviation of the customers' response for each variable of customer retention.

Table 4.19: Descriptive statistics of customer retention

No	Variables of Customer Retention	N	Mean	Std. Dev
1	Giving positive word of mouth to others	162	4.11	.863
2	The insurance stimulates you to buy repeatedly	162	3.67	.926
3	The insurance has an excellent reputation	162	3.42	.963
4	Establishing long term relationship with you	162	4.20	.842
5	Providing individualized marketing message	162	3.93	.979
6	The insurance provides reward to motivate you,	162	2.72	.994
7	I'm happy with the low charges of the insurance	162	2.85	.994

Source: Own survey result, 2014

As it is clearly indicated in table 4.19, the perception of the respondents towards the individual variables of customer retention using mean and standard deviation and the results are ranged between 3.41 and 4.20 for almost all the variables. This indicates that the customers are agreed with variables of retention. But the insurance provides reward to motivate you and I'm happy

with the low charges of the insurance are ranged between 2.61 and 3.40, this indicates that majority of the customers were neither agreed nor disagreed with these statements.

Table 4.20: Giving positive word of mouth

Description	Responses	Frequency	Percent
I'm confident of giving positive word of mouth to others about this insurance	Strongly disagree	2	1.2
	Disagree	11	6.8
	Neutral	7	4.3
	Agree	89	54.9
	Strongly agree	53	32.7
	Total	162	100.0

Source: Own survey result, 2014

As table 4.20 indicates that majority of the respondents (87.6%, including 54.9% agree plus 32.7% strongly agree) support the statement up on I'm confident of giving positive word of mouth to others about this insurance. On the other hand 8% (6.8% disagree and 1.2% strongly disagreed) oppose the statement. The remaining 4.3% were neither agree nor disagree with the statement. Moreover, according to the above table 4.19, the mean score of customers' response on the statement is 4.11 with std. deviation of 0.863, showing that majority of the customers agreed with the statement and this helps for the corporation to attract new customers. This implies that customers word of mouth positively affect customer retention in the insurance. When customers are satisfied by the service delivery system of the insurance they talk to others positively about the good thing of the corporation and also satisfaction is a reason for customer retention, meaning satisfied customers are more loyal and they purchase large amount of service or products of the insurance repeatedly.

This finding supports for the finding of Alalak (2004) indicated that satisfied customers in his study appeared to engage in extensive word-of-mouth advertising, acting as true promotion agents for the service provider.

Moreover, customers were also asked to reflect their opinion on the statement, 'The insurance corporation stimulates you to buy repeatedly,' according to the above table 4.19, the mean score of customers' response is 3.67 with std. deviation of 0.926. The implication is that majority of the customers were agreed with the statement. In general EIC stimulates its customers to buy the service or products of the insurance repeatedly and this creates good image in the minds of the customers towards the corporation. Based on the marketing

manager response the insurance stimulates its customers to buy the products/services of the insurance by providing discounts (no claim) discount.

The above table 4.19 also indicates that customers support the statement up on the insurance has an excellent reputation; the overall mean score of customers' response is 3.42 with std. deviation of 0.963. The implication is that majority of the customers agreed with the statement. Based on this analysis the insurance has an excellent reputation has a good contribution for the success of the corporation. Excellent reputation plays a decisive in attracting and retaining more profitable customers.

Moreover customers were also responded to the statement 'The insurance tries to establish long term relationship with you.' According to table 4.19, the mean score of customers response is 4.20 with std. deviation of 0.842, the mean score of customers' response shows that majority of the customers were in agreement with the statement. Hence, the insurance tries to establish long term relationship with you has the highest mean score from all variables of customer retention and it is possible to say that the insurance tries to establish long term relationship with you plays a great role to retain the customers of the insurance. Establishing and developing strong relationship with customers helps for the insurance to retain its profitable customers.

According to the marketing manager's response the corporation communicates effectively with its customers through telephone, letters, advertisement, magazines and face to face communication to establish strong relationship with its customers. In addition to that the corporation attempts to build strong relationship with its customers by using sales agents, intermediaries; these sales agents have direct contact with both the corporation and its customers and they have detail information about the corporation and distribute/transmit information from the corporation to the customers and vice versa.

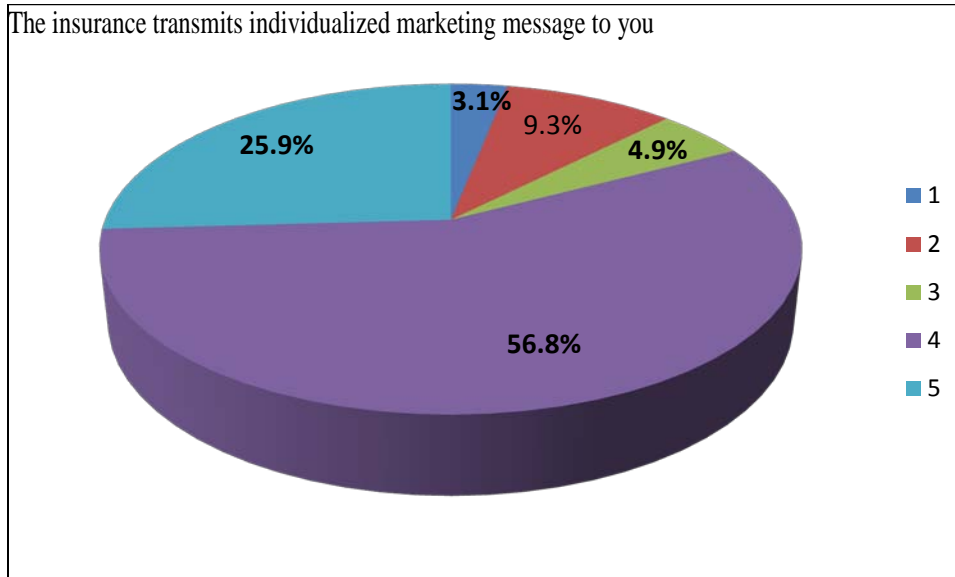


Figure 4.6: Marketing message of the insurance

Source: Own survey result, 2014

Figure 4.6 reveals that when customers were asked to express their agreement or disagreement on the statement ‘The insurance transmits individualized marketing message to you’ majority of the customers (56.8%) were agreed, 25.9% of the customers were strongly agreed, making 82.7% agreement rate. However, the disagreement rate is 12.4% (3.1% strongly disagree plus 9.3% disagree), oppose the statement. The remaining 4.9% were neither agree nor disagree with the statement. This is also reflected by 3.93 mean score and 0.979 std. deviation of customers’ response (table 4.19). This implies that customers were agreed with the statement and this is important for the customers to obtain timely and updated information. Transmitting individualized marketing message is very essential to understand the requirements of customers and to provide the services/products that satisfy their needs and this develops strong relationship with customers.

According to Lacey and Morgan (2009) described that customers not receive duplicate messages from an organization. Therefore, messages sent to customers need to be personalized, reflecting their needs and preferred communication channels. Finally, they concluded that the transformation of individualized customer information systems from basic data depositories into customer-driven marketing information is the key to long-term competitiveness. The finding of Lacey and Morgan (2009) is consistent with this study.

As indicated in table 4.19 customers were provided their opinion on the statement ‘The insurance provides reward to motivate you, to request and make next purchase’, this is reflected by 2.72 mean score and 0.994 std. deviation of customers’ response (table 4.20). This indicates that majority of the customers were neither agree nor disagree with the statement. The implication here is that customers are in different level of agreement.

Moreover, customers were also reflecting their agreement/disagreement on the statement ‘I am happy with the low charges of the insurance.’ According to table 4.19, the mean score and std. of customers’ response is (2.85 mean scores and 0.994 std. deviation). This shows that majority of the customers were neither agreed nor disagreed with the statement. The implication here is that customers are in different level of agreement. And this result implies that there are tasks that insurance has to do on the variables customer retention.

4.9 Customers’ response towards customer satisfaction

According to Berman and Evans (2010) customer satisfaction occurs when customer expectations have been met or exceeded by the firm in terms of value and customer service provided. Customer service needs to be integrated with the overall value provided by the product or services to satisfy the customers’ requirement. Therefore customer satisfaction is a key element for customer retention. Table 4.21 indicates that, the mean score and std. deviation of the customers’ response for each variables of customer satisfaction.

Table 4.21: Descriptive statistics of customer satisfaction

<u>No</u>	Variables of Satisfaction	N	Mean	Std. Dev
1	Improved service/products accessibility	162	3.91	.931
2	The insurance consistently meets your expectation	162	3.57	.996
3	Providing appropriate solutions to problems	162	3.86	.964
4	Recommending this insurance to my friends & family	162	4.10	.907
5	I will choose this insurance over any other insurance	162	4.10	.941
6	I’m satisfied with the performance of the insurance	162	3.91	.944

Source: Own survey result, 2014

As it is clearly indicated in table 4.21, the response of the customers towards the individual variables of customer satisfaction using mean and standard deviation and the results are

ranged between 3.41 and 4.20 for all the variables. This indicates that the customers are agreed with all variables of customer satisfaction.

Table 4.22: Improved services/products accessibility

Description	Responses	Frequency	Percent
The insurance services /products accessibility are improved to satisfy your need	Strongly disagree	4	2.5
	Disagree	13	8.0
	Neutral	15	9.3
	Agree	92	56.8
	Strongly agree	38	23.5
	Total	162	100.0

Source: Own survey result, 2014

As indicates in the above table 4.22 majority of the customers (80.3%, including 56.8% agree plus 23.5% strongly agree) support the statement the insurance service/products accessibility are improved to satisfy your need. However, 12.5% (2.5% strongly disagree and 8.0% disagree) with the statement. The remaining 9.3% were neutral. Moreover, according to the above table 4.21, the mean score of customers' response on the statement is 3.91 with std. deviation of 0.931, showing that majority of the customers were agreed with the statement. This implies that the insurance service is improved to satisfy and retain its customers, because service providers are compete by providing quality service to their customers.

According to the marketing manager response there are tasks performed by the insurance to enhance customer satisfaction and retention. These are fast service delivery system, listens problems and complaints of customers. The corporation provides no claim discounts for those customers who are free from any accident. If no claim is made under this policy during the period of insurance immediately preceding the renewal of the policy, the renewal premium will be reduced in accordance with the Corporation's scale of no claim discount applicable at the time of such renewal. In addition to that the corporation allows for its customers to renew their contract at the place they available and send the renewal form through fax, and also the payment is made through account number of the corporation and this improves customers' satisfaction and retention level.

Furthermore, customers were also asked to express their opinion on the statement 'The insurance consistently meets your expectation,' according to table 4.21, the mean score of customers' response on the statement is 3.57 with std. deviation of 0.996. This indicates that

majority of the customers were agreed with the statement. The implication here is that the insurance provides quality services/products consistently to satisfy and retain its customers. When customers' expectation is consistently fulfilled customers are loyal to the insurance. In general the insurance consistently meets the expectation of its customers by providing customized services/products.

As table 4.21 also reveals that the mean score of customers response on the statement 'The insurance provides appropriate solutions to problems' is 3.86 with std. deviation of 0.964. This manifests that majority of the customers were in agreement with the statement. The implication here is that the insurance provides appropriate solutions to the problems that faces for its customers and this helps for the insurance to minimize the occurrence of the problem and to build strong relationship and to enhance customer satisfaction and retention.

Table 4.23: Recommending the insurance to others

Description	Responses	Frequency	Percent
I will recommend this insurance to my friends and family	Strongly disagree	4	2.5
	Disagree	8	4.9
	Neutral	11	6.8
	Agree	84	51.9
	Strongly agree	55	34.0
	Total	162	100.0

Source: Own survey result, 2014

As shown in the above table 4.23, majority of the respondents (85.9%, including 51.9% agree plus 34% strongly agree) supported the statement. However, 7.4% (2.5% strongly disagree and 4.9% disagree) oppose the statement; the remaining 6.8% of the customers were neutral with the statement. In addition to that according to table 4.21, the mean score of customers' response on the statement 'I will recommend this insurance to my friends and family is 4.10 with std. deviation of 0.907. This shows that majority of the customers were agreed with the statement. The implication here is that the insurance provides quality services and treats its customers better than its competitors and this helps for the insurance to increase the number of its customers.

This finding supports for the findings of Eisingerich and Bell (2007) which indicate that the main finding highlighted that customers' willingness to recommend the firm to relatives or friends is the key component of customer commitment to the organization, perceived

excellence in quality of service and trust in the organization will lead to repurchase intentions.

Moreover, customers were also given a chance to express their agreement/disagreement on the statement 'I will always choose this insurance over any other insurance', according to table 4.21 the mean score of customers response is 4.10 with std. deviation of 0.941. The implication is that majority of the customers were agreed with the statement. Based on the voice of majority, it can be deduced that customers are always choose EIC over any other insurance this shows that the insurance provides better service and treat its customers better than its competitors. And this helps for the insurance to attract and retain more profitable customers.

Finally, customers were also asked to reflect their opinion on the statement 'I'm satisfied with the performance of the insurance,' the overall mean score of customers' response is 3.91 with std. deviation of 0.944 (table 4.21). This implies that majority of the customers were agreed with statement. This shows that the insurance has the ability to provide high service quality timely and treats its customer fairly so as to satisfy and retain them. Based on the analysis customers' satisfaction is a key factor for customer retention. Generally good performance increases competitiveness firms, fast response rate, and enhances customer satisfaction, retention and profitability, both in the short as well as in the long-term.

4.10 Correlation analysis between relationship marketing and Customer retention

Pearson correlation test was conducted to know the degree of relationship between the independent variable i.e. relationship marketing and the dependent variable i.e. customer retention. Based on the questionnaire which was filled by the customers of EIC Mekelle branch, the results of the correlation between these variables are shown in table 4.24 below.

Table 4.24: Correlations between relationship marketing and customer retention

Relationship Marketing	Customer retention	
	Pearson Correlation	Sig. (2-tailed)
Empathy	.658**	.000
Responsiveness	.629**	.000
Trust	.730**	.000
Communication	.694**	.000
commitment	.745**	.000

** . Correlation is significant at the 0.01 level (2-tailed).

N= 162

Source: Own survey result, 2014

The relationship between the independent variables empathy, responsiveness, trust, communication and commitment, with the dependent variable customer retention was investigated using Pearson correlation coefficient. The results of correlation analysis in table 4.24 above shows that, all the independent variables (empathy, responsiveness trust, communication and commitment) are positively and significantly correlated with the dependent variable (customer retention) at 99% confidence level ($P < 0.01$). The highest correlation is signified by commitment ($r = 0.745$), followed by trust ($r = 0.730$), communication ($r = 0.694$), empathy ($r = 0.658$) and responsiveness ($r = 0.629$). This indicates that if the level of empathy, responsiveness, trust, commitment and communication of the insurance is high then the level of customer retention will be also high and the reverse is true.

Based on the Pearson correlation test shown in table 4.24, commitment is positively and significantly correlated with customer retention. The correlation coefficient between commitment and customer retention is the first of all correlation results of relationship marketing dimensions which is ($r = 0.745$). This means that when the insurance enhances its commitment, customer retention will be highly improved. Therefore, commitment is an important ingredient of customer retention. According to Bose (2002) commitment has a strong positive effect on the aspects of customer retention such as advocacy and willingness to pay more for the service. Fullerton (2003) reveals that when customer commitment is based on shared values and identification, it has a consistently positive impact on customer

retention. Hence the studies of Bose (2002) and Fullerton (2003) are consistent with this study.

Trust has positive and significant relationship with customer retention. The correlation coefficient between trust and customer retention is the second of all correlation results of relationship marketing dimensions which is ($r=0.730$). According to Teichert and Rost (2003) investigated the relationship between trust and customer retention. These authors measured the effects of trust and involvement on customer retention, assuming general customer satisfaction. They found that trust serves as a strong trigger for enhancing customer retention, and involvement is revealed to play a prominent role in explaining both trust creation and customer retention. They also concluded that trust is a major constituent element of relational customer retention, supported in different measure by affective and cognitive involvements. Therefore the finding of Teichert and Rost (2003) is consistent with this finding.

Communication is another element of relationship marketing dimension. Based on the above table 4.24 the correlation result of communication is positively and significantly correlated with customer retention. The correlation coefficient between communication and customer retention is the third of all correlation results of relationship marketing dimensions which is ($r=0.694$). This finding supports for the findings of Schiffman and Kanuk, (2007) which presented, communication plays a pivotal role in marketing relationships by providing an understanding of the exchange partner's intentions and capabilities. The role of communication in an organization has positive effect on acquisition and retention of customer. The frequency of communication between service providers and customers indicates that the strength of the relationship.

Empathy is also the 4th element of relationship marketing dimensions and it has positive and significantly correlated with customer retention. As it is indicated in the above table 4.24, the correlation coefficient between these variables is ($r=0.658$). This means if the insurance treats its customers fairly and in a good manner, it will improve customer retention level. Therefore, the insurance should understand their customers' needs and wants and continuously evaluate their services to satisfy and retain its customers.

Responsiveness is one element of service quality dimension. As it is presented in the above table 4.24 of the correlation analysis, responsiveness has positive and significant relationship with customer retention. The correlation coefficient between responsiveness and customer retention is ($r=0.629$). Generally, fast response to customers' requirement helps to improve satisfaction and customer retention level of the insurance.

4.25. Correlation analysis between relationship marketing and customer satisfaction

Relationship Marketing	Customer Satisfaction	
	Pearson Correlation	Sig. (2-tailed)
Empathy	.630**	.000
Responsiveness	.592**	.000
Trust	.764**	.000
Communication	.712**	.000
commitment	.778**	.000

** . Correlation is significant at the 0.01 level (2-tailed).

N= 162

Source: Own survey result, 2014

The results in the above table 4.25 indicates that, there is positive and significant relationship between independent variables empathy, responsiveness, trust, communication and commitment with the dependent variable customer satisfaction at 99% confidence level ($P<0.01$). The highest correlation is signified by commitment ($r= 0.778$), followed by trust ($r= 0.764$), communication ($r= 0.712$), empathy ($r= 0.630$) and responsiveness ($r= 0.592$).

As presented in the above table 4.25 the Pearson correlation test, commitment is positively and significantly correlated with customer satisfaction. The correlation coefficient between commitment and customer satisfaction is the first of all correlation results of relationship marketing dimensions which is ($r=0.778$). This indicates that commitment has a great role on enhancing customer satisfaction in the insurance.

Trust is positively and significantly correlated with customer satisfaction. The correlation coefficient between trust and customer satisfaction is the second of all correlation results of relationship marketing dimensions which is ($r=0.764$). This shows that trust has the power to determine customer satisfaction level of the insurance.

Communication is another element of relationship marketing dimension. Based on table 4.25 the correlation result of communication is positively and significantly correlated with customer satisfaction. The correlation coefficient between communication and customer satisfaction is the third of all correlation results of relationship marketing dimensions which is ($r=0.712$).

Empathy is also the 4th element of relationship marketing dimensions and it has positive and significant relationship with customer satisfaction. As it is indicated in the above table 4.25, the correlation coefficient between these variables is ($r=0.630$). This means that when the insurance treats its customers fairly, it will improve customer satisfaction level. Therefore, the insurance should understand their customers' requirement continuously and evaluate their services periodically to satisfy and retain its customers.

The last factor included in this study is responsiveness. As it is presented in the above table 4.25 the correlation analysis, responsiveness has positive and significant relationship with customer satisfaction. The correlation coefficient between responsiveness and customer satisfaction is ($r=0.592$). Generally, fast responses to customers' requirement help to improve customers' satisfaction and create strong relationship with customers. This study is supported the finding of Thorsten et al, (2010) which describes trust, commitment, communication, and responsiveness that come with relationship marketing are critical in ensuring customer satisfaction. Based on the analysis we can conclude that customer satisfaction is the main reason for customer retention in the corporation.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

In the first part of this chapter conclusions drawn from major findings of the study are presented and followed by recommendations that the researcher forwarded so as to enhance customer retention level. Finally, the identified area for further research is presented.

5.1 Conclusions

Based on the data analysis and presentation in the last chapter, the researcher concludes the following major points. The main objective of the study was to assess the role of customer relationship marketing on customer retention in EIC Mekelle branch.

The finding of the study indicates that employees of the insurance treat their customers based on their specific needs; this could be achieved by providing timely service, communicating and treating customers fairly and this have a favorable impact on developing effective relationship with customers. The insurance listens and understands the problems of its customers and works in close cooperation with them to solve their problems. Besides, the insurance working hour is flexible and comfortable to its customers. However, the insurance has no clear compliant handling procedures, but attempts to handle complaints of its customers through face to face communication. The finding of the study also indicates that the insurance is responsive to its customers' request and employees of the insurance are well trained in using computer related technologies, this helps to perform their tasks effectively. Moreover the insurance always show respect, honest and trusted on fulfilling its customers' request. In addition to this the insurance openly discuss solutions when problems arise from its customers.

Furthermore, the insurance provides channels to enable two way communications with its customers and always willing to help them. This helps for both the customers and the insurance to communicate and ask anything they want to obtain clarity and to distribute updated information from the insurance to the customers and vice versa. Generally the insurance communicates on time with its customers when there is any change in policy or any other relevant issue so as to make customers informed about the change or anything

which is new for them. The study also revealed that the insurance is flexible when service is changed and employees of the insurance are politely treated their customers so as to develop strong relationship with them. Besides the insurance make sure that problem do not arise in the business relationship with its customers and transmits individualized marketing message to its customers to establish long term relationship with them. As the study also shows that, the insurance is receiving strong positive word of mouth from its customers. However, the corporation didn't apply more technology in meeting the customers' requirement and this creates a problem on managing and retaining them.

To sum up, the insurance didn't clearly communicates with its customers about each policy (right, responsibility and other related issues) and this makes customers complicated and confused with polices and other related issues of the corporation and finally customers move to other corporation that provide clear instruction and policies to them. And also the insurance didn't provide clear and detailed information about all conditions of the service to its customers and this makes customers confused in use of the service. With regard to the Pearson correlation analysis, the study clearly shows that the five relationship marketing dimensions namely empathy, trust, communication, responsiveness and commitment are positively correlated to customer retention and satisfaction in Ethiopian Insurance Corporation.

5.2 Recommendations

The finding of this study is important ingredient for managers who take charge of relationship marketing. Based on the findings and conclusions made above, the researcher forwarded the following recommendations for enhancing customer relationship marketing so as to assure customer retention.

To improve customer retention level and develop loyal customers, the insurance should give greater awareness on enhancing communication with its customers, by developing effective relationship marketing strategy and providing individualized attention to them. Today customers' demand is variable and the insurance should establish strong connection with them so as to obtain clear and updated information about their requirement. When customers are treated well and satisfied with the services provided by the insurance, they will

communicate positively about the insurance services to their friends and family members. And also the insurance should clearly communicate about each policy to its customers (about their rights, responsibilities and other issues) so as to make customers informed about their rights, responsibilities, other related issues.

It is advisable to motivate the staff, especially for the frontline employees by providing reward for their contribution, so as to treat and serve their customers well. And also, the insurance should continue the good practice on providing training, opportunity to learn and advance to its employees to encourage them. To further enhance customer retention the insurance should work hard to make customers satisfied and delighted by the service. If the insurance can do this well, it can achieve customer retention. So, the center of excellence for all individuals in the insurance should be providing improved and distinctive service than competitors and keeping customers satisfied. In order to do this, the insurance should provide value added services like sending welcome messages, electronic good wish messages during birthdays and holidays, through telephone, email and web site of the insurance.

The insurance should provide sincere and detail information about all conditions of the service to its customers so as to make customers informed and to obtain full clarity about the service. To achieve this, the insurance should hire capable and interested employees to establish and maintain strong relationship with customers and other employees of the corporation by transmitting accurate and updated information. And also the insurance should continue the good practice on working in close cooperation with its customers so as to establish strong relationship and to retain more profitable customers.

The insurance should make the whole system on work with its customers by applying customer based technology to meet their requirement, it is clear that customers are the reason for the survival of the insurance. It is necessary to assign technical personnel support for utilization of computers and other technologies to improve the performance of the insurance on meeting customers' requirement. And also the insurance should establish effective way of complaint handling procedures so as to solve the complaints of its customers effectively and efficiently.

In general attention should be paid to the presence of technologies in fulfilling customers need by providing the system to ask customers in order to receive their feedback about the service delivery system through web site of the insurance, email, face to face communication, telephone and written document, about all conditions of the service. Based on the feedback collected from customers, the insurance should improve its services/products as well as its relationship with customers. And also the insurance should continued the good practice on keeping promise to customers, showing a sincere interest and politeness in solving customers' problem and provide appropriate solutions to problems in a timely manner by increasing the competence of its employees.

This study was conducted to assess the role of customer relationship marketing on customer retention in Ethiopian Insurance Corporation in Mekelle city. However, future research may investigate the role of customer relationship marketing on customer retention comparative analysis of Ethiopian Insurance Corporation with private insurance companies. This study can be also further investigated by adding more relationship marketing dimensions like conflict handling, bonding and other variables which contributes for customer retention.

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Mekelle University

College of Business and Economics

Department of Management (MBA Program)

Appendix 1: Household survey questionnaire to be filled out by customers



Introduction

Dear respondents, this questionnaire is prepared by Mr. Dambush Negasi, a post graduate student (Master of Business Administration) in Mekelle University for partial fulfillment of master degree. The aim of this questionnaire is to collect data about “The Role of Customer Relationship Marketing on Customer Retention”. The information you will provide has both academic and policy relevant values in the areas of insurance and marketing. I confirm you that all data will be used for academic purpose and will be analyzed anonymously, and hence you are not exposed to any harm because of the information you give. I highly appreciate in advance to your kind cooperation in providing the necessary information.

Thank you!!!

General Instruction:

- No need of writing your name
- Please carefully read each of the following questions and make a **tick mark** (✓) in the appropriate box. You can choose more than one alternative.

Name: Dambush Negasi

Phone: 0914 38 59 73/ 09 22 24 22 43

Email: dambushnegasi@gmail.com

Section I: Demographic Information

1. Gender: [1] Male [2] Female
2. Age: [1] ≤ 25 [2] 26-35 [3] 36-45
[4] 46-55 [5] 56 and above
3. Marital Status: [1] Married [2] Single [3] Others _____
4. Educational Background: [1] No formal schooling [2] Primary
[3] Secondary [4] Diploma
[5] 1st Degree [6] Masters & above
5. Occupation: [1] Student [2] Private sector [3] Own Business
[4] Government sector Other _____
6. Type of policy purchased: [1] Assets [2] Business
[3] Staff [4] Others _____
7. Policy Term (in years): [1] less than one [2] 1-5
[3] 6-10 [4] 11-15 [5] > 15
8. Premium Amount (in Birr): [1] less than 1000 [2] 1,000 -5,000
[3] 5,001-10,000 [4] More than 10,000

Section II: Please, express the extent of your agreement or disagreement with the following statements by make a tick mark (√) in the appropriate box on the five point likert scale.

➤ **Note that:** 1=SDA (Strongly Disagree), 2=DA (Disagree), 3=N (Neutral), 4=A (agree), 5=SA (Strongly Agree)

Empathy	SDA (1)	DA (2)	N (3)	A (4)	SA (5)
1. The employees of the insurance understand your specific needs					
2. The insurance always see things from different point of view					
3. The insurance provides the service on the agreed time					
4. The working hours are flexible and comfortable to you					
5. The insurance listens problem of its customers					
6. The insurance corporation work in close co-operation with you					
Responsiveness					
7. Employees of the insurance are never busy to respond your requests.					
8. Employees devote enough time to answer your questions					
9. Services of the insurance is done without delay					
10. The insurance is responsive to your complaints					
11. The insurance quickly solve your problem					
12. Employees of the insurance are well trained in using customer related technologies					
Trust					
13. The insurance has the ability to openly discuss solutions when problems arise					
14. The insurance Co. trusted on anything you ask					
15. The Insurance Co. fulfils its obligation to you					
16. The insurance Co. always show respect and honest to you					
17. The insurance has the ability to meet its promises					

Communication					
18. The insurance Co. allow you to express your opinions freely					
19. The insurance Provides clear instruction in use of the service					
20. When there is a change in the policy, or any other relevant issue the insurance communicate with you on time					
21. The insurance applies more technology to meet your needs					
22. Marketing strategy of the insurance is effective to inform you					
23. The Insurance service use technology to become unique among competitors					
24. The insurance Co. Communicates with you based on the way you desire					
25. The insurance Co. clearly communicates about each policy to you (about your right, responsibility, and other related issues)					
26. The insurance provides channels to enable ongoing two-way communication with you					
Commitment					
27. The insurance always willing to help you					
28. The insurance is flexible when its service is changed					
29. The insurance is flexible in serving your needs					
30. Employees are consistently polite during service contact					
31. The insurance Co. make sure that problems do not rise in your business relationship					
32. The insurance Co. keeping customers informed about when services will be performed					
33. The insurance is consistent in providing quality service					
34. The insurance give sincere and detailed information about all the conditions of the service					
Customer retention					
35. I am confident of giving positive word of mouth to others about this insurance					
36. The insurance Co. stimulates you to buy repeatedly					
37. The insurance has an excellent reputation					

38. The insurance tries to establish long-term relationship with you					
39. The insurance transmits individualized marketing messages to you					
40. The Insurance provides reward to motivate you, to request and make next purchase					
41. I am happy with the low charges of the insurance					
Customer satisfaction					
42. The insurance services/products accessibility are improved to satisfy your need					
43. The insurance consistently meets your expectation					
44. The insurance provides appropriate solutions to problems					
45. I will recommend this insurance to my friends and family members					
46. I will always choose this insurance over any other insurance					
47. I am satisfied with the performance of the insurance.					

Thank You for Your Willingness in Advance!!!

Appendix 2: Semi-structured Interview Questions

Interview for Marketing Manager of Ethiopian Insurance Corporation

1. What are the relationship marketing strategies that your insurance Co. used to build strong customer relationship?
2. What tasks are performed by the corporation to enhance customer satisfaction and retention?
3. What type of promotional marketing strategy is most commonly used by EIC to communicate with its customers?
4. Are there a clearly defined policies and procedures to handle complaints in your Corporation?
5. If your answer for question no 2 is yes what are these policies and procedures, if no why?
6. What are the problems that face in your relationship marketing strategies?
7. How your corporation informs in advance about any change that takes place in the insurance corporation to its customers?
8. How do you evaluate the role of customer relationship marketing in your corporation in attracting and retaining customers and what are the parameters?
9. Do you have any systematic way to collect and manage the information about your customers need, preference and problems? If yes, how does it work?