

**A CONCEPTUAL MODEL FOR THE IMPROVEMENT OF SERVICE QUALITY IN
THE SOUTH AFRICAN SHORT-TERM INSURANCE INDUSTRY IN KWAZULU-
NATAL**

BY:

THAMSANQA PATRICK MBONAMBI

STUDENT NO.: 213572029

SUPERVISOR: PROFESSOR THOKOZANE NZIMAKWE

2016

A THESIS SUBMITTED IN THE FULFILMENT OF THE REQUIREMENTS FOR THE
DEGREE OF
DOCTOR OF BUSINESS ADMINISTRATION
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP
COLLEGE OF LAW AND MANAGEMENT STUDIES
UNIVERSITY OF KWAZULU-NATAL



UNIVERSITY OF TM
KWAZULU-NATAL
—
INYUVESI
YAKWAZULU-NATALI

GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

DECLARATION

I hereby declare that this thesis, presented to the UKZN, is my own original work and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree at this or any other University, except where due acknowledgement has been made in the text.

Thamsanqa Patrick Mbonambi

_____	_____
Signature	Date

Student Name & ID

Certified by:

_____	_____
Professor T Nzimakwe	Date
Supervisor Name	

Certified by:

_____	_____
Signature	Date

Dean	

ACKNOWLEDGEMENTS

I would first like to thank the Almighty God, His Son, Jesus Christ, and the power of the Holy Ghost for being the light and guidance on my path. I express my gratitude to my supervisors, Professor T Nzimakwe and Dr Zondi, for their support and input, without which this work could not have been completed. I also extend my gratitude to the UKZN Graduate School of Business staff for their understanding.

For the hard work and dedication of Dr Given Mutinta, for his great involvement, my words cannot express what is in my heart, thank you so much Doc for being a pillar of strength. May God bless you abundantly.

Lastly, to my Church Leadership (uMalusi) for great counsel and prayers, I am grateful to be part of this powerful movement especially as we celebrate our centenary next year (2017).

DEDICATION

I humbly dedicate this work to my family: Nomsa, my lovely wife and my children Siphe, Samkelo and Nonji, for the sacrifices they made whilst I pursued this dream and milestone. Lastly, to my parents and my sisters, I love you so much.

ABSTRACT

This study investigated service quality in short-term insurance companies in KwaZulu-Natal, South Africa. The study is triggered by the high level of complaints from customers received by the Ombudsman for Short-Term Insurance (OSTI Annual Report).

Both an exploratory research design and a quantitative research method were used respectively. The study involved responses from policyholders from three short-term insurance companies in KwaZulu-Natal, South Africa. The stratified sampling method was used to select respondents. Data were collected by means of self-administered questionnaires. Data were analysed using the Statistical Package for the Social Sciences (SPSS) software program Version Windows 22.1 in particular descriptive and inferential statistics.

The study found that, generally, there was a gap between clients' expectations and their experiences. The findings show that gender influenced both expectations and experiences of clients while age and income only had influence on experiences while race had no influence on either clients' expectations or experiences of service quality.

Therefore, it is recommended that, in order to understand and address the gap between clients' expectations and experiences of service quality, short-term insurance companies and researchers should pay particular attention to reliability, assurance, tangibles, empathy and responsiveness and to their clients' relationships, gender, age, and income because these factors have an influence on service quality. In addition, the study found that race has no influence on service quality expectation or experience. The service quality conceptual model developed in this study may help to both understand and enhance the effectiveness of short-term insurance companies' service quality efforts.

TABLE OF CONTENTS

DECLARATION	I
ACKNOWLEDGEMENTS	III
DEDICATION	IV
LIST OF FIGURES	XIII
LIST OF TABLES	XIV
CHAPTER ONE	1
INTRODUCTION AND BACKGROUND TO THE STUDY	1
1.1 INTRODUCTION.....	1
1.2 BACKGROUND TO THE STUDY	2
1.3 RESEARCH PROBLEM	5
1.4 AIM OF THE STUDY	7
1.5 PURPOSE OF THE STUDY.....	7
1.6 CONTRIBUTION/SIGNIFICANCE OF THE STUDY	7
1.7 RESEARCH OBJECTIVES.....	8
1.8 RESEARCH QUESTIONS	9
1.9 BRIEF INTRODUCTION TO THE RESEARCH APPROACH	9
1.9.1 Literature Review.....	9
1.9.2 Research Design.....	10
1.9.3 Research Methodology	10
1.9.4 Theoretical Underpinning	10
1.9.5 Study Site	10
1.9.6 Sampling Strategy	11
1.9.7 Data Collection	11
1.9.8 Data Analysis	11
1.10 CONCEPTUAL BASIS	11
1.11 LIMITATIONS OF THE STUDY	14
1.12 STRUCTURE OF THESIS	15
1.13 SUMMARY	16
CHAPTER TWO	17
LITERATURE REVIEW	17
2.1 INTRODUCTION.....	17
2.2 THE ORIGINS OF THE INSURANCE INDUSTRY	18
2.3 THE ROLE OF INSURANCE IN THE ECONOMY	19
2.3.1 Understanding the Purpose of Insurance	19
2.3.2 Risk Transfer.....	20
2.3.3 Common Pool	21
2.3.4 Fair Premium	22
2.4 THE SOUTH AFRICAN SHORT-TERM INSURANCE LANDSCAPE	23

2.4.1	Economic Environment	23
2.4.2	Ratings Agencies	24
2.4.3	Sovereign Ratings Confusion	25
2.4.4	The Impact of Demographics on Insurance	27
2.4.5	The Impact of Urbanisation on Insurance.....	29
2.4.6	Growth Opportunities in Africa	29
2.4.7	Transformation and Broad-Based Black Economic Empowerment.....	30
2.4.8	Accelerating the Pace of Transformation and B-BBEE	32
2.4.9	The Short-Term Insurance Market.....	33
2.4.10	Supply and Demand Dynamics.....	34
2.4.11	Market Share by Insurance License.....	35
2.4.12	Percentage of Total Market.....	36
2.4.13	Market by Insurance Brand.....	36
2.4.14	Insurers under the Spotlight	38
2.5	SOUTH AFRICAN INSURERS' EXPANSION INTO AFRICA	40
2.6	REINSURER BRANDS AND MARKET SHARE.....	40
2.7	THE INSURANCE SECTOR BY POLICY TYPE.....	41
2.8	CHANGES IN SHORT-TERM INSURANCE BRANDS AND BRAND OWNERSHIP.....	41
2.8.1	In 2015 Hollard acquired Regent.....	41
2.8.2	In 2014 Metropolitan and Momentum Insurance Holdings acquired Guardrisk 42	
2.8.3	In 2014 Hollard acquired Etana	42
2.9	HOLLARD AND UNDERWRITING MANAGEMENT AGENCIES PARTNERS 43	
2.9.1	In 2012 the Launch of King Price Insurance	43
2.9.2	From American International Group to Chartis and Back to American International Group.....	44
2.9.3	The Launch of MiWay Insurance	44
2.9.4	Royal and Sun Alliance Sold its Stake in Mutual and Federal	45
2.9.5	Santam Acquired Guardian National	45
2.9.6	The 1980s and 1990s	46
2.10	INSURANCE DISTRIBUTION	46
2.11	SHORT-TERM INSURANCE BROKERS DOMINATE THE MARKET	47
2.11.1	Main Players in the Domestic Short-Term Insurance Broker Market	47
2.12	TYPES OF SHORT-TERM INSURANCE POLICIES.....	50
2.12.1	Property Policy.....	50
2.12.2	Transportation Policy	51
2.12.3	Motor Policy	51
2.12.4	Accident and Health Policy	51
2.12.5	Guarantee Policy	51
2.12.6	Liability Policy.....	51
2.12.7	Engineering Policy	52
2.12.8	Miscellaneous Policy	52

2.13	INTERNATIONAL AND SOUTH AFRICAN INSURANCE TRENDS	52
2.13.1	Challenges and Opportunities Facing Short-Term Insurance Firms.....	52
2.14	THE REGULATORY ENVIRONMENT	62
2.15	LAWS CURRENTLY IN FORCE IN THE SHORT-TERM INSURANCE SECTOR	62
2.16	PROPOSED NEW LAWS AND POLICY OBJECTIVES AFFECTING SHORT-TERM INSURERS.....	63
2.17	CUSTOMERS' SERVICE FACTORS IN THE SHORT-TERM INSURANCE INDUSTRY.....	64
2.18	SOUTH AFRICAN STUDIES ON SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES	65
2.19	SUMMARY	69
CHAPTER THREE		70
LITERATURE REVIEW		70
SERVICE QUALITY AND CUSTOMER RELATION MANAGEMENT.....		70
3.1	INTRODUCTION.....	70
3.2	SERVICE QUALITY.....	70
3.2.1	Service.....	70
3.3	CHARACTERISTICS OF SERVICES	71
3.3.1	Intangibility.....	72
3.3.2	Inseparability.....	72
3.3.3	Heterogeneity.....	72
3.3.4	Diverse standards and criteria of service	72
3.3.5	Perishability	73
3.3.6	Simultaneity	73
3.3.7	Participation of customers in the service process	73
3.4	QUALITY	74
3.5	SERVICE QUALITY.....	75
3.6	CONTRIBUTIONS OF SERVICE QUALITY.....	76
3.7	MEASURING OF SERVICE QUALITY	77
3.7.1	Theory of Assimilation	78
3.7.2	Theory of Contrast	79
3.7.3	Theory of Negativity.....	79
3.7.4	Theory of Assimilation Contrast.....	80
3.7.5	The Expectations Disconfirmation Theory	80
3.7.6	The Gap Model of Service Quality	82
3.7.7	The Nordic (European) Service Quality Model.....	85
3.7.8	RATER Service Model.....	87
3.7.9	Alternative Service Quality Models.....	90
3.7.11	Application of the RATER Model to the Study.....	96
3.7.12	Relational Benefits of Service Quality	96
3.7.13	Consequences of Relational Benefits.....	98

3.7.14	Measuring Relational Benefits.....	100
3.8	CUSTOMER RELATIONSHIP MANAGEMENT	100
3.8.1	Definition of Customer Relationship Management	101
3.8.2	The Evolution of Customer Relationship Management.....	102
3.8.3	Origin of Customer Relationship Management	102
3.8.4	Customer Relationship Management Evolution	104
3.8.5	Growth of Customer Relationship Management	105
3.8.6	Importance and Purpose of Customer Relationship Management.....	106
3.8.7	Changing Customers	106
3.8.8	Challenging Marketplace	106
3.8.9	Changing Effectiveness of the Market Function	107
3.8.10	Implications of these Changes	107
3.9	CUSTOMER RELATIONSHIP MANAGEMENT SEGMENT	108
3.9.1	Operational CRM	108
3.9.2	Analytical CRM.....	109
3.9.3	Collaborative CRM.....	109
3.10	BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT.....	110
3.10.1	Benefits of CRM to Businesses	110
3.10.2	Benefits of Customer Relationship Management to Customers	112
3.11	BARRIERS TO SUCCESSFUL CUSTOMER RELATIONSHIP MANAGEMENT	
	113	
3.11.1	Strategy-Related Barriers.....	113
3.11.2	Decision-Making Barriers.....	113
3.11.3	Management Barriers.....	113
3.11.4	Business barriers	114
3.12	IMPLEMENTATION OF CUSTOMER RELATIONSHIP MANAGEMENT	114
3.13	RELATIONSHIP-BASED INTERFACES	114
3.13.1	Management-customer interface.....	115
3.13.2	Staff-customer interface.....	115
3.13.3	Management-staff interface	115
3.13.4	Management-system interface	115
3.14	AN EMPHASIS ON QUALITY	116
3.15	MEASURING CUSTOMER SATISFACTION AND MANAGING CUSTOMER	
	SERVICE	116
3.16	INVESTING IN PEOPLE	117
3.16.1	Maintaining dialogue with customers.....	117
3.16.2	Setting realistic targets and assessing performance	118
3.17	MEASURING CRM INITIATIVES	118
3.18	SUMMARY	119
CHAPTER FOUR.....		120
RESEARCH METHODOLOGY		120
4.1	INTRODUCTION.....	120
4.2	RESEARCH DESIGN.....	120

4.3	RESEARCH METHODOLOGY	121
4.4	STUDY SITE	123
4.5	POPULATION AND TARGET POPULATION	124
4.6	SAMPLING METHODS	125
4.6.1	Sampling Technique	125
4.7	SAMPLE SIZE	126
4.8	DATA COLLECTION INSTRUMENTS	128
4.8.1	Questionnaire	128
4.8.2	Development of the Questionnaire	128
4.9	RELIABILITY AND VALIDITY OF STUDY	129
4.9.1	Face validity	130
4.9.2	Content validity	131
4.9.3	Construct validity	131
4.10	DATA ANALYSIS	131
4.10.1	Quantitative data	132
4.11	ETHICAL CONSIDERATIONS	133
4.12	SUMMARY	134
CHAPTER FIVE		135
DATA PRESENTATION, ANALYSIS AND INTERPRETATION		135
5.1	INTRODUCTION	135
5.2	A SUMMARY OF THE RESEARCH PROCESS FOLLOWED	135
5.2.1	Research Objectives	136
5.3	DEMOGRAPHIC CHARACTERISTICS	137
5.4	EXPERIENCES OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES	138
5.4.1	Experiences of reliability in service quality	142
5.4.2	Experiences of the assurance in service quality	142
5.4.3	Experiences of tangibles in service quality	143
5.4.4	Experiences of empathy in service quality	144
5.4.5	Experiences of responsiveness in service quality	144
5.5	EXPECTATIONS OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES	145
5.5.1	Expectations of reliability in service quality	149
5.5.2	Expectations of assurance in service quality	150
5.5.3	Expectations of tangibles of service quality	151
5.5.4	Expectations of empathy in service quality	152
5.5.5	Expectations of responsiveness in service quality	152
5.6	THE ROLE OF DEMOGRAPHIC CHARACTERISTICS IN THE EXPERIENCES OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES	153
5.6.1	Gender differences of experiences in service quality	153
5.6.2	The experiences of service quality according to age groups	154
5.6.3	The experiences of service quality according to race	158
5.6.4	The experiences of service quality according to income	159

5.7	THE ROLE OF DEMOGRAPHIC CHARACTERISTICS IN THE EXPECTATIONS OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES.....	161
5.7.1	Gender differences of expectations in service quality	161
5.7.2	The expectations of service quality according to age group.....	163
5.7.3	The expectations of service quality according to race	164
5.7.4	The expectations of service quality according to income	165
5.8	INTER-CORRELATIONS AMONG STUDY VARIABLES ON THE EXPERIENCES OF SERVICE QUALITY	166
5.9	INTER-CORRELATIONS AMONG STUDY VARIABLES ON THE EXPECTATIONS OF SERVICE QUALITY	168
5.10	GAP ANALYSIS OF EXPERIENCES AND EXPECTATIONS OF CLIENTS IN SHORT-TERM INSURANCE COMPANIES	170
5.11	FACTOR ANALYSIS	175
5.12	SUMMARY	175
	CHAPTER SIX.....	176
	CONCLUSION AND RECOMMENDATIONS	176
6.1	INTRODUCTION.....	176
6.2	CONCLUSIONS OF THE KEY FINDINGS	177
6.2.1	Experiences of service quality in short-term insurance companies	177
6.2.2	Expectations of service quality in short-term insurance companies.....	178
6.3	THE ROLE OF DEMOGRAPHIC CHARACTERISTICS IN THE EXPERIENCES OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES.....	179
6.3.1	The experiences of service quality according to gender	179
6.3.2	The experiences of service quality according to age groups	179
6.3.3	The experiences of service quality according to race	180
6.3.4	The experiences of service quality according to income	180
6.4	THE ROLE OF DEMOGRAPHIC CHARACTERISTICS IN THE EXPECTATIONS OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES.....	181
6.4.1	The expectations of service quality according to gender.....	181
6.4.2	The expectations of service quality according to age	181
6.4.3	The expectations of service quality according to income	182
6.4.4	The expectations of service quality according to race	182
6.5	INTER-CORRELATION AMONG STUDY VARIABLES ON THE EXPERIENCES OF SERVICE QUALITY	182
6.6	INTER-CORRELATION AMONG STUDY VARIABLES ON THE EXPECTATIONS OF SERVICE QUALITY	183
6.7	GAP ANALYSIS OF EXPERIENCES AND EXPECTATIONS OF CLIENTS IN THE SHORT-TERM INSURANCE COMPANIES	184
6.8	UNIQUE CONTRIBUTION OF THE STUDY: CONCEPTUAL AND PRACTICAL BUSINESS IMPLICATIONS	185
6.8.1	Contribution on experiences and expectations of service quality.....	185

6.8.2	Variable relational benefits	189
6.8.3	Gender and service quality dimensions	190
6.8.4	Age and service quality dimensions	190
6.8.5	Income and service quality dimensions	191
6.8.6	Race and service quality dimensions	191
6.9	SPECIFIC RECOMMENDATIONS ON EXPECTATIONS AND EXPERIENCES OF SERVICE QUALITY IN THE SHORT TERM INSURANCE INDUSTRY.....	193
6.10	GENERAL RECOMMENDATIONS ON SERVICE QUALITY	195
6.11	RECOMMENDATIONS FOR FUTURE RESEARCH.....	196
	REFERENCE LIST	198
	APPENDIX 1.....	236
	GATEKEEPER’S LETTER	236
	APPENDIX 2.....	237
	INFORMED CONSENT LETTER	237
	APPENDIX 3.....	240
	ETHICAL CLEARANCE	240
	APPENDIX 4.....	242
	LETTER FROM EDITORS	242
	APPENDIX 5.....	244
	TURNITIN REPORT	244
	APPENDIX 6.....	252
	QUESTIONNAIRE	252
	APPENDIX 7.....	252
	FACTOR ANALYSIS	252

LIST OF FIGURES

Figure 2.1: Contribution to GWP by Insurance License	38
Figure 2.2: Market by Insurance Brand	39
Figure 3.1: Theory of Assimilation	84
Figure 3.2: The Expectations Disconfirmation Theory	86
Figure 3.3: The Gap Model of Service Quality	88
Figure 3.4: The Nordic Model for Service Quality	92
Figure 3.5: RATER Model	93
Figure 3.6: Retail Service Quality Scale (RSQS) Model	98
Figure 6.1: Theoretical Contribution of the Study	194

LIST OF TABLES

Table 2.1: Insurers' Complaints per 1000	63
Table 2.2: Top Insurers by Overturn Rate	64
Table 4.1: Sample Size	134
Table 4.2: Sample Size Table	135
Table 5.1: Demographic Characteristics of the Respondents	144
Table 5.2: Experiences of Service Quality in Short-Term Insurance	146
Table 5.3: Expectations of Service Quality in Short-Term Insurance	153
Table 5.4: Gender Differences in Experiences of Service Quality	161
Table 5.5: The Experiences of Service Quality According to Age Group	164
Table 5.6: The Experiences of Service Quality According to Race	165
Table 5.7: The Experiences of Service Quality According to Income	166
Table 5.8: Gender Differences in Expectations of Service Quality	169
Table 5.9: The Expectations of Service Quality According to Age Group	170
Table 5.10: The Expectations of Service Quality According to Race	171
Table 5.11: The Expectations of Service Quality According to Income	172
Table 5.12: Summary of the Inter-Correlations of the Study Variables on Experiences of Service Quality	173
Table 5.13: Summary of the Inter-Correlations of the Study Variables on Expectations of Service Quality	177
Table 5.14: GAP Analysis of Experiences and Expectations of Clients	179

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Service quality is a contemporary, dynamic and important concept in the sphere of marketing. Service quality influences competition in business and, as a result, it has an impact on the market share and profits of an organisation. For this reason, the ability of short-term insurance companies to survive in the industry and expand their enterprises depends largely on their capacity to respond to the need for change and to be able to measure the implications of that change. Customers' wishes and needs are shaped by social, economic and developmental conditions; there is consequently a close link between insurance companies' ability to survive, and their capacity to offer services that are aligned with the ever-growing and shifting needs of the customers. Service organisations, and particularly those in the insurance sector, expend effort and resources to find effective ways of addressing change in order to survive. Organisations are compelled to improve their effectiveness through both the efficient activation of their existing services and the creation of new services (Bruner and Hensel, 2005). A commitment to high levels of service quality and the elimination of the problems and factors that compromise service quality will result in a number of both economic and non-economic benefits for the organisation (Chen and Hu, 2013).

The short-term insurance industry in South Africa is a competitive environment in which customers are fully aware of the range of product options and service providers that exist in the market. Customers' perceptions are becoming more informed and astute. As a result, service provider organisations have to be aware of customers' expectations and experiences and of the gap between these two service quality issues. This study assesses the gap between clients' expectations and their experiences of service quality provided within the KwaZulu-Natal insurance industry. This chapter presents an overview of the study, background to the study, research problem, outlines the aim of the study, purpose of the study, contribution/significance of the study, research objectives and questions. The chapter also presents a brief account of the research approach used in the study, conceptual basis, limitations of the study, structure of the thesis and the summary.

1.2 BACKGROUND TO THE STUDY

This study assesses service quality in short-term insurance companies in KwaZulu-Natal. Many studies have found that customer-centric marketing philosophies are receiving significant attention in the marketing literature produced by both practitioners and scholars (Breckenridge, Farquharson, and Hendon, 2014; Mackay, Mostert and Petzer, 2015). Both scholars and practitioners are continuously searching for the means to comprehend, entice, retain, and develop close long-term relationships with valuable customers (Bruner and Hensel, 2005; Chen and Hu, 2013).

One of the critical issues of concern in the customer-centred marketing theory is that service providers need to ensure that existing customers are satisfied with the service they are offered. For this reason, businesses are conducting research on and generating service strategies to improve service quality.

Studies such as those conducted by Beytell (2010) and De Matos, Vieira and Veiga (2012) found that customers who were very satisfied with the service they received were more than six times more likely to be loyal and to buy again and to tell family members and friends about a product or service, than customers who were merely satisfied. A study by Thompson (2004:23) found that satisfied customers told on average more than 5 other people about the quality of service received. This has the potential to increase a company's profits anywhere between 25% and 85%. Conversely, Limayem (2007) found that on average, customers with problems told between 8 and 10 other people about the poor service they received.

Studies by Gayathri, Vinaya and Lakshmisha (2005), Egan (2011), and De Matos, Vieira, and Veiga (2012), found that customer experience strongly influences customers' retention and loyalty. Beytell (2014) adds to the debate on customer fulfilment by stating that, on average, businesses spend six times more attracting new customers than they do on keeping existing customers. Breckenridge, Farquharson, and Hendon (2014) argue that customer retention is a product of customer value and loyalty. In turn, customer value and loyalty are the results of the degree of customer satisfaction or dissatisfaction with the service they received. Organisations with short and long-term goals to expand their business reach are increasingly finding ways to determine the specific factors that affect customers' satisfaction and dissatisfaction. Beytell (2010) argues that customers' complaints can be used to measure customers' satisfaction and

dissatisfaction levels. He also states that many businesses never hear from 96% of their dissatisfied customers and 91% of the customers do not ever come back, while only 4% of dissatisfied customers take the time to complain. This is because there is no mutual relationship between service providers and customers. As a result, modern business organisations are now using both quantitative and qualitative methods to ascertain customer satisfaction levels. The results of these measures influence the operative marketing mix and future decisions. Parenthetically, the ability of organisations to measure customer contentment allows them to measure how effective they are in providing services to the satisfaction of the customers in their market spaces.

Stone (2000); Dyche (2001); Ryals and Knox (2004); and Thompson (2004) argue that customer satisfaction is predominantly determined by service quality of organisations from the perspectives of their customers. Empirically informed practitioners are better able to develop, communicate, deliver and improve service quality to their customers. Increased attention is being paid to the creation of several models of service quality for different businesses (for example in the institutions of higher learning, hotels, health, education sector, and others) as well as to the development of quality enhancement plans for service organisations such as the short-term insurance industry in KwaZulu-Natal, South Africa (Modikwa, 2009).

There is intense competition for market share with both local and foreign organisations. As in other countries, the South African the insurance industry is exploring ways to deliver quality service and satisfaction to its customers. The South African Insurance Association (SAIA), a representative body of the short-term insurance industry, regulates the insurance industry in South Africa. SAIA represents the insurance industry to all relevant stakeholders to ensure a sustainable and dynamic industry (South African Insurance Association, 2014). SAIA has 59 members and its Code of Conduct attempts to ensure adherence to best-practice industry standards and self-regulation. It also aims to encourage effective administration, supervision and regulation and to control the business of insurance in South Africa. According to the SAIA Report (2014), SAIA's fundamental priority areas include transformation and governance risks, insurance risks, operations, stakeholder relations and communication.

The main functions of SAIA are:

“To represent its members' interests to the public, to government at all levels, and to the media. SAIA provides a forum for discussion of common interests in the short-term insurance industry, facilitation of information

flow among its members, interaction with all associations operating within the insurance industry and with all relevant organisations and entities especially in the key priority areas. It is also SAIA's function to set appropriate technical standards for the industry."

(Ombudsman for Short-term Insurance, Annual Report, 2014, p.9)

Council of Fire Insurance Companies was established in 1907 later renamed SAIA in 1973 (SAIA Annual Review, 2013). This trade association celebrated its centenary in 2007 for serving the South African short-term insurance industry, albeit in different guises, for over 100 years. In the past sixteen years, competition in the insurance industry has increased substantially due to several new insurers who have joined the industry (SAIA Annual Review, 2013). According to the SAIA Report (2014), there are more than 23 non-life companies, 17 life companies, 2 reinsurance companies, 40 broking companies, 1 reinsurance broking company, 1 loss adjusting company and close to 4000 insurance agents in South Africa.

To the best of the researcher's knowledge from literature review conducted, there has not been research to determine clients' expectations and experiences and the gap between these two in the short-term insurance industry in South Africa. Roberts-Lombard, Van Tonder, Pelser, and Prinsloo (2014) conducted a study that focused on key variables and customer loyalty in South Africa while Beukes (2015) researched customer service expectations from South African alcohol beverages suppliers in the urban and rural areas. The two studies mentioned above and many others (Modikwa, 2009; Roberts-Lombard, and Du Plessis, 2012; Mackay *et al.*, 2015) conducted in South Africa do not assess service quality in the short-term insurance industry in KwaZulu-Natal. This shows that there is a dearth of knowledge on the understanding of service quality in the short-term insurance industry.

Short-term insurance clients became increasingly dissatisfied with the service levels rendered to them by insurance companies (Ombudsman for Short-term Insurance, Annual Report, 2011). These complaints escalated to such an extent that the government was compelled to intervene by establishing independent bodies such as the Financial Services Board and supervisory bodies such as the Ombudsman for Short-term Insurance to safeguard the interests of the insurance customers (Ombudsman for Short-term Insurance, Annual Report, 2011).

My study will use the Reliability, Assurance, Tangibles, Empathy and Responsiveness Model, also known as the RATER Model, to assess service quality in the short-term insurance industry in KwaZulu-Natal. Parasuraman, Berry and Zeithaml (2002) developed the RATER Model as an improvement on their SERVQUAL model that had been developed years before. The SERVQUAL model focuses on customers' perceptions of service quality (Gil-Saura and Ruiz-Molina, 2011; Jones and Taylor, 2012) and plays an important role in the measurement of service quality at service delivery companies. SERVQUAL further includes several dimensions or gaps that have attracted research attention into other disciplines (Veloutsou, Saren and Tzokas, 2002; Reinartz and Kumar, 2003; Zeithaml *et al.*, 2006; Ahmad and Sungip, 2008).

Some of these unexplored service dimensions or gaps in the RATER model appear to be important and worthy of investigation in the context of short-term insurance. These include the gap between service expectations and experiences in terms of the service delivered in the short-term insurance industry in KwaZulu-Natal. The proposed study investigates the gaps that, if dealt with, could create a better relationship between customers and short-term insurance companies in the context of service quality.

1.3 RESEARCH PROBLEM

The study assesses service quality in short-term insurance industry in KwaZulu-Natal. A dearth of empirical studies in the sphere of service quality in the insurance industry in South Africa for both industrial and research management formed the basis of the research problem.

Evidence shows that there is a rising level of complaints received by the Ombudsman for Short-Term Insurance (OSTI Annual Report), an independent body to which clients can complain if they believe that their insurer has treated them unfairly. For instance, overall, the Ombudsman:

“Received 10 253 complaints in 2014, up 9.5% from 9 368 complaints in 2013, and from 9 144 complaints received five years ago. The Rand value of complaints resolved in favour of the insured was down to R116 million, from R119 million in 2014, and R136 million in 2009. The majority of complaints related to motor insurance at 46.9% (4 807 complaints), followed by house owners' insurance at 20.9% (2 148 complaints). The

'miscellaneous' category accounted for 17.4% of complaints"
(Ombudsman for Short-term Insurance, Annual Report, 2014:3).

While SAIA has attempted to encourage short-term insurance companies to improve their service quality, there is no empirical information or evidence on the perceptions of customers regarding the service quality of the insurance firms. Therefore, it is important for short-term insurance management to be informed empirically about how customers feel about the service quality in their industry. The study may also provide the necessary feedback to inform management decisions and growth plans for the short-term insurance firms.

Whilst many scholars have researched customer satisfaction levels with service quality in many other industry contexts such as health and education (Kandampully and Suhartanto, 2003; Kotler and Keller, 2006; Malhotra, 2007), few have researched service quality in the insurance industry context in developing economies. There is therefore a need to amplify the understanding of factors that promote customer experience and expectation in the industry. This knowledge may provide management with an empirical basis for developing an effective marketing mix within their organisation. In consideration of the above, the study investigated the gaps that exist between the clients' expectations and experiences of:

- Reliability (whether firms provide the promised service consistently, accurately, and on a timely basis);
- Assurance (whether the knowledge, skills, and credibility of the employees inspire trust and confidence);
- Tangibility (whether the physical aspects of the service is appealing);
- Empathy (whether there is a good relationship between employees and clients); and
- Responsiveness (whether firms provide fast, high-quality service to clients).

This is the starting point for the provision of high quality service within the short-term insurance industry. The extent of the gap between the perceptions of the clients and the actual product offering will determine the extent to which the companies can improve their service

quality. As mentioned above, gaps between the product offerings and clients' experiences and expectations are at present not known or measured by short-term insurance companies.

1.4 AIM OF THE STUDY

The study explores service quality provided to clients of short-term insurance companies in KwaZulu-Natal and uses the RATER Model as a lens for the investigation. Preliminary literature reveals that previous studies have used the RATER Model to evaluate service quality in institutions of higher learning, libraries, hotels, telecommunication, health, education sector, and others (Qadri, 2015). However, no such study has been conducted to evaluate service quality in the short-term insurance industry in KwaZulu-Natal, South Africa.

1.5 PURPOSE OF THE STUDY

The main purpose of this study is to assess and measure the gap between expectations and experiences of service quality provided to clients in the KwaZulu-Natal short-term insurance industry. It is envisaged that the study will provide insurers with a metric that can be used to manage and improve their service quality. In other words, the study will ascertain how insurance products or services specifically supplied by Company A, Company B and Company C meet or surpass clients' expectations. Company A, Company B and Company C are included in the study because they constitute the biggest market share in the industry, have been in existence for a long time and are the most innovative in product design (Ombudsman for Short-Term Insurance: 2014).

1.6 CONTRIBUTION/SIGNIFICANCE OF THE STUDY

This study is significant to marketing practitioners, businesses, policymakers and stakeholders. The management teams of South Africa's insurance companies can utilise the findings from this study with confidence as they are based on scientific measures and steps for assessing the level of service quality that they deliver. The study also serves as an important source of information about the changing intentions of their respective clients. In essence, through a conceptual model which will be developed within the study, dimensions of service quality that influence clients' expectations and experiences will be revealed. The study found that the five dimensions of service quality and their relationships with the demographics, gender, age and

income levels of their clients influence the clients' expectations and experiences of service quality. In turn these expectations and experiences influence clients' satisfaction with short-term insurance companies. The study found that race has no influence on service quality. Short-term insurance companies can employ the service quality conceptual model created in this study to understand and enhance their own organisation's service quality. The study provides empirical support for management planning decisions in a number of vital areas of their operations. In particular, the study proposes a conceptual model that short-term insurance companies, not only in South Africa but also in other countries, may put into effect as a critical component of their business strategy. The model may also help short-term insurance companies to increase their ability to be more sustainable and profitable.

To policy-makers such as government and SAIA, the findings of this study may provide vital insights and a dependable guide to use to monitor the influence of the operations of SAIA. For other stakeholders, the study will provide important information that will allow investors, employees, customer associations and others to provide useful suggestions for the improvement of service quality delivery in their respective insurance companies in South Africa.

1.7 RESEARCH OBJECTIVES

- To determine the expectations of service quality of the clients in the short-term insurance industry;
- To ascertain the experiences of service quality of the clients in the short-term insurance industry;
- To understand the gap between expectations and experiences of the service quality provided to the clients in the short-term insurance industry and
- To understand the influence of demographics in clients' expectations and experiences of service quality in the short-term insurance industry.

1.8 RESEARCH QUESTIONS

Based on the gaps outlined above and the research objectives, the key research questions include:

- What are the clients' expectations of service quality with regard to short-term insurance?
- What are the clients' experiences of service quality in the short-term insurance industry?
- What is the gap between expectations and experiences of the service quality of the clients in the short-term insurance industry?
- What is the influence of demographics on clients' expectations and experiences of service quality in the short-term insurance industry?

1.9 BRIEF INTRODUCTION TO THE RESEARCH APPROACH

This section provides brief background information needed to understand the methodology used to underpin the study.

1.9.1 Literature Review

Yin (2009) explains that a good literature review provides an account of a phenomenon deduced from research that accredited scholars have published. The literature review in this study conveys the ideas and knowledge that exist on the short-term insurance industry in South Africa. The literature highlights the strengths and weaknesses of the existing body of knowledge in the topic under study. To achieve this, two literature review methods, namely chronological order and thematic analysis were used to efficiently scan and critical appraise the existing body of knowledge on service quality. The study uses annual reviews and reports, scholarly journal articles, books, theses, dissertations and lecture notes, to name a few. Both local and international literature about service quality is examined.

The study presents information on the origin of insurance companies; an overview of insurance companies in South Africa, with specific focus on short-term insurance companies; and the challenges insurance companies are facing. The study also evaluates literature on service

quality by discussing the meaning of service, quality and service quality. This is achieved by highlighting the theoretical debate on service quality and addressing the main theoretical bodies of knowledge on service quality to show how this research is relevant to and benefits service quality. It also and explores customer relation management in the context of service quality.

1.9.2 Research Design

Creswell (2014) argues that a research design addresses the planning of a scientific inquiry. Mutinta (2014) states that research design is a toolbox for the study. This study uses an exploratory research design as a blueprint because the research problem under study has not yet been fully investigated or defined.

1.9.3 Research Methodology

A quantitative methodology, which is a systematic empirical investigation of an observable research problem through statistical techniques (Creswell, 2014), is used to measure the gap between clients' expectations and their experiences of service quality in the short-term insurance companies under study. Using quantitative research methodology, data collected is converted into statistics to achieve the objective measurements on clients' expectations and experiences of service quality in short-term insurance companies.

1.9.4 Theoretical Underpinning

The RATER Model, which is a service quality construction that presents five critical areas in business, is used by customers to assess the strength or weaknesses of businesses and relationships with their clients (Zeithaml *et al.*, 2006). The five dimensions highlighted by the RATER model are: Reliability, Assurance, Tangibles, Empathy, and Responsiveness. This model is used to inform several aspects of the study including research questions and objectives, questionnaires, and others.

1.9.5 Study Site

The study was conducted in the province of KwaZulu-Natal (KZN), which is an Eastern coastal province in South Africa. The name KwaZulu-Natal was adopted for the region in 1994 (Statistics South Africa, 2013). Short-term insurance companies, namely Company A, Company B and Company C were the subject of the study as they are all represented in the province.

1.9.6 Sampling Strategy

Respondents were selected using the probability sampling method, more specifically the cluster sampling technique. The technique allowed clusters of respondents in the short-term insurance companies named above to be identified and included in the sample.

1.9.7 Data Collection

Data was collected using questionnaires. Three hundred and eighty-four (384) questionnaires were collected. The respondents were given adequate information on the reasons for the research and instructions on how to complete the questionnaire. In addition, secondary data was collected from the archives of short-term insurance companies. These documents provided precise information regarding short-term insurance companies' origins and the service provided.

1.9.8 Data Analysis

Inferential and descriptive statistics were used to analyse data. The Statistical Package for Social Sciences (SPSS), Version 22.1, was used to process and analyse the data. A pilot study was conducted with sixteen clients to refine the questionnaire. There were four from each of the insurers under stud.

1.10 CONCEPTUAL BASIS

- **Reliability:** is the ability to provide the service promised to customers dependably and accurately which will impact on their satisfaction levels. Reliability entails providing the promised service at the promised time (Lee, Choi, Kim and Hyun, 2014). It is the responsibility of the insurer to assess customers' satisfaction levels by appraising clients' claims to ensure that they are paid promptly and equitably. Once customers have developed a lack of trust in an organisation to do what was promised and when it was promised, they will become dissatisfied.

- **Responsiveness:** is the level of willingness that service organisations need to demonstrate when helping customers and providing prompt service (Kurtz, 2014). For example, the length of time service organisations take to ensure that clients get insurance quotations is critical to insurance policyholders. Service organisations should find the right balance between the speed of their responses and the quality of service to satisfy the customer (Lee *et al.*, 2014).

- **Assurance:** assurance is the organisation's level of knowledge necessary to respond effectively to questions raised by customers. The construct of assurance underscores the need to provide customers with appropriate answers to their questions timeously. Many customers are dissatisfied if they have to contact a service organisation several times before they are able to obtain the information they need (Kurtz, 2014). For this reason, sources of information such as the organisation's website should contain reliable and rich information (Ledden, Kalafatis and Mathioudakis, 2011). Providing customers with knowledge inspires their confidence and trust and these have a positive influence on levels of customer expectation (Kurtz, 2014).
- **Empathy:** is the provision of care to customers. Lovelock and Wirtz (2011) state that addressing customers' specific needs and providing them with individualised attention are factors that influence customer expectation and experience.
- **Tangibility:** This describes the appearance of physical facilities, equipment, personnel and communication material (Jones and Taylor, 2012).
- **Service Quality:** is an assessment of how well a delivered service conforms to the client's expectations. Grönroos (2010) defines service quality as the gap between customers' expectations and their perceptions of the service provided to them by service organisations. This is in line with Parasuraman's (2005) definition that service quality is the difference between customers' expectations of services and their perceived services. Hennig-Thurau and Gwinner and Gremler (2010) define service quality as the degree to which customers' needs and expectations are met by service organisations.
- **Insurance:** is a means of receiving financial compensation for property loss. Insurance can either be life or non-life insurance (Stone, 2000). Some scholars define insurance as a pledge of compensation for particular possible future losses in exchange for a regular payment (Gayathri *et al.*, 2005).
- **Underwriting:** is a process of assessing the eligibility of a customer to receive equity. An insurance underwriter assesses the risk of potential clients (Hennig-Thurau *et al.*, 2010).

- **Claims:** claims are the requests made formally to an insurance company for payment based on the terms of an insurance policy agreement (Financial Service Board (FSB), 2008).
- **Loss Adjusters:** are specialists who investigate complex claims on behalf of insurance companies and holders of an insurance policy in order to calculate the level of compensation payable (Gil-Saura and Ruiz-Molina, 2011).
- **Insurance Agent:** represents and acts on behalf of an insurance company. He or she plays a critical role in assisting clients to choose insurance policies that fit their needs and their budget. The agent also helps clients to complete policy applications (Gayathri *et al.*, 2005).
- **Customer Expectations and Experiences:** These are expectations customers have of their service organisations. Hennig-Thurau *et al.* (2010) argue that customer expectations are the degrees of services that customers expect companies to deliver to them. Understanding customer expectations is an essential element in service delivery. Customer experience is the range of services that customers are provided with by companies. Customer experience occurs when there is interaction between companies and customers under a given period (Kotler and Keller, 2006).
- **Customer:** Fornell (2010:9) defines a customer as:

“someone who has a direct relationship with, or is directly affected by an agency and receives or relies on one or more of that agency’s services or products.”

Customers in human service organisations are commonly referred to as service users, customers or clients, and they can be individuals or groups (De Wulf, Odekerken-Schröder and Iacobucci, 2001).
- **Insurance Broker:** a negotiator between an insurer and an insured entity. They try to locate and arrange the best insurance policies for an insurer and insured parties (Chen and Hu, 2013).

- **Customer Satisfaction:** measures how products and services offered by service organisations meet or surpass customers' expectations. In competitive market places, customer satisfaction is one of the main differentiators between organisations and is an important component of overall business strategy (Breckenridge *et al.*, 2014).
- **Short-term Insurance:** provides an affordable short-term safety net to customers (De Matos *et al.*, 2012). Short-term insurance covers the customer's possessions such as home contents, vehicle and other assets.

1.11 LIMITATIONS OF THE STUDY

There is a dearth of scholarly studies on service quality in the South African short-term insurance industry. As a result, the literature presented herein was largely taken from international studies on service quality. This is one of the reasons this study was conducted. It is hoped that the study will address the gaps in the existing empirical literature on service quality in the short-term insurance industry specifically in South Africa.

A further limitation of the study is that the researcher only had estimates of the target population of short-term insurance policyholders in KwaZulu-Natal province. The marketing managers of the respective short-term insurance companies under study provided the estimated number of policyholders which were then confirmed by a broker company who granted the gatekeeper's letter. The exact client numbers were not released out of respect for the companies' right to privacy and confidentiality. It is the ethical responsibility of companies to protect information about their clients from use, unsanctioned access, and disclosure.

The researcher would also have liked to include all other short-term insurance companies in South Africa but time, financial constraints and the smaller clientele of other short-term insurers placed limitations on the study.

1.12 STRUCTURE OF THESIS

The study is organised into six chapters.

Chapter One: is the introduction to the study that presents the background to the study, the research problem, the purpose of the study, the research objectives, the research questions, and the significance of the study, the limitations, and the structure of thesis.

Chapter Two: is a review of literature related to the short-term insurance industry and key concepts relating to it. The chapter covers the origin of the insurance industry, the role of the short-term insurance industry in the economy, the South African short-term insurance landscape, and growth opportunities in Africa. The chapter discusses transformation and the policy of Broad-Based Black Economic Empowerment, the short-term insurance market, supply and distribution dynamics, market share by insurance license and brand, insurance under spotlight, and expansion in Africa. The chapter deals with the reinsurer brands and market shares, insurance by policy types, changes in the short-term insurance brands and ownership, types of short-term insurance policies, and international and South African insurance trends. The chapter also highlights customers' expectations of service quality factors in the short-term and the gaps in the current body of knowledge on service quality in the short-term insurance industry by reviewing studies conducted in this area. The chapter ends with a summary.

Chapter Three: discusses the concept of service quality and customer relation management by highlighting among other things, the emergence, development, role and importance of the customer relation management. The chapter also explains customer relation management benefits and barriers. In addition, the chapter deals with the customer relation management initiatives and how they are related, and ends with a discussion of the role of customer relation management within the short-term insurance industry.

Chapter Four: is the methodology chapter. It covers the research design, research methodology, data collection tools, study site, population, sampling methods, data collection tools and credibility of the study. The chapter covers the data analysis tools, ethical considerations and a conclusion.

Chapter Five: contains the data presentation, discussion, and analysis of the findings. Data is presented, discussed and analysed simultaneously. This made it easier to model data and identify key findings supported by scholarly literature. The last part of the chapter is the conclusion.

Chapter Six: presents the conclusion, contribution of the study to the body of knowledge and recommendations of the study. Conclusions presented are logical interpretations based on the findings of the study while recommendations flow from the conclusions to meet the purpose and the scope of the study as elaborated in the introductory chapter.

1.13 SUMMARY

This study assesses service quality provided to clients in the short-term insurance. This is achieved by assessing the gap between clients' perceptions and their experiences of service provided within the KwaZulu-Natal insurance industry. This chapter presented an overview of the study by covering the background to the study, the research problem, the aim of the study, the purpose of the study, the contribution of the study, and the research objective and questions. This chapter also presented a brief account of the research approach used in the study, limitations of the study, definition of terms, and the chapter organisation of the thesis. The following chapter presents literature related to the research problem under study.

CHAPTER TWO

LITERATURE REVIEW

AN OVERVIEW OF THE SHORT-TERM INSURANCE INDUSTRY

2.1 INTRODUCTION

This study assesses service quality in the short-term insurance industry in KwaZulu-Natal, South Africa. The previous chapter presented the introduction and background to the study. This chapter presents a review of literature within the area of short-term insurance. Some scholars define the literature review as a synthesised report of information generated from the existing body of knowledge related to the topic under study (Yin, 2009; Mutinta, 2014). The literature review for this study was conducted by carefully and purposively searching and evaluating the existing literature in the areas of short-term insurance and service quality.

The chapter starts by presenting information on the origin of the insurance industry. Then it discusses the role of the short-term insurance industry in the economy, the South African short-term insurance landscape, and growth opportunities in Africa. The chapter deals with the transformation and the policy of Broad-Based Black Economic Empowerment, the short-term insurance market, supply and distribution dynamics, market share by insurance license and brand followed by a discussion of insurance under the spotlight, and the expansion of the industry in Africa. The chapter discusses the reinsurer brands and market shares, insurance by policy type, changes taking place in the short-term insurance brands and ownership, types of short-term insurance policies, and international and South African short-term insurance trends. The chapter also highlights customers' expectations of service quality factors in the short-term insurance industry. It reveals the gaps in the current body of knowledge on service quality in the short-term insurance industry by reviewing studies conducted in this area, and end with the summary to the chapter. The overall aim of this chapter is to demonstrate the researcher's familiarity with the body of knowledge on short-term insurance industry in the context of service quality and to underpin the credibility of this study.

2.2 THE ORIGINS OF THE INSURANCE INDUSTRY

Scholars argue that the oldest form of insurance can be traced back to the second Century Before Christ (BC) in China and Babylon (De Wulf *et al.*, 2001). Studies show that before shipping their merchandise, Chinese merchants spread their merchandise across several ships so that if one or two ships sank during the voyage, they still had merchandise in other ships to continue with their trade (De Wulf *et al.*, 2001; Egan, 2011). In ancient Mesopotamia, the cradle of urban civilisation, and, particularly in Babylon, the Code of Hammurabi in 1750 BC records that merchants would go to financial lenders to finance their merchandise and pay more money to guarantee their merchandise if lost at sea (De Wulf *et al.*, 2001). Egan (2011) states that if their merchandise got lost at sea, Babylonians who had financed their merchandise, would be covered for the whole loss or the whole loan would be cancelled (see also De Wulf *et al.*, 2001).

Another ancient insurance practice was that merchants would put money together before goods were shipped (Egan, 2011). If a merchant had his goods thrown overboard because the ship was about to sink, then the merchant whose goods were thrown into the sea to save the ship was given compensation from the funds collected from other merchants who had shared the ship's load. (De Wulf *et al.*, 2001). The practice of throwing goods into the sea to save the ship was called 'general average' (Cornah and Reeder (2013) and the other merchants showed their appreciation of the sacrifice to save their own goods.

The modern type of insurance between parties started in the 14th Century (Egan, 2011). Modern insurance eventually evolved through maritime insurance. However, maritime insurance became just one of the different types of insurance which came into being after the 1666 'Great Fire of London' that gutted more than thirteen thousand (13 000) houses (Buckham, Jason and Stuart, 2010). This calamity changed insurance from merely maritime insurance to include insurance for homes against fire (Egan, 2011).

It was not until 1681 that an economist called Nicholas Barbon, and his eleven friends founded the first insurance company that insured frame and brick houses situated behind the Royal Exchange in London (Egan, 2011). Close to 5 000 houses were insured by the Insurance Office for Homes, as Barbon's Insurance Company was called (Gayathri *et al.*, 2005).

Years later, several house insurance companies were established and most of them ran their own fire units to manage risks for the houses insured. This shows that insurance companies used to cover risk and actively helped to devise a means of lessening and managing risks even in early times (Egan, 2011).

Scholars argue that after the ‘Great Fire of London’, insurance companies played an important role in shaping fire-fighting and prevention techniques (Gil-Saura and Ruiz-Molina, 2011). Several studies argue that Lloyd’s of London was one of the world’s most prominent insurance companies. It was founded in 1680 by Edward Lloyd (Akanlagm, 2011). The company started as a coffee shop where merchants, captains and ship owners used to meet and eventually became a place where partners used to meet with underwriters to sign insurance contracts for their merchandise (Gil-Saura and Ruiz-Molina, 2011). As time went by, the coffee shop became transformed into an insurance market, as it is known today (Tsoukatos, 2007).

2.3 THE ROLE OF INSURANCE IN THE ECONOMY

Studies show that the insurance industry provides an important service to national economies as discussed below.

2.3.1 Understanding the Purpose of Insurance

The insurance industry pools and transfers risk in the economy for stakeholders such as financial institutions, commercial entities, other organisations and households. According to De Weert (2011:15), the insurance industry has both differences and similarities to the other organisations in the financial sector. Insurance is characterised by the reversal of the production cycle as premiums are collected when the contract is entered into and claims arise only if a specified event occurs. De Weert (2011) notes that the difference between a bank and an insurer is that the customers of the bank retain the legal ownership of their deposits at the bank, while the customers of the insurer transfer such legal ownership to the insurer with the payment of the insurance premium. For the price of a premium, short-term insurers provide protection against fortuitous losses such as accidents, theft, and fire. By contrast, long-term insurers mobilise contractual savings by people who need protection against the possibility of premature death, illness, and retirement at the cost of a premium (Saunders and Cornett, 2011). Nienaber and Reinecke (2009) indicate that the perceived benefits for the insured is that the long-term insurer assumes the financial risk of at least some uncertainties of the future and provides the

insured with the reassurance that their life savings are managed professionally. Even though Nienaber and Reinecke (2009) note that undesirable events cannot be averted by the long-term insurance contract, they indicate that the financial burden of the potentially negative consequences can be avoided or alleviated with the transfer of the risk to the insurer.

Ward and Zurbruegg (2000) explain that by offering risk transfer and indemnification services, insurers aid risk-averse individuals and entities in purchasing expensive items such as vehicles, real estate, and other assets. They further argue that, in the absence of product liability insurance, pharmaceutical companies may not be willing to risk of developing and marketing potentially beneficial products. According to these authors, the positive outcomes of the development of new products are increased purchases and increased profits for the developers and sellers of the goods and services and the consequent employment created in the process outside the insurance sector. Another benefit of insurance is the possible change to less risky behaviour of risk-taking individuals such as smokers and reckless vehicle drivers as a result of to premium loading by the insurers for their higher risk. Levene (2011) also indicates that insurers and brokers need to understand and be aware of economic developments outside the insurance industry to assist their customers not only with their current risk exposures, but also to be aware of what the customers may experience in the future.

Insurance provides an important service to the economy by facilitating the transfer and pooling of risk. By offering risk transfer and indemnification services and products, insurers assist risk-averse individuals and entities in purchasing expensive items such as vehicles, real estate and other assets. In addition, insurance enables for example pharmaceutical companies to develop and market beneficial products due to the availability of product liability insurance. Another benefit is that, due to premium loading by the insurers for high-risk behaviour, risk-taking individuals such as dangerous vehicle drivers may change to less risky behaviour. The insurance model or concept can be described by the three main activities of insurers as identified by Thoits (2010), namely the risk transfer function, the pooling of risks and the calculation of equitable premiums.

2.3.2 Risk Transfer

Thoits (2010) suggests that the function of insurance can be approached from different directions. The first approach is that insurance the transfer of risk by the policyholder; the second approach is that the policyholder is spreading the risk and thirdly, that insurance is a

risk financing mechanism. Thoys (2010) describes risk transfer as the traditional view. The policyholder transfers the risk, for example a catastrophic financial loss, to the insurer. Should the event occur, the consequences of the event are transferred to the insurer. Thoys (2010) regards the spreading of risk by the policyholder as the more realistic view. He states that in any single policy period, if the policyholder claims, the claim will most probably be greater than the premiums paid for that specific period. The risk transformation view implies that a range of risks in financial terms be converted through an insurance policy. From a risk management perspective, insurance is regarded as a risk financing mechanism because the risk manager can use insurance as a source and application of funds to meet the cost of the risk occurrence. Banks (2004:16) supports this definition of risk transfer, but also points out that risk transfer is facilitated by the ability of the insurer to predict the amount of losses that will occur for a given type of risk exposure. He indicates this is possible due to two statistical principles, namely the Law of Large Numbers and the Central Limit Theorem. The Law of Large Numbers states that, as the number of participants (in the pool) increases, the average outcomes approach the expected value. According to Boslough (2013), the Central Limit Theorem states that the sampling distribution of the sample mean approximates the normal distribution if the sample size is sufficiently large, irrespective of the distribution of the population of which the samples were drawn. She further points out that the Central Limit Theorem enables insurers to make statistical inferences based on the properties of the normal distribution even when the sample may be drawn from a population that may not be normally distributed.

2.3.3 Common Pool

Thoys (2010) indicates that, although policyholders individually enter into a contract with the insurer, the insurer acts as an intermediary and pools similar risks faced by a large number of individual policyholders into a common pool. He further indicates that the pool not only contains the risks transferred during this process from the individual policyholders, but also the collective premiums to meet the occurrence of the risk. Each member of the pool pays a premium to the pool with the intention that these funds should be used to meet the collective loss, regardless where the loss actually falls. The risks borne by the pool are similar in nature, but are not necessarily identical. Banks (2004) points out that strategy of pooling enables the probability distribution of costs for each participant to change and that the standard deviation, which is used as a proxy for risk, declines. He describes risk pooling as a risk reduction

mechanism as long as the risks are uncorrelated or weakly correlated. Negatively correlated risks can be used as counter-cyclical covers as they will reduce the overall risks in the pool.

2.3.4 Fair Premium

Thoyts (2010) indicates that a member's contribution to the pool can be calculated according to two methodologies. The first method is by charging the average loss of the pool plus the administrative cost of administering the pool. Provided the size of the premium is so small that the differential in the premiums will not have a distorting effect on the pool, this option is not viable as the cost of underwriting could be out of proportion to the benefits, which may also increase the premiums, irrespective whether the risk is good or bad.

The second method is to calculate an equitable premium, which according to Thoyts (2010) is a more appropriate method to calculate premiums. The equitable premium is calculated by determining the risk that each member contributes to the pool. The expected cost of the loss is then calculated by multiplying the probable frequency or likelihood and probable severity of the loss. A sum that is equivalent to the expected cost can then be charged. This is described as the pure risk premium. The pure risk premium is the part of the premium that goes into the pool to cover the risk. By charging an equitable or fair premium to each policyholder, cross-subsidisation is reduced. Thoyts (2010) states that the insurer incurs additional costs such as commissions, the issuing of documentation and administrative costs in the settling of claims in the underwriting of risk. These costs are added to the pure premium, which means that the premium charges become more than the pure premium. According to Banks (2004), the equitable premium consists of a pure risk premium component to cover expected losses and loss adjustment costs and a premium loading component, which includes the administrative costs. These can also include a profit margin component for the compensation of investors. Banks (2004) notes that insurers may sometimes be faced with information asymmetries which may cause the premiums to be less than optimal. To complicate matters further, the insurance market may be in a state of disequilibria where the market is either hard or soft. A soft market occurs when there is an excess supply of insurance capacity, which results in lower premiums. Insurers may then compete for a market share by either lowering their underwriting standards or by lowering the premiums charged. A hard market is the opposite, namely the supply of insurance capacity is low, which then results in higher premiums. A hard market can be triggered by a significant disaster that leads to a high number of claims or cash losses when various insurance lines are experiencing simultaneous claims. Palmer (2011) also describes the

phenomenon that the short-term insurance is sensitive to the business cycle as it fluctuates between soft markets of stable premiums and low returns to insurers, and hard markets or insurance crises of rising premiums, cut-backs on availability and tight limits on coverage. He further uses pro-cyclicality as the term to describe the phenomenon.

2.4 THE SOUTH AFRICAN SHORT-TERM INSURANCE LANDSCAPE

This section explores the influence of economics, demographics and transformation in the short-term insurance industry; the short-term insurance market; changes in the short-term insurance brands and brand ownership; and insurance distribution.

2.4.1 Economic Environment

The International Monetary Fund (IMF) (2016) states that a country's gross domestic product (GDP) is an important component of the short-term insurers' premium growth because it translates directly into the growth in insurable assets in the domestic economy. South Africa's real annual GDP slowed to 1.3% in 2015, the lowest on record since 2009 and dipped below 1% in 2016 (OSTI Annual Report, 2016). In its 2016 World Economic Update the IMF adjusted South Africa's GDP growth forecast to 0.6% for 2016 and to 1.3% for the next year. The IMF (2016) lists plunging commodities prices, a slowdown in the Chinese economy and the impact of the ongoing nationwide drought as some of the reasons for the decline.

The key constraints to economic growth are well-documented and include government policy uncertainty (Chen and Hu, 2013); poorly developed and maintained infrastructure (du Plessis, 2010); skills shortages (Awara and Amaechi, 2014); energy constraints; and high unemployment (IMF, 2016). There has been little improvement in these areas over the past few years (Awara and Amaechi, 2014).

This lacklustre GDP growth performance has resulted in South Africa slipping from its long held position as the largest economy in Africa to third place, having been eclipsed by Nigeria late in 2014 and then by Egypt in 2016 (Gachiri, 2015). While South Africa is struggling with these low growth rates, the IMF has predicted 1.8% and 2.8% growth in Nigeria over the next two years (Klynveld Peat Marwick Goerdeler (KPMG), 2016).

Short-term insurers are also keeping a close watch on both business and customer confidence indicators. Falling business and customer confidence has an immediate negative impact on retail and credit sales (The Financial Services Board (FSB), 2016). In 2016, South Africa's customers were under tremendous pressure due to rising inflation, rising interest rates and a volatile currency. The Bureau for Economic Research (BER) customer confidence index registered -9 in the first quarter of 2016, just a few points better than the -15 registered in the third quarter of 2015 which was the lowest outlook in more than 14 years (KPMG, 2016).

As inflationary pressures continue unabated, it is clear that the country is in a rising interest rate cycle. The turning point occurred at a low of 5% in Q1 2014 and the South African Reserve Bank (SARB) has increased rates six times since then, reaching 7% at the end of April 2016 (South African Reserve Bank, 2016). The SARB (2016) has made it clear that it will continue its policy to increase interest rates in order to keep inflation under check. Due to South Africa's high personal debt levels, an increase in the repo rate has a negative knock-on effect on disposable income. However, there may be some positive spin-offs for insurers who are able to earn more interest on their invested capital. Inflation is being driven by a combination of the depreciating rand and higher food prices because of the drought (FSB, 2015).

The rand fell 10% against the US dollar in 2014 and another 34% in 2015, affecting both customers, by fanning inflation, and short-term insurers, through higher claims costs (SARB, 2016).

2.4.2 Ratings Agencies

The FSB (2016) noted that in the final quarter of 2015 two global ratings agencies, Standard and Poor's (S and P) and Fitch, warned of an imminent downgrade to South Africa's sovereign credit rating (an assessment of South Africa's foreign currency government debt). At that time, they rated South Africa at 'BBB', which is the lowest 'investment grade' level. In 2017, South Africa was downgraded further and the country reached 'junk' status. Moody (another ratings agency) had threatened a downgrade in 2015 but chose instead to change its outlook for South Africa to negative and leave its rating unchanged at 'Baa2' (SARB, 2016). However, in 2017 South Africa was moved to 'junk status' on its measure (SARB, 2016).

A slide to 'junk' status has a major impact on all businesses operating in South Africa and is particularly devastating for multinational firms (Financial Advisory and Intermediary Services

Act (FAIS), 2017). In its 2015 Integrated Report, insurer Santam Limited (Santam) noted that its credit rating, which was in turn limited by South Africa's sovereign rating, had been impacted negatively through subdued renewals at its Santam Re-reinsurance division (SANTAM, 2015).

2.4.3 Sovereign Ratings Confusion

One of the consequences of a sovereign ratings downgrade is that foreign fund managers and offshore domiciled corporate boards may have to reconsider their investments in South African assets (FSB, 2014a). This is an inevitable consequence of the risk mitigation strategies that global firms' governance structures put in place to protect their investors or shareholders (CRMinfoline, 2014). A ratings downgrade coupled with the massive burden imposed on global financial services firms due to regulation could result in an exodus of financial services brands, particularly international banks and insurers, from our shores (FSB, 2014b). At the time of writing, a number of established banks and insurers are carefully considering their continued participation in the South Africa market (OSTI, Annual Report 2016).

Barclays Plc, Old Mutual Plc and Zurich Insurance Holdings are among a growing list of multinational firms that are in the process of reviewing and/or restructuring their African and South African assets (CRMinfoline, 2014). Barclays Plc has indicated that it will sell a substantial slice of its 62.3% share in Barclays Africa to sidestep the capital and solvency requirements introduced by global regulation (Barclays Annual Report, 2016). Basel II is the new framework put in place to enhance the manner regulatory capital requirements reflect underlying risks and to better address the financial innovation that had occurred in recent year is particularly tough on European firms with banking operations in offshore markets (FSB, 2014a).

Old Mutual Plc has confirmed that it will split its South African business into four parts, one of which is Nedbank Limited, a banking group with a market capitalisation of close to R90 billion (CRMinfoline, 2014). The three other businesses include Old Mutual Emerging Markets (which owns short-term insurer Mutual and Federal), Old Mutual Wealth and Old Mutual Asset Management (Mutual and Federal Annual Report, 2016).

Zurich Insurance is merely reviewing its African operations in an attempt to align with its overarching global business strategy (CRMinfoline, 2015). JSE-listed diversified financial

services firm, MMI Holdings, is considering an exit from unprofitable country markets on the continent. The FSB (2015) stated that because of the ongoing global and domestic regulatory pressure, they are witnessing unprecedented corporate change. A downgrade to South Africa's sovereign rating could accelerate this process. .

Against a backdrop of economic policy uncertainty from the South African government, ratings agencies are concerned about South Africa's rising debt levels (The National Development Plan Review, 2015). The hope that the 2013 National Development Plan - A 2030 Vision for South Africa would address policy uncertainty and drive economic growth seems largely misplaced. The 480 plus page document acknowledged government's policy shortcomings and identified nine primary challenges that South Africa must address to achieve its goals (The National Development Plan Review, 2015). It was hoped that the National Development Plan would enable South Africa to triple the real 2010 GDP, reduce unemployment to 6% and shrink inequality as measured by the Gini Coefficient from 0.69 to 0.6 by 2030 (FSB, 2016).

Chen and Hu (2014) state that the financial services sector is fortunate that policy guidance from National Treasury (NT) and the Financial Services Board (FSB) is reasonably clear, though this should not deflect from the impact of regulation on the country's short-term insurers and insurance brokers. Regulation has had and will continue to have a significant impact on South Africa domiciled insurers (FSB, 2014a).

The list of regulations applicable to various stages of development and implementation in 2016 include the Solvency Assessment and Management (SAM) programme, the Treating Customers Fairly (TCF) regime, Binder Regulations, the Retail Distribution Review (RDR) and the FSB's Cell Captive Review (CRMinfoline, 2015). The National Treasury is also readying a micro insurance bill and making final changes to its demarcation regulations. These are over and above the Financial Sector Regulation Bill, the Insurance Bill, the Conduct of Financial Institutions Bill and other new laws that will follow from the extensive review and rewrite of existing insurance legislation to accommodate the move to a Twin Peaks model of financial market regulation (National Treasury, 2015).

2.4.4 The Impact of Demographics on Insurance

In the South African context, demographics are important in measuring government's progress towards normalising society post-Apartheid (Malabie, 2009). Years of white minority rule resulted in measures such as economic status, level of education, level of income and employment all being skewed along racial lines (KPMG, 2013).

Madiba (2009) argues that the race-based legislation passed by the post-Apartheid government requires companies to report extensively on their progress towards transforming their workforces to reflect South Africa's overall demographics. Some insurers include the number of white and black employees as well as the number of male and female employees under each race classification in their annual reports (du Plessis, 2010). Others go further by providing racial breakdowns at different management levels within the firm (CRMinfoline, 2011).

According to the Short-Term Insurance in South Africa Annual Report (OSTI Annual Report, 2016) measuring organisations' progress towards transformation goals aside, it is easy to see why demographics matter to financial services firms and more specifically to short-term insurers. Simply put, the OSTI Annual Report (2016) argues that demographics define the market to which these companies offer their products and services. It also serves as an important measure of access to financial services and financial inclusion across income levels.

The National Treasury identified the strategy of 'expanding access through financial inclusion' as a policy priority as early as 2011 (National Treasury, 2015:23). Among the stated goals is to promote sustained economic growth and development through a stable financial services sector that is accessible to all. The core focus is to improve access to the poor, vulnerable and those in rural communities (National Treasury, 2015).

Progress towards these goals is tracked via demographic and financial inclusion data provided by organisations such as Statistics South Africa and FinScope, among others (FinScope Customer Survey, 2015). According to the 2015 FinScope Customer Survey (2015), the level of financial inclusion in South Africa stood at 87%, with some 31.2 million adults holding a bank account and/ or other formal non-bank financial product or service. The survey further revealed that 77% of this population is 'banked' and just 3.4% rely exclusively on informal mechanisms to manage their money (FinScope Customer Survey, 2015).

It is important to differentiate between access to financial products and the quality of this access. FinScope observes that half of the financially included adults are thinly served:

“The high level of thinly served amongst the financially included population is driven by low usage of digital payments, for example, only 13.7 million (37%) of adults use digital payments on a monthly basis while 63% opt to use the traditional brick and mortar branches to pay bills, send remittances or transfers” (FinScope, 2015:23).

The FinScope survey provides limited insight into short-term insurance penetration, reporting that 18.5 million people are insured, though only 6.6 million of these insureds have non-funeral insurance. It observes that 2.45 million customers have short-term motor policies (down from 2.8 million in 2014) and 1.4 million customers have household contents cover (down from 2.2 million in 2014) (FinScope Customer Survey, 2015).

Hollard Insurance Group (Hollard, 2015) observed that few insurers had understood the low-income market’s needs or had succeeded in overcoming the challenges of developing value-for-money insurance solutions that balance low premium levels and sustainable profitability. The insurer believed that low-income earners were ill-informed about the benefits of formal insurance products and did not find traditional insurance sales channels suitable or accessible (Hollard Insurance Group (Hollard), 2015).

In the 2014 Africa Insurance Trends survey, PricewaterhouseCoopers (PwC) identified the emerging black middle class as the most important demographic factor for both the long-term and short-term insurance sectors. Changes in literacy and education and the expansion of the working population were also mentioned as growth influencers in the insurance industry. However, the latter does not apply in South Africa where official unemployment hovers around the 25% mark and is on the rise (PwC, 2014). Africa’s evolving demographic is such that 450 million workers are projected to join the workforce between 2010 and 2035 (PwC, 2014). Only 54% of the South African working-age population is available to work, compared to an average of 74% across the Organisation for Economic Co-operation and Development (OECD) (PwC, 2014). This statistic reflects the high proportion of adult South Africans who have given up on any prospect of finding work.

From a South African short-term insurance perspective, rapid urbanisation, income inequality and rising unemployment must also be taken into account when predicting growth or shrinkage. There is, for example, a notable decline in the uptake of a range of insurance covers due to quality and affordability issues (OSTI Annual Report, 2015). Levels of income and rising unemployment both contribute to this trend. Demographic trends are important to short-term insurers because they provide clues on how the businesses must change operationally to remain competitive. According to PwC both data analytics (to better understand customer trends) and direct distribution channels will become important demographic-linked differentiators (PwC, 2015).

2.4.5 The Impact of Urbanisation on Insurance

Demographics and urbanisation go hand-in-hand and there is a definite trend in South Africa of rural populations moving into cities in search of better opportunities. World Bank statistics suggest that South Africa's urban population stood at 64% in 2014, up from 54% in 1994 (World Bank, 2015). Rapid urbanisation has both positive and negative consequences for the short-term insurance sector.

On the plus side, it results in concentrated economic activity, making it easier for insurers to take their product to market (World Bank, 2015). On the negative side, urbanisation can lead to social unrest, unemployment and poverty as well as a concentration of assets, with the result that insurers' total risk exposure to catastrophic events are much higher (World Bank, 2015).

2.4.6 Growth Opportunities in Africa

According to the World Bank (2015), Africa is among the fastest growing regions in the world. In 2013, Africa's GDP was US\$2.4 trillion and is expected to climb to US\$3.9 trillion by 2020, with household spending following suit (PwC, 2015). Africa's customers spent US\$1.8 trillion in 2013 and this sum could rise to US\$2.4 trillion by 2020. Much of this growth is on the back of increasing populations, with the working age population forecast to rise from 628 million in 2013 to 1.2 billion by 2040 (World Bank, 2015).

By 2030, half of Africa's population will be living in cities. The World Urbanisation Prospects: 2014 Revision suggests that the continent will be home to five megacities by 2030 (World Bank, 2015), including Cairo (24.5 million), Kinshasa (20 million), Lagos (24.2 million), Luanda (10.4 million) and Johannesburg (11.9 million) (World Bank, 2015). The benefits of

urban over rural living include better infrastructure and healthcare provision and vastly improved purchasing power. All of this is great news for South Africa's banking and insurance firms. McKinsey (2015) estimates that between now and 2030 there will be new corporate and investment banking opportunities in Africa totalling US\$28 billion. The challenge for South Africa banks will be to increase their market share to 20% from the current 12% (PwC, 2015). Another US\$10 billion could accrue to retail banks that broaden their offerings to reach low-income customers, particularly through digital channels (World Bank, 2015).

The outlook for retail insurance is equally upbeat, with as much as US\$20 billion in premiums up for grabs for SA firms entering Africa. McKinsey (2015) estimates that these combined financial services opportunities could add as much as US\$2.2 billion to South Africa's annual GDP by 2030, creating up to 45 000 jobs. South Africa's diversified financial services firms were the first to test Africa's receptiveness to South Africa backed investments (World Bank, 2015). Recently there have been a number of acquisitions, joint ventures and mergers in the short-term insurance sector. The investment and life insurance divisions within the large diversified financial services firms (McKinsey, 2015) have frequently spearheaded these.

2.4.7 Transformation and Broad-Based Black Economic Empowerment

The South African government requires that firms comply with a number of laws aimed at addressing economic imbalances in the financial services sector post-Apartheid (FSB, 2015). Section 12 of the Broad-Based Black Economic Empowerment (B-BBEE) Act (Act No. 53 of 2003) the B-BBEE Act requires the major stakeholders in each economic sector to develop an overarching transformation charter (McKinsey, 2015). The transformation charter should set out transformation guidelines for the relevant sector. South Africa's Financial Sector Charter (FS Charter) came into effect in January 2004 as agreed at the National Economic Development and Labour Council (NEDLAC) Financial Sector Summit (NEDLAC, 2003).

The B-BBEE Act also provides for each sector to create a code alongside the charter. The financial services sector's Financial Sector Code (FSC) had to be approved and published by the Minister of Trade and Industry in the Government Gazette (FSB, 2015). Requirements for the draft code are set out in section 9(5) of the B-BBEE Act, while section 9(1) contains requirements for the final code (PwC, 2015).

The Minister of Trade and Industry gazetted the Financial Services Charter (FSC) in 2012, effective from the 26th of that month June (PwC, 2016). As a transformation policy based on the terms of the B-BBEE Act, the FSC is structured to promote social and economic integration and improve access to the financial services sector (PwC, 2016). The FSC is also known as a Sector Code of Good Practice, sharing the same status as the general B-BBEE Codes of Good Practice, published by the Minister of Trade and Industry in February 2007 (PwC, 2016).

The FSC is slightly different from other sector codes. Where other sector codes only have eight elements: ownership, management control, employment equity, skills development, preferential procurement, empowerment financing, enterprise development and socio-economic development (OSTI Annual Report, 2016) the FSC includes a ninth element, namely access to financial services, to rate or 'score' a firms' B-BBEE performance (PwC, 2016).

The NT's 2011 policy document refers to the FSC, which was at that stage already well progressed (PwC, 2011:14):

“Government will act to ensure the implementation of the transformation objectives of the FSC, focusing on greater access for the poor and the promotion of Broad-Based Black Economic Empowerment”.

The National Treasury policy document (2011) states that the sector transformation objectives can be achieved without undermining financial stability or promoting reckless credit practices. Financial services firms measure their transformation per the legislated methodologies set out in the B-BBEE Act (more specifically under the Department of Trade and Industry (DTI) Codes of Good Practice published as regulations thereto) and the FSC (National Treasury Policy Document, 2011).

South Africa's main short-term insurers make extensive reference to transformation in their annual reports. Hollard (2015:9) for example, notes:

“In a South African context, Broad-Based Black Economic Empowerment (or B-BBEE) is both a social imperative and an opportunity for companies to contribute to a better future”.

The insurer adds that it embraces its role in the transformation of the South African economic landscape (Hollard, 2015:9). In the 2015 Integrated Report the country's largest short-term insurer, Santam said that it would focus on the diversification of both its workforce and supplier channel through 2016 (Hollard, 2015). Santam's targeted enterprise development initiatives and investments would go hand in hand with a strategic focus on uninsured markets underpinned by wide customer education initiatives (Hollard, 2015).

Santam has a level 3 B-BBEE status while its parent group Sanlam Limited has a level 2 B-BBEE status (Hollard, 2015). Hollard meanwhile enjoys a level 4 status. A short-term insurer's transformation programme will typically include the diversification of key stakeholder groups (employees, intermediaries and suppliers); improving access to products through innovative product design and new distribution methodologies; and investments in the community (PwC, 2015).

2.4.8 Accelerating the Pace of Transformation and B-BBEE

The transformation legislation is intended to be fluid and the DTI has already reviewed the B-BBEE Codes of Good Conduct as published in 2007 (PwC, 2015). It fired the latest salvo in the battle for transformation on 11 October 2013 with a revised set of codes. At the National Summit for B-BBEE in 2013, the DTI explained that:

“The new Codes of Good Practice are aimed at fostering real black economic empowerment in the economy, rather than empowerment on paper” (PwC, 2015:9).

The short-term insurance industry was given 12 months to transition from the 'old' to the 'new' set of codes (PwC, 2015). According to the FSB (2014), the major change under the new codes is the decision to reduce the elements previously used to calculate a firm's B-BBEE scorecard from eight to five. Going forward management control will include the old employment equity rating, while preferential procurement and enterprise development will be combined as enterprise and supplier development (FSB, 2014a). The new codes introduce much tougher criteria for firms to achieve high B-BBEE ratings. An insurer must now meet sub-minimum targets for three priority elements (ownership, skills development and enterprise and supplier development) or its B-BBEE rating will automatically be downgraded one level (OSTI Annual Report, 2016). The weighting of the ownership element has increased and it is much more difficult to qualify for ownership points (OSTI Annual Report, 2016).

Firms with turnovers of less than R10 million per annum are known as Small and Medium-Sized enterprises (SMEs) and are exempted from all B-BBEE requirements. Firms with a turnover of between R10 million and R50 million are known as qualifying small enterprises (QSEs). These firms benefit from ‘enhanced recognition criteria’ under the new codes (OSTI Annual Report, 2016). QSEs will, however, still be subject to the same five elements as large firms with a slightly softer sub-minimum requirement to avoid being automatically downgraded one level (OSTI Annual Report, 2016).

2.4.9 The Short-Term Insurance Market

The OSTI Annual Report, (2016) states that it important to explore the performance and make-up of the South African short-term insurance sector to have a better understanding of the industry. Audit firm PwC’s analysis of South African short-term insurer results for the year 2015 points to a continued improvement in the industry’s key performance measures. They record a 12% increase in Gross Written Premiums (GWP) while the claims ratio (58.7%) and underwriting margin (10.8%) were both stronger (PwC, 2016). GWP is the total value of short-term insurance premiums ‘bought’ by policyholders from insurers (PwC, 2016). The combined ratio of the sum of acquisition costs, expenses and claims as a percentage of earned premiums came in at 89.2%. The underwriting margin is equal to 100% less the combined ratio or 10.8% (OSTI Annual Report, 2016).

The audit firm, PwC (2016) confirms that there is limited GDP linked growth on offer. As a result short-term insurers have focused on three areas of potential growth over the past few years, namely expansion into Africa and other offshore markets; the acquisition of non-performing books by smaller insurers from larger insurers; and the rebalancing of books in favour of growth lines from personal lines to commercial insurances (OSTI Annual Report, 2016). Personal lines business remains extremely competitive with GWP growth in that sector limited to inflation. The PwC report only considers three of the country’s major insurers, namely Mutual and Federal, OUTsurance and Santam (PwC, 2016). At first glance, the R52.1 billion in GWP reported by these firms is significant, but approximately R7.5 billion is contributed by OUTsurance’s Australian and New Zealand business arms (OSTI Annual Report, 2016). This means that the PwC assessment only reflects around 40% of the domestic market.

2.4.10 Supply and Demand Dynamics

The OSTI Annual Report, (2016) reveals that that short-term insurers attribute recent positive improvements in the underwriting result to the absence of serious catastrophe losses. During 2013, insurers paid approximately R2.4 billion in catastrophe-linked claims, whereas in 2014 this was limited to a Gauteng earth tremor. In 2015, insurers were reasonably benign from a claims perspective. Most short-term insurers are focusing on underwriting and claims management to rebuild their profit margins (OSTI Annual Report, 2016).

On the underwriting side, the focus has turned to the re-pricing of premiums to reflect the risk that the insurer is taking on cover more accurately (PwC, 2015). Premiums had been kept artificially low due to a combination of excess liquidity in the market and strong domestic competition. From a claims perspective, insurers are reducing costs and improving efficiencies via tighter controls of their supply chains (OSTI Annual Report, 2016). There is also evidence of insurers using premium increases as a tool to force high-risk policies off their book. This process is referred to in the industry as ‘culling’ as policyholders that are unhappy with big premium increases take their business elsewhere (OSTI Annual Report, 2016).

Benfield (2016) says that insurers have also been helped on the pricing side by the continued overcapacity in reinsurance markets combined with innovative structures to reinsure catastrophe risks. OSTI Annual Report, (2016) confirms that the global supply of reinsurance still comfortably exceeds global demand. In 2015, global reinsurer noted that alternative capital markets now contribute upwards of 40% of the available global reinsurance capital (OSTI Annual Report, 2016). Two favoured alternative reinsurance instruments are catastrophe bonds and collateralised reinsurance. Total alternative reinsurance capital increased to US\$72 billion, made up of collateralised reinsurance of US\$35.6 billion; collateralised Industry Loss Warranties (ILW) of US\$8 billion; sidecar ILW of US\$4 billion; and catastrophe bond insurance of US\$24.4 billion (OSTI Annual Report, 2016).

Benfield (2016:12) notes that global insurers remained on a strong footing at the beginning of 2016 with just over US\$4.1 trillion in combined assets:

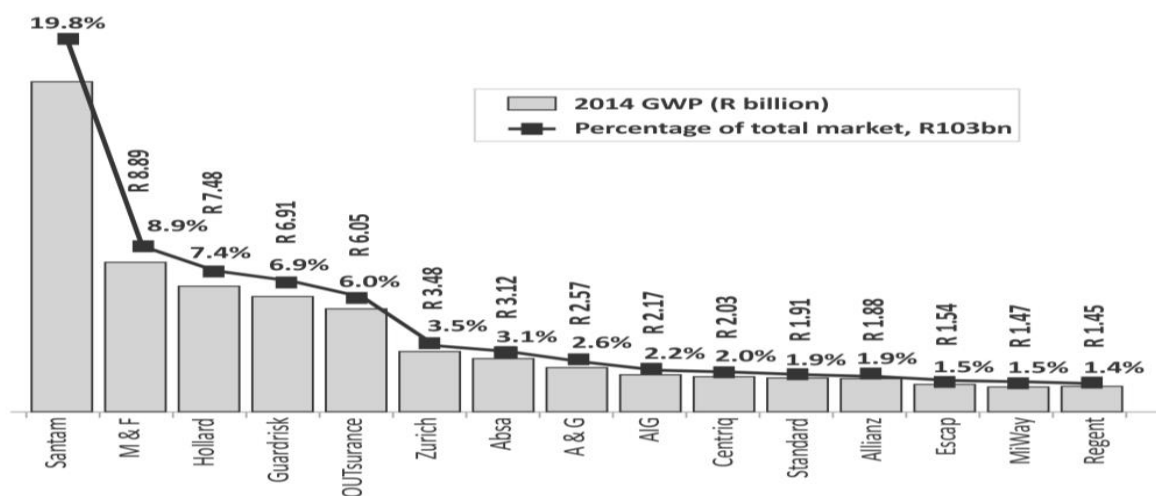
“The operating performance of major insurers and reinsurers remained solid [through 2015], aided by below average insured catastrophe losses, the economic recovery in the US and exposure growth in emerging markets”.

As mentioned above, an abundance of capacity results in a soft insurance market wherein insurance premiums remain under pressure. Benfield (2016) states that this is good for customers who spend proportionally less to place the same risk on cover, but not for insurers who struggle to achieve a balance between the premiums they charge and retaining their market share. The underwriting performance of both domestic and global insurers is currently better than expected given the soft underwriting cycle, as evidenced by surplus capacity and slow premium growth (OSTI Annual Report, 2016). What this shows is that insurers can beat soft markets because of factors such as lower catastrophe losses and emerging market growth, which both fall outside of the supply and demand equation (Benfield, 2016).

2.4.11 Market Share by Insurance License

According to the OSTI Annual Report (2016), South Africa’s short-term insurers posted R100.352 billion in GWP for 2014. To get a better understanding of the domestic short-term insurance market it is necessary to assess how this premium is divided up among the various insurance firms. This can be calculated based on the contribution by each FSB-issued license or by the ‘ownership’ of these licenses (Benfield, 2016). To begin with, the top 15 insurance licenses contribute approximately 70% of total reported GWP. The top four firms weigh in with more than 40% of the total market (OSTI Annual Report, 2016). Figure 2.1 below presents contribution to GWP by insurance license.

Figure 2.1: Contribution to GWP by Insurance License



Source: FSB (2014: p. 86)

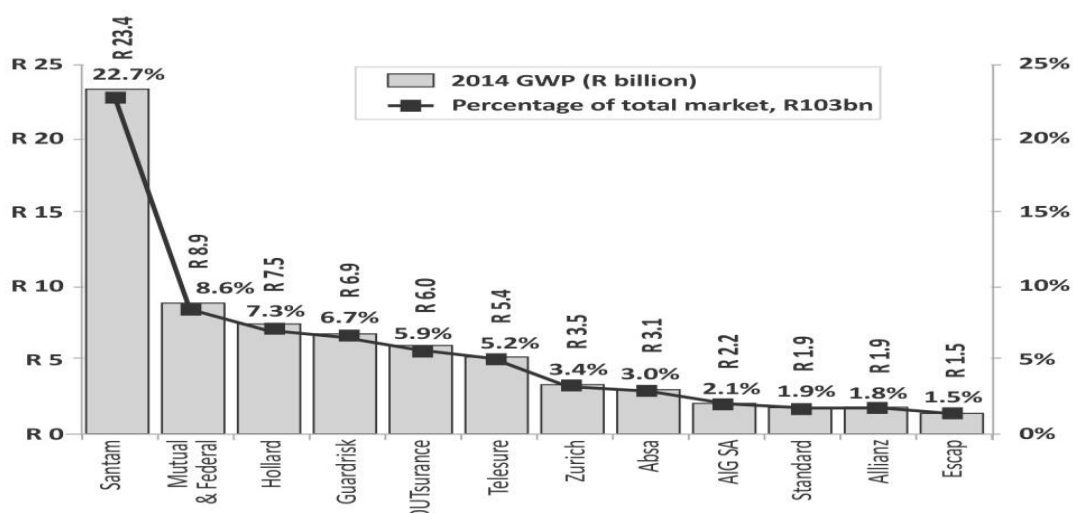
2.4.12 Percentage of Total Market

The OSTI Annual Report, (2015) states that the total market value is R103bn and there has not been much movement among the top five domestic short-term insurer licenses as measured by GWP over the past decade. Santam and Mutual and Federal have taken ‘gold’ and ‘silver’ respectively each year since 2005, while brands such as Guardrisk, Hollard, OUTsurance and Zurich have consistently featured in positions three to five. Figure 2.2 below shows the change in market share by insurance license type over the past decade. However, this reflects the position in 2014 and that significant events have taken place in the domestic market since, most notably the acquisition by Hollard of Regent (PwC, 2013).

2.4.13 Market by Insurance Brand

The top five insurance brands include Santam, Mutual and Federal, Hollard, Guardrisk and OUTsurance (OSTI Annual Report, 2016). Figure 2.2 shows the top 12 insurance brands based on a calculation from FSB statistics at the end of 2014.

Figure 2.2: Market by Insurance Brand



Source: OSTI Annual Report, (2016: p.86)

The KPMG report (2014) states that for an insurer to increase market share by just 0.5% requires around R500 million in additional premium earned. Based on this, It is unlikely that

Santam's dominant position in the domestic market will be challenged in the near future. However, there is the opportunity for change in positions two through five as firms in these rankings are separated by less than R3 billion in GWP.

- **Santam**

The OSTI Annual Report, (2016) report states that Santam has dominated the South African short-term insurance sector with the largest share of market going back decades. The insurer was founded in 1918 and listed on the JSE in 1964 under the non-life insurance sector (Santam Annual Report, 2014). Santam reports GWP under three divisions, namely Santam Commercial and Personal, Santam Specialist and Santam Re. Santam's wholly-owned direct insurance brand, MiWay, trades on its own short-term insurance license, as does Centriq also 100% owned by Santam, which contributes to the Santam Specialist division (OSTI Annual Report, 2016).

The FSB rankings based on GWP per short-term insurance licence shows Santam in first place with 19.8% of the market. In addition to this, the market share of Centriq in 10th (2.03%) and MiWay in 14th (1.46%) gives Santam more than 22% of the total short-term insurance sector in South Africa (FSB, 2014b). Another insurance brand that benefits from multiple insurance licenses is Telesure Holdings, which comprises Auto and General, Budget Insurance, Dial Direct and 1st for Women. The combined contribution from Telesure Holdings puts it in sixth position immediately below OUTsurance and above Zurich Insurance in seventh position (FSB, 2014b). Mutual and Federal slipped from second place in 2010 and 2011.

- **Hollard short-term insurer**

Hollard is the second largest short-term insurer in South Africa (FSB, 2014). In October 2015, Hollard acquired Regent Group from Imperial Holdings for a consideration of R2.3 billion (OSTI Annual Report, 2016). Regent holds both long-term insurance and short-term insurance licenses in various country markets in Africa, including South Africa. The combined contribution of Hollard and Regent (which had the 15th largest market share by license in 2014) places the merged short-term insurer in outright second place in terms of domestic short-term insurance market share (FSB, 2014). As of 2016 Hollard also owns 21.8% of Lombard Insurance Holdings and 39.9% of Legal Expenses Group (OSTI Annual Report, 2016).

2.4.14 Insurers under the Spotlight

- **Santam**

Santam is 62.5% owned by life insurer Sanlam Limited, has its headquarters in Cape Town and employs more than 5 300 people (PwC, 2015). The insurer's success is attributed to it using multiple distribution channels including its 2 700-strong broker network and its growing direct channel, MiWay. Santam has opened up 13 insurance licenses across Africa, India and Malaysia in partnership with Sanlam Emerging Markets (SEM) (PwC, 2014).

- **Mutual and Federal**

South Africa's second largest short-term insurer is Mutual and Federal with 8.86% of GWP (FSB, 2014). Mutual and Federal is the oldest surviving insurance company in South Africa though it has only traded under this 'name' since the 1970s (OSTI Annual Report, 2016). The insurer started in 1831 as the South African Fire and Life Assurance Company. It was acquired by the London and Lancashire around 1895, and then absorbed by the Royal Group in 1962. Following the domestication of foreign companies that started in the 1960s, Royal's South African interests were merged into a company called South Africa Mutual Fire and General Insurance Company, as Old Mutual's short-term insurance business was then known (OSTI Annual Report, 2016). The Mutual and Federal brand evolved as a combination of Mutual (taken from the Old Mutual Group) and Federal (taken from the Federal Insurance Corporation) (Mutual and Federal Annual Report, 2013).

- **Hollard**

South Africa's third largest short-term insurer is Hollard Insurance with 7.45% of GWP (FSB, 2016). Hollard is South Africa's largest privately owned insurance group. It was established in 1980 and provides short-term, life and investment products through its Hollard Insurance and Hollard Life Assurance operations (OSTI Annual Report, 2016). The PwC (2014) states that Hollard has operations in 10 countries and more than six million policyholders. The group has its headquarters in the historic Villa Arcadia in Parktown, Johannesburg and employs almost 3 000 people (OSTI Annual Report, 2015).

- **OUTsurance**

OUTsurance is the fifth largest short-term insurer in South Africa with a 6.03% share of total GWP (FSB, 2014). It is also South Africa's largest direct insurer, was established in 1998 and

initially offered only personal lines such as motor and householders insurance directly to the public. The group expanded into the commercial short-term insurance sector in 2003 and into the life insurance market in 2008. OUTsurance Holdings Group is 83.4% owned by the Rand Merchant Insurance Holdings (RMI) Group. The OUTsurance group in turn is made up of OUTsurance (100%), OUTsurance Life (100%), OUTsurance Namibia (49%) and Australia and New Zealand (93% each) (OSTI Annual Report, 2014).

- **Zurich Insurance South Africa**

Zurich is currently sixth on the short-term insurance ranking with an interesting history (FSB, 2014). Its parent company, the Swiss-based Zurich Insurance Group, was formed in 1984 when Eagle Star of London was taken over by British American Tobacco (BAT) Industries and subsequently merged with BAT Industries' financial services businesses. The South Africa 'link' to this transaction was the JSE-listed Eagle South Africa, which had formed out of the merger of Eagle Star and two other insurance firms in 1968 (OSTI Annual Report, 2014). South Africa Eagle was rebranded Zurich South Africa in 2007 with Zurich Insurance Group as its major shareholder. The group bought out the remaining minority shareholders and delisted the company from the JSE in 2015. Zurich has lost market share in recent years (PwC, 2013). Early in 2016, Zurich announced that it was conducting a review of its global businesses that would include a decision on whether the South African operation was aligned with its overarching strategy (Zurich Annual Report, 2014).

- **Discovery Insure**

Discovery Limited started in 1992 as a small specialist risk insurance company supported by Rand Merchant Banker (KPMG, 2014). In the same year, Discovery Limited launched a medical savings account (FSB, 2013). Today, Discovery Limited covers approximately 5.1 million clients (KPMG, 2014) and has footprints in China, the United States of America, the United Kingdom, Australia, and Singapore (Discovery Annual Report, 2014). Insurance products provided by Discovery Limited include life and short-term insurance, and medical aid with Vitality benefits attached to these products (KPMG, 2014).

A study conducted in the South African Insurance Industry in 2013 shows that several short-term insurance companies are embracing the customer-centred strategy by ensuring that clients are prioritised and are at the centre of the short-term insurance companies' activities (Madiba, 2009; du Plessis, 2010). However, it is not known whether Company A, Company B and

Company C are fully aware of the expectations and experiences of their clients in so far as service quality is concerned. This uncertainty gives rise to this study that aims to assess service quality in the short-term insurance industry in KwaZulu-Natal (KPMG, 2013).

A study undertaken by Viek, Beatty and Morgan (2012) found that most of the short-term insurance companies in South Africa only focus on providing unique products at affordable prices. There is an additional need for short-term insurance companies to focus on providing reliable, assuring, tangible, empathetic and reliable insurance services as well. This refers to the concept of service quality, which is one aspect of the customer-centred business strategy that can ensure clients' satisfaction with the service provided by short-term insurance companies. Service quality can enhance mutual, profitable and long-term relationships that can result in successful short-term insurance business (Van Huyssteen, 2014).

2.5 SOUTH AFRICAN INSURERS' EXPANSION INTO AFRICA

A number of South African insurers have established interests in the rest of Africa. Some have found entering new markets challenging because of cross-border regulatory differences (KPMG, 2014). In Santam's case, the bulk of its Africa exposure is through its effective shareholding in investments made by Sanlam Emerging Markets, a division of Sanlam. Santam has interests in Botswana, Burundi, Ghana, Kenya, Malawi, Nigeria, Rwanda, Tanzania, Uganda and Zambia (OSTI Annual Report, 2014).

Hollard Insurance reports a split in GWP in its short-term insurance business of 83.4% SA and 16.6% in the rest of Africa (spread between Botswana, Mozambique and Namibia) (KPMG, 2014). Zurich Insurance South Africa has a wholly owned subsidiary in Botswana but the contribution by this subsidiary to the parent company is inconsequentially small. In its Annual Report (2014) Hollard reports a contribution of R177.3 million from Botswana and R3.520 billion from South Africa with the former contributing just 4.7% to GWP. This was down from 5.8% for the 2013 financial year.

2.6 REINSURER BRANDS AND MARKET SHARE

The South African reinsurance industry is small but not insignificant. The sector accounted for GWP totalling R8.725 billion in 2014 (FSB, 2014). Multinational brands dominate the sector

with Hannover RE and Munich RE occupying first or second place while Africa RE has consistently occupied third position since 2010 (KPMG, 2014). SCOR Africa has likewise occupied the fourth position since 2010. These four brands account for 99% of the domestically written reinsurance. Another international brand, Swiss RE, ceased its South African short-term reinsurance activities in 2009, though it still has a limited presence in the domestic reinsurance market (KPMG, 2014).

2.7 THE INSURANCE SECTOR BY POLICY TYPE

Under the previous statute, the Insurance Act of 1943, the short-term insurance sector was described under six policy types (KPMG, 2014). The Short-Term Insurance (STI) Act no. 53 of 1998 added two policy types. The STI Act redefined the existing policy types, and added liability business, and engineering business to the mix. Engineering business includes insurance such as machinery breakdown insurance and construction insurance of large projects whereas liability insurance is a blanket descriptor for a range of covers including directors and officers, employer liability, product liability, professional indemnity and public liability to name a few (KPMG, 2014).

2.8 CHANGES IN SHORT-TERM INSURANCE BRANDS AND BRAND OWNERSHIP

There have been many developments in the South African short-term insurance market in recent years. These include a handful of new arrivals as well as dozens of acquisitions, disposals and mergers (OSTI Annual Report, 2014). Some of the major events that have taken place domestically are highlighted below, though the study acknowledges that it is impossible to cover every significant happening in the space allocated.

2.8.1 In 2015 Hollard acquired Regent

In 2015, Hollard Insurance announced that it had agreed terms to purchase the Regent Group from Imperial Holdings for R2.3 billion (Hollard Insurance Annual Report, 2016). The deal, which included Regent's life and short-term businesses, was the culmination of an extensive due diligence process. The deal was still subject to final regulatory and Competition Commission approvals in 2016 (OSTI Annual Report, 2016). From a short-term insurance perspective the addition of Regent (15th in the market by 2014 GWP) to Hollard's portfolio

may see the insurer take over the mantle of South Africa's second largest short-term insurer from 2015, behind Santam but ahead of Mutual and Federal (OSTI Annual Report, 2016).

2.8.2 In 2014 Metropolitan and Momentum Insurance Holdings acquired Guardrisk

Diversified insurer Metropolitan and Momentum Insurance (MMI) Holdings, which also owns an insurance license under its Momentum Short-term Insurance division, announced its intended acquisition of cell captive insurer Guardrisk from Alexander Forbes in 2013 (OSTI Annual Report, 2016). The transaction valued Guardrisk's business at R1.6 billion. MMI undertook the transaction to bolster its short-term insurance offering and to enhance the group's overall diversification in the broader financial services sector (OSTI Annual Report, 2016). A decision was taken to keep the Guardrisk brand intact and the business trades today as a wholly owned subsidiary of MMI but under its own name and insurance license. Following the necessary approvals from the registrars of long-term and short-term insurance and the Competitions Commission, Guardrisk was incorporated into MMI Holdings in March 2014 (FSB, 2016).

2.8.3 In 2014 Hollard acquired Etana

The FSB (2016) states that Etana has an interesting history for a business that was an independent operation for just more than five years. The story began in late 2007 when a decision was made to 'spin off' Hollard's commercial business. As a result, Etana was established in 2008 as an intermediated commercial and corporate insurer under its own insurance license (OSTI Annual Report, 2016). It was initially owned by Hollard Insurance Group (49.9%) and by Etana Holdings (50.1%). The latter's shareholding grew to 60% over the next few years. The insurer did brisk business and trebled its GWP during its first three trading years (PwC, 2014). Hollard's executive, no doubt impressed by the insurer's stellar growth, reconsidered their shareholding in the brand in 2013. A decision was taken for the Hollard Group to buy back the 60% of Etana that it did not already own and incorporate Etana into the Hollard Insurance business (OSTI Annual Report, 2016).

According to the Hollard Broker Markets Annual Report (2015), motivations for the deal included overlaps between the respective businesses and the need to consolidate scarce skills. There was also a desire to create greater choice for policyholders and enhance innovation in both the commercial and corporate insurance segments. The FSB approvals were obtained in 2014 and the full operational integration of the brands was completed in the first half of that

year. The Etana brand was abandoned and the business is today known as Hollard Broker Markets, a division within the Hollard Group (OSTI Annual Report, 2016).

2.9 HOLLARD AND UNDERWRITING MANAGEMENT AGENCIES PARTNERS

One of the defining trends in the Underwriting Management Agencies (UMA) sector has been that of insurers bringing their UMA brands in-house (Short Term Insurance in South Africa, 2016). Hollard Group has been particularly active in this regard. In its 2014 financial year it completed the acquisition of two of Hollard Group UMA partners, Scintilla, in the construction and engineering insurance market, and Astra, in the marine insurance market (OSTI Annual Report, 2016). A year later the group added Aquarius Underwriting Managers and Execuline Motor Underwriting Managers to the fold. These UMAs were leading providers of personal lines solutions to affluent clients (Short Term Insurance in South Africa, 2016).

Insurers have offered a number of reasons for this trend. In the Hollard Group Integrated Report (2014:9), the company notes that the decision to bring its partners on board was motivated by the need:

“To retain the rarest of skills and to ensure that its newly-formed division, Hollard Broker Markets, was able to offer a comprehensive, one-stop shop for brokers servicing commercial or corporate clients”.

The insurer’s take on pending regulatory reforms also played a part. It noted that:

“Binder regulations and the anticipation of amendments to those regulations in 2015, as well as the impending Retail Distribution Review, have meant that Hollard needed to evolve its partnership model”(Hollard Group Integrated Report, 2014:20).

2.9.1 In 2012 the Launch of King Price Insurance

The KPMG Report (2015) states that it takes a great deal of capital to establish a new insurance company. For this reason, parent firms in the diversified financial services space (Short Term Insurance in South Africa, 2016) have typically funded new entrants to the sector. This is true

especially in the direct insurance space where the likes of i-Wyze and MiWay were bankrolled by Mutual and Federal and Santam respectively (OSTI Annual Report, 2016). One notable exception is King Price Insurance, which launched with great fanfare in 2012 (PwC, 2015). The firm was capitalised by Francois van Niekerk of the Merteck group and Stefan van der Walt of Nikon. The insurer offered a personal lines motor policy with depreciating monthly premiums, creating a marketing hook that resonated with South African motorists (OSTI Annual Report, 2016). As a result, King Price went from a start-up with GWP of R63 million in 2013, to R540 million in 2015 and being on target to achieve R770 million in GWP in 2016 (King Price Annual Report, 2016).

2.9.2 From American International Group to Chartis and Back to American International Group

Another intriguing series of events in the insurance industry involves the ‘chopping and changing’ between the American International Group (AIG) and Chartis brands. AIG South Africa, active in the South African market from as early as 1962, was rebranded as Chartis in 2009 (OSTI Annual Report, 2016). Chartis is the property and casualty (short-term insurance) unit of United States (US) -based AIG. In 2012, a decision was taken to drop the Chartis brand and return to the better known AIG. The initial name change was perhaps an overly hasty ploy to distance the business from its parent company that was, at the time, in financial difficulty following losses linked to the 2008 Global Forex Trading (GFT). In that period, AIG received more than US\$180 billion in government loans and credits to avoid collapse (KPMG, 2013).

2.9.3 The Launch of MiWay Insurance

Direct insurer MiWay was launched in 2008 as a joint venture between traditional insurer Santam, its parent Sanlam (which held 68.75% of the venture) and JSE-listed financial services firm Professional Services Group (PSG) (OSTI Annual Report, 2016). Santam purchased PSG’s shareholding early in 2010 before acquiring Sanlam’s share in the business for a consideration of R240 million in 2010. In 2011 MiWay became a wholly owned subsidiary of Sanlam. Santam poured massive resources into MiWay during its start-up years and had to wait more than three years for the start-up to declare its maiden profit in the half-year to June 2012. Santam revealed that the direct insurer had achieved a net insurance result of R16 million from R500 million in GWP (OSTI Annual Report, 2016).

At the time MiWay had approximately 140 000 active policies and constituted just more than 5% of Santam's total GWP. The business has grown significantly since then and the initial investment appears to have paid off. MiWay contributed R107 million to Santam in 2014 and a further R219 million in 2015. By end of 2015, it had grown its business to more than 240 000 policyholders. GWP improved from a mere R146 million in 2010 to almost R1.75 billion in 2015 (OSTI Annual Report, 2016).

2.9.4 Royal and Sun Alliance Sold its Stake in Mutual and Federal

Old Mutual public limited company (Plc) increased its stake in South African listed insurer, Mutual and Federal to 88% following a decision by Royal and Sun Alliance to sell its 37% holding in the insurer in 2004 (Short Term Insurance in South Africa, 2016). The deal was concluded for £100 million. Old Mutual subsequently acquired the remaining 12% and delisted the company in 2010 (Mutual and Federal Annual Report, 2016). Mutual and Federal can trace its roots to the South African Fire and Life Assurance Company established in 1831. South African Fire and Life was eventually acquired by London and Lancashire, which was in turn absorbed into the Royal Group. Mutual and Federal was formed in 1970 following the merger of Royal Group with SA Mutual Fire and General (Mutual and Federal Annual Report, 2016).

2.9.5 Santam Acquired Guardian National

In 2001, Santam bought Guardian National, which was majority owned by Axa (53%) and Liberty (40.6%), for an agreed R1.58 billion (Santam Annual Report, 2014). The deal was subject to the usual approvals from the Competition Commission and the FSB. Guardian National brought with it a shareholding in Admiral Underwriting (14%), Guardian Direct (100%), Guardrisk Insurance and Guardrisk Life (30% each), Associated Marine Underwriting (50%), Lion of Africa (50%), Special Risks Underwriters (52%) and South African Aviation Insurance Managers. Many of these brands are still operating today. This transaction was important because it gave Santam (with just 19% of the South African short-term insurance market at the time) the necessary influence to take over the number one position from Mutual and Federal. At the time of the acquisition, Guardian National accounted for 14% of the market (OSTI Annual Report, 2016).

2.9.6 The 1980s and 1990s

The Mutual and Federal Annual Report (2016) states that the dominant insurance brands that traded in South Africa in the 1970s and early 1980s left the country due to a combination of worldwide economic sanctions and socio-political pressures that prevailed during the Apartheid years. There was so much change that only nine of the 20 leading insurance brands trading in South Africa in 1984 remained in the country by 2000 (OSTI Annual Report, 2016). The description of some of the major mergers and acquisitions as presented above makes for interesting reading and informs our understanding of the short-term industry that exists today.

2.10 INSURANCE DISTRIBUTION

The OSTI Annual Report, (2016) states that the main activities that a short-term insurer must carry out in order to remain in business include claims, distribution, policy administration and underwriting. It is possible for an insurer to outsource all or some of these functions to third parties by way of binder or outsource agreements. At present, there are two main forms of insurance distribution, namely intermediated insurance or direct insurance.

Intermediated insurance involves the sale of an insurance policy through an intermediary that is either an insurance broker or an agent of the insurer (OSTI Annual Report, 2016). Intermediated insurance dominates the South African insurance environment with approximately 80% of total GWP originating from the intermediated distribution channel (FSB, 2015). Short-term insurance brokers enter into contracts with a number of short-term insurers in order to offer their clients a range of cover options. These contracts spell out the business arrangements between the insurance broker and the insurer. The STI Act caps the commission payable to the brokers (Datamonitor, 2011).

Van Huyssteen (2014) states that insurance brokers can also enter into binder agreements or outsource arrangements with an insurer wherein they agree to handle certain administrative and underwriting functions on the insurer's behalf for an additional percentage of the GWP.

Much of the agency business is written up via Underwriting Management Agencies (UMAs) which came to the fore in the late 1980s. An insurer and UMA entered into an agreement wherein the insurer authorises the UMA to accept risks and settle claims on its behalf (Van Huyssteen, 2014). The industry refers to this arrangement as the insurer 'lending its pen' to the

UMA. The UMA agreements are distinct from the binder agreements that insurance brokers enter into. The UMA structure creates an additional layer in the insurance distribution landscape in that these underwriters can also write policies directly or via an intermediary (Madiba, 2009). So one might have an independent insurance broker selling insurance for a UMA where the carrying insurer underwrites the eventual policy. The Short Term Insurance in South Africa (2016) reports that a UMA does not receive commission for selling insurance; but rather shares in the underwriting profits with the insurer as per an agreement. The insurer still pays a commission to the broker that originates the business through the UMA.

Direct insurance on the other hand, involves the sale of a policy directly from the insurer to the customer, supported by internal sales staff, and enabled by modern telesales or web-based infrastructure (Van Huyssteen, 2014).

2.11 SHORT-TERM INSURANCE BROKERS DOMINATE THE MARKET

Short Term Insurance in South Africa (2016) reports that brokers introduce more than 80% of South Africa's total short-term insurance business. This means that R84 billion of the R103 billion GWP reported by the FSB for 2014 falls under the intermediated distribution heading. The remaining 2014 GWP, totalling R17 billion, was sold via the direct channel. Industry analysts suggest annual growth of an estimated 7.5% per annum in the intermediated insurance market and an estimated 12.5% per annum in the direct space (OSTI Annual Report, 2016). This means that intermediated business should have increased to R90 billion for the 2015 year versus R19 billion for the direct channel (KPMG, 2015). The mix of direct versus intermediated business changes slightly in the market for personal lines insurance, where direct insurers contribute 35% of GWP. Direct insurers thus accounted for R16.3 billion of the R46.8 billion in personal lines business in 2014 (PwC, 2016).

2.11.1 Main Players in the Domestic Short-Term Insurance Broker Market

- **Aon South Africa**

This broker is the South African division of Aon Plc and is the leading global provider of risk management, insurance and reinsurance brokerage services. The group also offers human resources solutions and outsourcing services. The group has an employee base of 72 000 people working in more than 120 countries (PwC, 2016).

- **FirstEquity**

First Equity was founded in 2006, and immediately began challenging the status quo of insurance broking in South Africa (OSTI Annual Report, 2016). Co-founders Seamus Casserly and Vis Govender have since made major inroads into a segment of the domestic insurance market that had been concentrated in the hands of a few multinational broking firms. This broking firm differentiates its offering by handling complex business and client interactions with a focus that the larger broking firms are not able to offer. Over the past decade, First Equity has made steady progress towards its ambition of taking the corporate and commercial short-term industry by storm (KPMG, 2015).

- **Indwe Risk Services**

Indwe Risk Services is a leading personal, business, specialist risk, and insurance advisory business (KPMG, 2015). The firm was established in 2006 as the result of a merger between Thebe Risk Services and Prestasi Brokers, each with impeccable short-term insurance heritages (Morgan, 2007). Thebe Risk Services was established in 1903 as Hoskens Insurance and in 1992 became the insurance arm of Thebe Investment Corporation whereas Prestasi Brokers was established in 1972 and was largely held by Pamodzi Holdings (KPMG, 2015). Indwe boasts a growing personal insurance book and continues to secure new business through its commercial and corporate portfolios. A major differentiator between Indwe and other short-term brokers is that it operates an extensive branch network with ‘touch points’ in all of South Africa’s major and secondary metropolitan areas (KPMG, 2015).

- **Marsh South Africa**

This is a South African based branch of multinational broker, Marsh, which is in turn a wholly owned subsidiary of New York listed Marsh and McLennan Companies (NYSE: MMC) (OSTI Annual Report, 2016). Marsh South Africa services a wide range of clients including high net-worth individuals, small businesses, large corporates and multinational clients. This firm is among the largest short-term broking houses in South Africa. Marsh has embraced the country’s B-BBEE rules and currently qualifies as a level 2 B-BBEE contributor with an effective 26.48% black ownership (KPMG, 2015). Although the international business has been in existence since 1871, Marsh only entered the South African space in 1999 following a joint venture with First Bowring Insurance Brokers (now FNB Insurance Brokers). Marsh South Africa, currently trading as Marsh (Pty) Ltd, acquired Alexander Forbes Risk Services in 2011 (OSTI Annual Report, 2016).

- **Professional Services Group Insure**

The PSG Insure brand is involved in the provision of insurance advice and the underwriting and administration of short-term insurance policies in both personal and commercial lines (CRMinfoline, 2015). PSG Insure comprises three main activities including short-term insurance (through its 60% share in Western Insurance Holdings), short-term administration and short-term insurance distribution. The growth in staff headcount in at PSG from 651 in 2015 to 728 currently (OSTI Annual Report, 2016) speaks volumes about the growth potential in this market segment.

PSG Insure contributes 33.1% to group income and has achieved CAGR of 28% in recurring headline earnings between 2013 and 2016, growing from R19 million to R40 million (Professional Services Group Annual Report, 2016). The division's overall contribution to the domestic short-term insurance space is commendable with R941 million in GWP from Western Insurance Holdings, in which Santam currently holds 40%. The rise of its insurance broking business between 2015 and 2016 to the current level of R1.549 billion is equally impressive as this is a 17% surge in GWP. The group reported an additional R749 million in GWP on its short-term insurance administration platform for a total R2.298 billion in short-term insurance premiums under administration at end-February 2016 (Professional Services Group Annual Report, 2016).

- **Risk Benefit Solutions**

Risk Benefit Solutions (RBS) was established in 1998 with just 26 staff at the end of its first year. Today it employs more than 150 people and is a leading independent financial services advisory firm (OSTI Annual Report, 2016). RBS operates throughout South Africa and offers advice in a number of financial services disciplines, including insurance and risk services, employee benefits, wealth management and health. On its growth path, the group has merged with a number of established short-term insurance brokers.

- **Willis Towers Watson South Africa**

Willis is the brand name of Willis Limited, the world's oldest insurance broker and risk advisory practice tracing its origins back to 1828 (Willis Limited Annual Report, 2011). The South African business is a specialist corporate risk management and insurance broker, which counts some of the largest JSE-listed companies among its clientele. It is 26% owned by an empowerment shareholding, NMT Group. Willis differentiates its offering by employing top

risk specialists. Globally the group has more than 18 000 employees in 400 offices. The global business is listed on the US-based Nasdaq exchange as Willis Towers Watson (NASDAQ: WLTW) (OSTI Annual Report, 2016).

- **Lloyd's Brokers**

This firm operates a representative office in South Africa, which authorises local short-term insurance brokers to operate as Lloyd's correspondents. A Lloyd's correspondent is a broker that can place risk with the Lloyd's underwriters who operate out of London (OSTI Annual Report, 2016). Lloyd's is not an insurer but rather an insurance market where brokers can negotiate a premium for specific risk, which is in turn then placed on cover through the Lloyd's structures. The nature of this relationship required separate handling under the domestic insurance laws and the STI Act. Lloyd's is permitted to conduct short-term insurance business in South Africa via its correspondents (KPMG, 2011).

The FSB publishes a list of Lloyd's approved correspondents in its short-term insurance annual reports. It also reports on the business placed by local Lloyd's correspondents via the Lloyd's market. In the past, each Lloyd's correspondent had to provide an annual report to the regulator, but nowadays reporting is through a single consolidated report submitted to the FSB by the representative office (OSTI Annual Report, 2012). GWP reported by the representative office includes business placed by both local and non-local brokers. The amount of business placed by Lloyd's correspondents is not insignificant and runs to more than R3 billion in the latest FSB report (OSTI Annual Report, 2016).

2.12 TYPES OF SHORT-TERM INSURANCE POLICIES

The Insurance Act (Act No.27 of 1943) described six policy types. When this Act made way for the STI Act in 1998, two policy types were added, bringing the South African insurance sector total today to eight broad policy types. These include property policies, transportation policies, motor policies, accident and health policies, guarantee policies, liability policies, engineering policies and miscellaneous policies. The policy types are defined in section 1 of the STI Act as follows:

2.12.1 Property Policy

This is a contract in terms of which, in return for a premium, a person undertakes to provide policy benefits if an event occurs which is defined in the contract as a risk. The risk is in relation

to the use, ownership, loss of or damage to movable or immovable property and includes a reinsurance policy in respect of such a policy (Act No.27 of 1943).

2.12.2 Transportation Policy

This is a contract in terms of which, in return for a premium, a person undertakes to provide policy benefits if an event occurs which is defined in the contract as a risk relating to the possession, use or ownership of a vessel, aircraft or other transportation situations (Act No.27 of 1943). This contract also includes a reinsurance policy in respect of such a policy.

2.12.3 Motor Policy

This is a contract in terms of which, in return for a premium, a person undertakes to provide policy benefits if an event occurs which is defined in the contract as a risk relating to the possession, use or ownership of a motor vehicle, occurs (Act No.27 of 1943). This policy includes a reinsurance policy in respect of such a policy.

2.12.4 Accident and Health Policy

This is a contract in terms of which, in return for a premium, a person undertakes to provide policy benefits if a disability event, health event or death event, contemplated in the contract as a risk, occurs. Such a policy may not offer benefits other than a stated sum of money nor may it encroach on the business of medical schemes as described in the Medical Schemes Act (Act No. 72 of 1967).

2.12.5 Guarantee Policy

This is a contract in terms of which, in return for a premium, a person (other than a bank) undertakes to provide policy benefits if an event occurs which is defined in the contract as a risk relating to the to the failure of a person to discharge an obligation. It includes a reinsurance policy in respect of such a policy (Act No.27 of 1943).

2.12.6 Liability Policy

This is a contract in terms of which, in return for a premium, a person undertakes to provide policy benefits if an event occurs which is defined in the contract as a risk relating to the incurring of a liability; and includes a reinsurance policy in respect of such a policy (STI Act, 1998).

2.12.7 Engineering Policy

This is a contract in terms of which, in return for a premium, a person undertakes to provide policy benefits if an event occurs which is defined in the contract as a risk relating to the possession, use or ownership of machinery or equipment, other than a motor vehicle. The machinery, equipment or motor vehicle must be used to carry on a business; in the erection of buildings or other structures; or in the undertaking of other works; or the installation of machinery or equipment. The contract includes a reinsurance policy in respect of such a policy (STI Act, 1998).

2.12.8 Miscellaneous Policy

This is a contract in terms of which, in return for a premium, a person undertakes to provide policy benefits if an event occurs which is defined in the contract as a risk relating to any matter not otherwise defined in this contract. This contract includes a reinsurance policy in respect of such a policy (STI Act No. 53 of 1998).

2.13 INTERNATIONAL AND SOUTH AFRICAN INSURANCE TRENDS

The section presents some insight into the challenges and opportunities facing short-term insurers, and trends.

2.13.1 Challenges and Opportunities Facing Short-Term Insurance Firms

A core function of successful insurers is to determine the price of new insurance policies in order to compensate for risk. Up until very recently, the only information that was available to inform this process was an analysis of past claims (Podnar and Javernik, 2012). Insurers had to distinguish between three types of uncertainties or risk.

The first one is those uncertainties for which there are reliable probability distributions based on past claims. Actuaries use techniques such as probability analysis to compute data such as age, gender and credit scores into risk categories or profiles. From these profiles, pricing models is then developed (Podnar and Javernik, 2012). The second type of uncertainties is those that can be imagined, but for which it is impossible to agree on probability distributions. In most of these cases ‘unquantified risk’ is classified as ‘too high risk’. The third type is those uncertainties that cannot be imagined.

- **New Technology**

Coyle, Bardi and Langley (2003) state that new technology is altering the fundamental nature of the insurance business. Data from in-vehicle devices and wearable heartrate monitors, for example, is making it possible for risk calculations to be based on personal data, as opposed to group profile data. Increased transparency and better quality data makes it possible for insurers to set pricing and premiums for individual clients based on their individual profile rather than on that of an insured group. Data retrieved from new sources as wide ranging as deoxyribonucleic acid (DNA) studies and satellites is allowing insurance companies insight into the types of risk previously thought to be unquantifiable (Davis, 2008).

It is likely that those policyholders that voluntarily engage with new types of telematics and agree to be monitored by them will benefit from lower premiums. In theory, this will lead to a virtuous cycle, where customers reduce their exposure to risk over time, resulting in still lower premiums and possibly even a reduced need for insurance. This may compel insurers to look for new risks further along the risk curve (Davis, 2008).

The National Treasury, the chief architects of the change, propose that two industry regulators will ensure that customer funds will be better protected against systemic risk (through interventions by officials based at the SA Reserve Bank) and that customers will be sold fit-for-purpose, appropriate products by advisers whose interests are aligned with their own (FSB, 2013). The ultimate objective is that the practice of using taxpayer funds to protect the economy from systemic failure is reduced.

In addition, studies by Coyle *et al.*, (2003) and Van Huyssteen (2014) found that the evolution of technology makes short-term insurance companies in South Africa accessible to their clients all the time. As a result, short-term insurance companies have large volumes of people they are dealing with because many clients prefer to be served in the most modern and quickest way available. Technology has thus changed the need to have a place for short-term insurance business. Clients do not need to go to company offices to receive the service they need as they are now able to buy products and services online. However, short-term insurance online services can be targeted by cyber criminals or may be unavailable due to high volumes of online traffic (Life Offices Association, 2008). Short-term insurance companies are also under pressure to put in place computer systems and an information technology infrastructure that is secure so that they can give clients quality service. Studies show that short-term insurance

companies are struggling to train their employees to be able to serve clients using new technological systems (Van Huyssteen, 2014). As a result, short-term insurance companies have no choice but to provide budgets for technological human capacity-building (Podnar and Javernik, 2012).

- **Globalisation**

Several studies show that globalisation is one of the biggest challenges that South African insurance companies are facing (Coyle, Bardi and Langley, 2003). This has forced South Africa, like many other countries, to liberalise trade in order to remain relevant in the global domain (Davis, 2008). The issue of globalisation is of more benefit to short-term insurance companies that have global footprints (Coyle *et al.*, 2003). Globalisation has also resulted in an increase in product quality as local insurance companies are now competing with international companies to provide insurance products that meet international standards (Davis, 2008). Local clients have multiple alternative insurance companies to give them the insurance products they desire. Globalisation has resulted in the spread of the Internet so that geographical boundaries are no longer as much of an issue and hindrance they once were (Coyle *et al.*, 2003). This has exposed insurance companies to international insurance standards, forcing them to improve their standards of service. Some insurance companies have taken advantage of the explosion of technology to promote their insurance products, not only locally, but also internationally (Coyle *et al.*, 2003).

Davis (2008) states that globalisation is also influencing global shifts in the world of insurance, increasing South Africans customers' awareness of the various insurance products offered by short-term insurance companies. This has created growth opportunities in short-term insurance companies as many more people want to buy insurance products for various reasons (Coyle *et al.*, 2003). Globalisation has also caused market saturation for mature international short-term insurance companies. As a result, they have started looking to the South African insurance market for growth opportunities, which has made competition in short-term insurance companies very intense (Davis, 2008). Coyle *et al.* (2003) argue that globalisation has sent local short-term insurance companies into turmoil as they struggle to improve their standards to remain in business.

- **Customer Behaviour**

Studies show that customer behaviour, influenced by a number of factors, including internet and policy legislation, has contributed to the growth in demand for short-term insurance service

experienced in South Africa (Mikdashi, 2011; Coyle *et al.*, 2003). Some studies suggest that the high demand for short-term insurance products experienced in South Africa is due to the social, political, educational and political empowerment of many South Africans. In addition, companies have taken advantage of the call by government to insurance companies to help clients who do not currently enjoy financial services (Mikdashi, 2011). This has put pressure on the operation of short-term insurance companies. With the constant availability of information on insurance companies and products offered, many South Africans are enlightened and are therefore able to compare insurance products available on the market and to choose what best suits them (Coyle *et al.*, 2003). Clients are not blindly loyal to their short-term insurance companies. They move freely from one insurance company to another looking for better products and service (Mikdashi, 2011). In some instances, clients are confused. They are not sure which insurance products or service to buy as there are so many short-term insurance companies to choose from (George, 2004).

As a result of formal and informal education on short-term insurance services, clients are now demanding more affordable prices and better quality service (Mikdashi, 2011). Short-term insurance companies are therefore under pressure to offer insurance products and services that are tailored to their clients' needs (Mikdashi, 2011). There is also a greater demand for more flexible and responsive services (Life Offices Association (LOA), 2008).

Scholars also argue that the South African short-term insurance companies are facing low tolerance from clients as they demand high quality services. At the same time, insurance companies seem to be dealing with people who need protection and financial education, as clients' levels of knowledge are often not on a par with global enlightenment regarding the short-term insurance business (Mikdashi, 2011). As a result, short-term insurance companies are dealing with large numbers of clients who lack the basics in understanding personal finance. This is especially true amongst the low-income earners (Van Huyssteen, 2014). Several efforts have been made to address the issue of the lack of basic knowledge in financial issues among low-income earners. For example, in 2007, Zimele insurance products were introduced so that low-income earners could also have access to short-term insurance services (FSB, 2012).

Several scholars argue that the proliferation of short-term insurance companies allows clients to shift easily from one company to another. Short-term insurance companies now regard this behaviour as an epidemic (FSB, 2012). Other challenges faced by short-term insurance

companies in terms of customer behaviour include clients being untruthful in a bid to get compensation they do not deserve (Lee *et al.*, 2014.) In many situations, cheating clients have managed to get compensation for false claims (FSB, 2012). The phenomenon is not only prevalent among clients. Insurance companies and agents are also reportedly engaging in practices that result in clients not receiving compensation when they make genuine claims (Mikdashi, 2011). Thus, the existence of a wide choice of short-term insurance companies and brokers is a mixed blessing for clients (FSB, 2012). Scholars also argue that South Africans are increasingly demanding self-service avenues, thus putting pressure on short-term insurance companies' resources to modernise and to improve their service to meet this demand (Mackay *et al.*, 2015).

- **Regulation**

Studies show that the South African business and political environment in which short-term insurance companies operate is changing every day (Breckenridge *et al.*, 2014; Van Huyssteen, 2014). As a result, clients are disadvantaged in one way or the other. This has led to the formation of the FSB to regulate insurance companies' operations so that short-term insurance companies provide the service they promise their clients. For this reason, insurance companies are only recognised if they adhere to the requirements of the Short-Term Insurance Act of 1998. The gazetting of legislation is intended to cut down on the mistreatment of clients (Breckenridge *et al.*, 2014).

The proliferation of short-term insurance companies has, to a certain extent, caused short-term insurance companies to become relax in providing quality service. As a result, the number of complaints reported to the Ombudsman's office is doubling every year (Chen and Hu, 2013). This is one reason why the Financial and Intermediary Services Act 2002 was promulgated. The FAIS Act requires that all short-term insurance companies adhere to a strict code of conduct to promote quality service. There is a need, therefore, for short-term insurance companies to have reporting obligations to protect clients (De Matos *et al.*, 2012).

Scholars such as Marović, Njegomir and Maksimović also argue that the economic downturn has caused many clients to default on their premiums. Because of this, short-term insurance companies have incurred substantial losses, as insurers are not able to recover these funds from clients. Studies show that the cost of regulatory compliance in South Africa is affecting

profitability in insurance companies, a situation worsened by attrition of clients (Simitsek, 2007 and Van Huyssteen, 2014).

- **Economic Factors**

Scholars argue that short-term insurance companies have been spared the economic challenges South Africa is facing when export activity is low (Simitsek, 2007; Nguyen and Mutum, 2012). The economic downturn has caused the economy to shrink, and as a result, access to credit has dwindled (Harwood, Garry and Broderick, 2008). The economic problems are also causing job losses, making it difficult for short-term insurance companies to operate effectively. However, because of the skills shortages in South Africa, some short-term insurance companies are being forced to keep their employees, but have had to change their working conditions to make them more affordable. Gwinner, Gremeler and Bitner (2008) state that the economic meltdown has affected the operations and morale of workers and this in turn, affects service quality.

The economic situation is also putting pressure on short-term insurance companies to spend a lot of resources on retaining their existing clients. Short-term insurance companies need to develop CRM to retain clients and to provide quality service. This can only happen when the true nature of companies' and clients' relationships are known. It is this information gathering that makes this study invaluable.

The Finance Services Board (FSB) regulates all short-term insurance companies in South Africa. Short-term insurance companies subscribe to the mother association body known as South African Insurance Association (SAIA) (PwC, 2013). The association has more than 59 members who adhere to the SAIA code of conduct and are expected to participate in the office of the Ombudsman in particular for short-term insurance (SAIA, 2014). In 2008, SAIA's determination to fight crime and fraud drove the establishment of the South African Insurance Crime Bureau (SAICB) that works independently with its own members (SAIA, 2013).

SAIA also works in collaboration with the South African Police Service (SAPS) in fighting crime (FSB, 2013). SAIA's main areas of focus include promoting relations and communication among key stakeholders; promoting operations in the insurance industry; dealing with insurance risks; helping to deal with insurance risks; and helping to deal with transformation and government risks (George, 2004).

The function of SAIA includes setting technical standards for the insurance industry; representing members to the public; liaising with salient stakeholders in the insurance industry;

ensuring that members are represented at different levels of operation in the insurance industry; and interacting with both local and international associations working in the insurance industry (OSTI Annual Report, 2013).

SAIA is also mandated to be the face of its members to the media; to promote the flow of information among members; and to promote open discussion among stakeholders (FSB, 2013).

Studies have traced the existence of SAIA back to the 19th Century when the Council of Fire Insurance Company was established in 1907. The name SAIA was introduced in 1973 (Datamonitor, 2008; SAIA, 2013; Van Huyssteen, 2014). The Financial Services Board (FSB), in line with the Short-Term Insurance Act of 1998, supervises SAIA. Studies show that in South Africa, only insurance companies registered in line with the Short-Term Insurance Act 1998 are allowed to engage in selling and providing insurance (FSB, 2014).

Scholars explain that having short-term insurance is recommended in South Africa, especially for people who have financial possessions such as cars or houses (MarketLine, 2013:11). This has led to the emergence of a huge and receptive range of short-term insurance products and services (KPMG, 2014). In 2012 short-term insurance companies in South Africa made a contribution of more than R82 billion to the South African Gross Domestic Product (GDP) (MarketLine, 2013:11). There are more than 108 individual insurance companies (FSB, 2012). Each of these companies offers almost the same prices for insurance products to the South African market (MarketLine, 2013:11). The exponential growth in the number of short-term insurance companies shows that the insurance industry is flooded with known and unknown competitors who are providing standardised insurance products (KPMG, 2014). As a result, clients tend to so many choices about what insurance product to buy, and ultimately, their loyalty to short-term insurance companies' is very flexible (Breckenridge *et al.*, 2014).

According to the 2014 OSTI Annual Report, in 2010, the number of complaints received was 8 778 while in 2014 a total of 10 253 complaints was received (OSTI Annual Report, 2014). The Ombudsman's Annual report also shows that the rand value recovered in favour of clients was over R116 million in 2014. Most of the complaints dealt with by the Ombudsman related to motor insurance (46.9%) 4 807 complaints; house owners' insurance (20.9%) 2 148 complaints; and miscellaneous insurance complaints (17.4%) (OSTI Annual Report, 2014).

Table 2.1 below shows the distribution of complaints received by the Ombudsman’s office per 1000.

Table 2.1: Insurers’ Complaints per 1000

Insurer	Total Claims	Complaints received by Ombudsman	Ombudsman Complaints per 1000
NMS Insurance	74 021	0	0/1000
Vodacom	65 073	49	1/1000
Renasa Insurance	41 656	53	1/1000
Santam	425 617	680	2/1000
Hollard Insurance	331 825	632	2/1000
Outsurance Insurance	290 010	493	2/1000
Centriq Insurance	82 918	153	2/1000
Guardrisk Insurance	159 333	497	3/1000
Discovery Insure	53 015	170	3/1000
Alexander Forbes Insurance	52 519	179	3/1000
Absa Insurance	275 588	1 037	4/1000
Mutual & Federal Insurance	155 598	599	4/1000
Standard Insurance	119 506	523	4/1000
Auto & General Insurance	109 490	408	4/1000
First for Woman Insurance	47 700	173	4/1000
Dial Direct Insurance	57 991	265	5/1000
Nedinsurance	57 337	294	5/1000
Budget Insurance	65 559	362	6/1000
MI Way Insurance	84 186	569	7/1000
New National Assurance	38 249	521	14/1000

Source: OSTI Annual Report (2014:16)

Table 2.2 below shows overturn rates of insurance companies that received the most complaints in the review period.

Table 2.2: Top Insurers by Overturn Rate

Insurer	Total Claims	Complaints received by Ombudsman	Overturn Rate
Outsurance Insurance	290 010	493	13.8%
MI Way Insurance	84 186	569	22.6%
Discovery Insure	53 015	170	22.8%
Standard Insurance	119 506	523	23.9%
Mutual & Federal Insurance	155 598	599	26.6%
Alexander Forbes Insurance	52 519	179	26.8%
Santam	425 617	680	29.3%
Hollard Insurance	331 825	632	30.8%
Nedinsurance	57 337	294	32.1%
Renasa Insurance	41 656	53	32.8%
Budget Insurance	65 559	362	33.2%
Auto & General Insurance	109 490	408	33.3%
Vodacom	65 073	49	35.7%
Dial Direct Insurance	57 991	265	37.2%
Centriq Insurance	82 918	153	37.4%
Absa Insurance	275 588	1 037	38.9%
First for Woman Insurance	47 700	173	39.4%
Guardrisk Insurance	159 333	497	39.4%
New National Assurance	38 249	521	47.0%
NMS Insurance	74 021	0	n/a

Source: OSTI Annual Report (2014:16)

The number of complaints received by the Ombudsman's office show that there is a problem in the short-term insurance service provided to clients. As the situation stands, clients' perceptions of the service quality of the short-term insurance companies and clients' expectations with short-term insurance companies in South Africa are unknown quantities. Van

Huyssteen (2014) argues that short-term insurance companies are supposed to protect clients against unforeseen events that could cause them financial hardship. Judging by the high number of complaints reported to the Ombudsman, this would appear not to be the case. Martin, O'Neill, Hubbard and Palmer (2008) said that the short-term insurance industry should deal with service delivery because its success greatly relies on its customer experience levels. Customers are the core of the industry (Akanlagm, 2011).

Martin *et al.*, (2008) state that because of the amount of money, they typically invest in insurance policies trying to reduce their risks and uncertainties, short-term insurance clients aim for long-term relationships with their insurance companies. Services that offer intangible products raise dissimilar expectations to services that contain tangible goods (Siddiqui, 2010).

The high number of complaints reported to the Ombudsman's office suggests that clients do not feel secure and do not trust the short-term insurance companies' policies to be reliable or honest in dealing professionally with their claims. Clients need a service of high quality and desire a strong relationship with their insurer (Siddiqui, 2010). This may reduce the number of complaints. However, this can only be achieved if clients' expectations (the most challenging yet crucial part of service quality) are known. Part of the reason that this study was conducted was to ascertain clients' wishes in terms of service quality.

Van Huyssteen (2014) explains that clients measure service quality by judging whether their expectations are being met or how close the service comes to meeting their expectations. For this reason, quality is viewed as a comparison between expectation and performance (Tolpa, 2012). This relationship has not been studied in the short-term insurance industry in South Africa. Tsoukatos's (2007) also presents the argument that clients are now focusing on the entire service-offering that insurers have to offer. This means that their needs and wishes must be taken into consideration, from the quality of advice received, through to the level of after-service. For this reason, scholars argue that, in order to truly satisfy their clients, insurance companies should shift their focus from the traditional price and product emphasis to clients' experience throughout the insurance value chain (PwC, 2012b).

With the proliferation of short-term insurance companies in South Africa that are offering the same products, there is a need to have a more customer-centric approach if short-term insurance companies are to rise above the fierce competition in the industry (FSB, 2013). Short-term

insurance companies must also have a good understanding of their customers' perceptions of the service offered by themselves and all other short-term insurance companies, clients' relationship with short-term insurance companies and clients' levels of satisfaction with the services offered by insurance companies. This is the rationale for this study (KPMG, 2013).

2.14 THE REGULATORY ENVIRONMENT

The World Economic Forum (WEF) Global Competitiveness Report (2015-2016) ranks South Africa 12th out of 140 countries in terms of its financial market development. This measure consists of eight metrics including financing through local equity markets (1st in the world), regulation of securities exchanges (2nd), availability of financial services (6th) and soundness of banks (8th) (OSTI Annual Report, 2016).

Van Huyssteen (2014) argues that South Africa's weakest performances under the financial market development measure relate to the affordability of financial services (21st in the world), ease of access to loans (32nd) and venture capital availability (47th). It is also worth noting that South Africa ranks first for the strength of its auditing and reporting standards and achieved in the top 20 performances for the efficiency of its legal framework, both in settling disputes and the ability to challenge new regulation (FSB, 2016).

South Africa would not perform so well against these WEF measures were it not for its well-developed financial services regulatory environment. The country's excellent regulatory framework has evolved over decades and is continually being fine-tuned by policymakers at National Treasury and the FSB (FSB, 2014).

2.15 LAWS CURRENTLY IN FORCE IN THE SHORT-TERM INSURANCE SECTOR

Van Huyssteen (2014) argues that when people are equipped with a thorough understanding of the regulatory environment, they can turn their attention to the laws that are currently in force in the short-term insurance sector.

Since the early 2000s the financial services sector has been the subject of a wave of legislative reform under one of two overarching trends. The first is the adoption by the regulators of a pro-

customer focus and the second a desire by regulators to reduce market risk. The customer is also identified as a major beneficiary of reduced market or systemic risk. For the most part these regulatory changes are spearheaded by the Minister of Finance through National Treasury and the FSB or by the Department of Health via the Council for Medical Schemes (CMS) (SAIA, 2012).

The FSB (2014) states that the pro-customer sentiment is also the driving force behind the FSB's principles-based Treating Customers Fairly (TCF) regime and, more recently, the Retail Distribution Review (RDR). TCF takes an outcomes-based approach to regulation that seeks to ensure that specific, clearly articulated and fair outcomes for financial services customers are delivered by financial institutions while RDR proposes far-reaching reforms to the regulatory framework for distributing financial products to customers (OSTI Annual Report, 2014).

The first pro-customer law applicable to the South African financial sector was the Financial Advisory and Intermediary Services Act (Act No. 37 of 2002), otherwise known as the FAIS Act. This was followed by the Customer Protection Act (Act No. 68 of 2008), otherwise known as the CPA. The body of law aimed at addressing market or systemic risk in the financial services section is being introduced under a broad methodology known as Twin Peaks (FSB, 2015).

2.16 PROPOSED NEW LAWS AND POLICY OBJECTIVES AFFECTING SHORT-TERM INSURERS

Tolpa (2012) states that South Africa is one of many countries embarking on significant financial services sector legal reforms. Others include Australia, the United Kingdom, the United States and various markets in the European Union. The catalyst for this unprecedented worldwide regulatory reform was the Global Financial Crisis (GFC) of 2008 (STI, 2016).

The World Bank (2016) states that it is not easy to understand how the new regulatory regime proposed by National Treasury fits together. A good document called 'A Safer Financial Sector to serve South Africans better', referred to by the Minister of Finance in his 2011 Budget Speech and formally approved by Cabinet the same year, gives a clear overview of the changes.

This was one of the first documents prepared by National Treasury to clarify the changes in the industry (OSTI Annual Report, 2016).

Twin Peaks has become the shorthand for the planned comprehensive revamping of South Africa's financial sector regulation (OSTI Annual Report, 2016). It proposes the introduction of a dual regulated financial services sector (hence the phrase 'Twin Peaks'). A Prudential Authority (PA) housed in the South African Reserve Bank (SARB) will oversee prudential aspects of regulation while a separate regulator will oversee the conduct of the businesses in the sector (FSB, 2015). The FSB will step in as the market conduct regulator and will be renamed the Financial Sector Conduct Authority (FSCA) (OSTI Annual Report, 2016).

2.17 CUSTOMERS' SERVICE FACTORS IN THE SHORT-TERM INSURANCE INDUSTRY

Short-term insurance is a truly service-based offering. The core benefit of investing in an insurance product is 'peace of mind' (Palmer, 2011). Since the service offering is essentially the only aspect that short-term insurers can use to satisfy customers, this industry is likely to base most of its practices and strategies on the concept of service quality. In addition, many insurers base their positioning strategy on pricing (Ciraulo and Auman, 2002), which means that this area of excellence is also limited.

Clearly, the short-term insurance industry is highly dependent on complying with service quality dimensions. According to Gayathri *et al.* (2005), assurance and empathy are the most important dimensions for short-term insurers. Agents or brokers are relied upon to build a trusting relationship with customers with a view to establishing confidence and security with customers to ensure their commitment to the relationship (Zeithaml, Bitner and Gremler, 2009).

As service quality dimension tangibles make up one of the least important factors to short-term insurers. Since many policyholders do not physically visit the service provider and policies are a once-off procurement, physical facilities, appearances and product presentations, are of little importance to insurers (Hernon and Nitecki, 2001).

In order to measure customers' (policyholders') perceptions of insurers' service quality, one need to bear in mind that not all service quality dimensions that are evaluated will have the

desired outcomes. Attributes in specific areas will have to receive more attention and understanding on the part of the insurer. The SERVQUAL instrument is ideal to use in the insurance industry and it can be applied effectively to measure customers' perceptions and expectations of the insurer's service quality" (Jain *et al.*, 2007; Wells and Stafford, 2005)

"Insurers are also highly dependent on successful long-term relationships with their customers and should attempt to maintain excellent relations with them (Payne, 2006). It follows that insurers rely heavily on customers' perceptions of their service. Insurers will therefore have to emphasise the benefits to the customer of with having a relationship with them. These benefits may include social, special treatment or confidence benefits".

2.18 SOUTH AFRICAN STUDIES ON SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES

The concept of service quality in the short-term insurance industry is a very under-researched area (Mackay *et al.*, 2015). There is a dearth of scholarly evidence on clients' expectations and experiences of service quality in the short-term insurance industry. Scientific knowledge on companies' service quality is crucial because short-term insurance industry management teams and regulators need to be informed about clients' views of the service quality provided to them.

In South Africa, Mackay *et al.*, (2015) conducted a study on short-term insurance companies. The study investigated the interrelationship between service quality, relational benefits, customer satisfaction and behavioural intention in South African short-term insurance companies. The study found that service quality and relational benefits had an influence on customer satisfaction, which in turn had an influence on behavioural intentions. In particular, the study found that reliability, responsiveness, assurance and empathy influenced service quality, while relational benefits such as confidence, social, and special benefits influenced customer service quality. The study also established that behavioural intentions in particular loyalty, word of mouth, age, gender, background, and future loyalty are crucial factors that influence customer satisfaction (Mackay *et al.*, 2015). Though the study is indispensable in its contribution to the body of knowledge in the discipline of service quality in the short-term insurance industry, the findings cannot be generalised for a number of reasons. First, the study was only conducted in the province of Gauteng. Second, a non-probability sampling method (the convenience sampling method) was used. This method is prone to bias when selecting

respondents. The sample was therefore not representative of all short-term insurance clients in Gauteng. Third, only one out the three companies studied in the current study were part of Mackay *et al* (2015)'s study which means that the focus was very narrow. The gap between clients' expectations and experiences of service quality in the short-term insurance companies in South Africa therefore remains unknown.

Another body of knowledge on short-term insurance companies is the OSTI, Annual Report (2014). The report revealed that insurance policyholders had many complaints about service quality. These complaints related to the intricacy of the insurance terms presented in policy documents; the failure of the frontline employees to attend to clients' needs; delays in payment; and other challenges. The report is limited as it does not explain the determinants of service quality in the short-term insurance industry, making it an under-researched area.

Using CRM as intervening variable, Roberts-Lombard and Du Plessis (2012) investigated the influence of two-way communication and conflict resolution on clients' loyalty in the South African long-term insurance industry. The study found that CRM had a positive influence on customer loyalty. The finding suggests that if long-term insurance companies were to learn to communicate correctly and timeously, and have service employees who are skilled and knowledgeable in conflict resolution, it is possible to have clients with greater loyalty to their companies. The study found that 51.53% of the clients believed that two-way communication is a very important dimension in determining CRM and future relationships with insurance companies. The study also found a negative relationship between the two-way communication experienced by long-term insurance companies and CRM. The study found that 45.69% of the clients strongly believed that in the long-term insurance industry, conflict resolution has influence on CRM as well as on their future relationship with insurance companies.

Worth noting is that there is a positive relationship between the experienced conflict resolution service and companies and clients' relationship management. The study concludes by showing that there is a positive relationship between CRM and clients' loyalty. The contribution of this study is significant. However, the findings are not able to ascertain the experiences and expectations of service quality of the clients in the short-term insurance industry, as it is a distinctive sector. In addition, the findings do not address the gap between clients' expectations and their experiences of the service quality provided to them. This is because the study was conducted in the South African long-term insurance industry and focussed on the influence of

two-way communication and conflict resolution on clients. Therefore, the phenomenon of service quality in the short-term insurance industry remains unknown and undocumented. This is the gap that study is addressing.

Roberts-Lombard and Du Plessis (2012) conducted a study on short-term insurance companies' clients to ascertain the influence of CRM on their loyalty at short-term insurance companies in the Gauteng province. The study population were South Africans with short-term insurance policies from selected insurance companies. The findings of the study show a negative relationship between clients' commitment and CRM. The study found no significant relationship between CRM and trust. However, the study reported a strong positive relationship between customer loyalty and CRM. Though the study suggests strategies on how short-term insurance companies may improve and maintain the service-provider-client relationships, the suggestions do not answer the questions underpinning the current study in as much as the study suggests ways of encouraging loyalty and consequently increasing profitability in the short-term insurance industry.

In 2009, Modikwa investigated the underlying factors of service quality in the short-term insurance broking industry in South Africa. The study found that clients were most dissatisfied with the reliability of service quality followed by the dimension of responsiveness. The findings further showed that the short-term insurance broking industry is trying to meet clients' expectations in the tangibility of service quality. The study found that the dimension of assurance is the main underlying factor to service quality and satisfaction, while tangibility was the least of all five dimensions (tangibles, reliability, responsiveness, assurance, and empathy) studied. Modikwa's study has limitations. It investigated clients' perceptions of broking companies not insurance companies. The study had a sample of 31 brokerages and used the SERVQUAL model without customising it to the short-term insurance broking companies. The result was a generic study whose results cannot be used to understand and interpret clients' expectations and experiences of service quality in the short-term insurance industry.

As alluded to earlier, there is limited local research on service quality in the insurance industry. In Greece, ICAP a Greek market research consultancy group listed in Tsoukatos, Graham and Rand (2007) carried out a study on clients' perceptions of service quality in a sample of Greek insurance companies. The study found that 48% of the clients reported that insurance companies were not reliable and that their service was characterised by unprofessionalism. The

study also found that the quality of insurance products and services was poor but costly (35%) and that companies failed to provide quality post-purchase service and support (43%). In addition, 43% of the clients reported that companies were not willing to explain the details of their insurance policies because of a lack of care, sincerity, and knowledge on what customers were querying.

In America, Schlesinger and Graf van der Schulenburg (1991) cited in Krasnikov, Jayachandran and Kumar (2009) found that clients' perceptions, company's solvency, claims resolving processes, category of bonuses, and the modes of payment used by companies all have an influence on clients' levels of service quality satisfaction. Tsoukatos (2007) conducted a study on service quality perceptions in four insurance companies using the SERVPERF model and found lower complaints ratios. This finding was attributed to clients' high levels of education on service quality provided by short-term insurance companies. The study found that clients and insurance companies perceived service quality in a same way.

In Uganda, Duodu and Amankwah (2011) found that insurance clients had high expectations of service if they were aware that they had the right to complain to the relevant body when the service provided to them was poor. Therefore, awareness of the availability of customer advocates influenced clients to have high levels of wishes or desire for service quality. This is in agreement with KPMG's (2006) finding that when clients had high levels of knowledge of the insurance companies, they had negative perceptions of service quality. This was because they were in a better position to evaluate service quality than those who did not have formal insurance enlightenment. This finding is supported by Kock, Roodt and Veldsman's study (2002) which found that customers, who had insurance education, rated their insurers' service quality lower than those who had no specific insurance education.

Mehta *et al.*, (2002) conducted a study service quality in the insurance industry of Singapore. The study found that assurance, personalised financial planning, tangibility of the service, corporate image and ability to perform as promised, and clients' relationship with insurance agents influenced service satisfaction. The conclusion of the study indicated that customers' expectations play an important role in influencing their evaluation of service quality. Insurance companies should therefore not overlook customers' expectations when planning and designing insurance services. This is one of the objectives of this study. The study found that insurance companies need to improve customers' experiences of service quality and to revisit

their promotional strategies. Gayathri *et al.*, (2005) study on the levels of service quality in four leading insurance companies in India found several factors that influenced service quality. These can be used to differentiate different stakeholders and can be factored into insurance companies' sustainable competitive advantage strategies.

The fact that there are limited studies on service quality in short-term insurance companies especially in South Africa, means that clients' expectations and experiences, and the gap between expectations and experiences are not known. The rationale of this study therefore is to close the gaps in the body of knowledge on service quality in this industry and the gap between expectation and experience from the client's perspective. This research could have a critical influence on client satisfaction in the South African short-term insurance industry.

2.19 SUMMARY

The chapter presented a detailed discussion on short-term industry. In particular, the chapter dealt with the origin of the insurance industry; the role played by the short-term insurance industry in the economy; the local short-term insurance landscape; and growth opportunities in Africa. In addition to this, the chapter discussed the transformation of the country and certain economic rules such as Broad-Based Black Economic Empowerment; the short-term insurance market; supply and distribution dynamics; market share by insurance license and brand; insurance companies and their expansion in Africa. The chapter explored the issue of reinsurer brands and market shares; insurance by policy type; changes in the short-term insurance brands and ownership; types of short-term insurance policies; and international and South African insurance trends. The chapter closed by discussing customers' expectations of service quality factors in the short-term insurance industry and the gaps in the current body of knowledge on service quality in the same industry by reviewing studies previously conducted in this area, and the summary to the chapter.

CHAPTER THREE

LITERATURE REVIEW

SERVICE QUALITY AND CUSTOMER RELATION MANAGEMENT

3.1 INTRODUCTION

The previous chapter presented literature review which focussed mainly on the origin and nature of the insurance industry. This chapter is divided into two main sections. By assessing service quality and relational benefits, the first section presents an overview of the factors that customers perceive as most important during their consumption and evaluation of a service offering. Service quality is explored by delving into the conceptualisation of the term, its characteristics and contributions, service quality models, and management strategies. In addition, relational benefits are presented by identifying the different types of benefits, their consequences, and measurement approach.

The second section discusses the concept of customer relation management by highlighting its emergence, development, role and importance. It progresses by explaining its benefits and barriers; describing the measures for customer relation management initiatives and how they correlate, and then discusses the role of customer relation management within the short-term insurance industry.

3.2 SERVICE QUALITY

To have a better understanding of service quality, the study explores the concept of service and quality separately, before uniting them as a core concept.

3.2.1 Service

Studies show that services are the main contributors to the world's economy (Mehta *et al.*, 2002; Hennig-Thurau *et al.*, 2010). The service industry constitutes approximately 80% of world's economy (Ojala, 2006). Having said this, there is no real agreement about what 'service' means. Scholars argue that although the discourse on the meaning of service has been going on for years, the results do not seem to have brought the service quality research

community any closer to the meaning of service. Instead, it has made the understanding of service more complicated (Schachter, 2006).

Studies show that services include both perishable and non-physical goods that are consumed as they are produced (Evenson, 2005; de Stricker, 2006). Services provide a solution to people's problems, performances and processes (Evenson, 2005). Most of the definitions of services refer to the unique characteristics of services goods. Scholars argue that the most important features of services are that they are processes with a series of activities that use different resources with a direct interaction with customers (Chen and Hu, 2013). The aim of services is to generate solutions to the problems faced by customers (Evenson, 2005).

Evenson (2005) argues that tangibles are manufactured, stored and then sold, while services in most cases are first sold, then simultaneously produced and used (Zikmund and Babin, 2012). A customer does not need to visit the manufacturing area to use tangible goods, whereas, the use of services generally requires a customer's physical presence. Grönroos (2010) argues that the inseparable nature of production and consumption makes it difficult to set quality control processes (see also Kang and James, 2004).

Most services come into being through the interaction of human service employees and customers or users. Because human beings are all unique, services are heterogeneous (Grönroos, 2010). Kang and James (2004) explain that, although there are services that have tangible elements, the heart of services is intangibility. The intangibility of services makes customers perceive services in an abstract and subjective manner (Kouthouris and Alexandris, 2005).

3.3 CHARACTERISTICS OF SERVICES

Studies show that services differ in how they are provided, consumed, and evaluated. Key characteristics unique to service include:

3.3.1 Intangibility

Kouthouris and Alexandris (2005) argue that services are intangible. The intangible nature of services also presents a problem for customers. When buying a product, the customer is able to see it, feel it, and test its performance before purchase (Grönroos, 2010). For a service, however, the customer must rely on the reputation of the service, the service provider or company (Evenson, 2005).

3.3.2 Inseparability

Production and consumption of many services are inseparable. One example is delivering a lecture. Quality in services often occurs during service delivery (Grönroos, 2010). Unlike goods producers, service providers such as short-term insurance companies do not have the benefit of a factory serving as a buffer between production and consumption. Service customers are often right there 'in the service factory', observing and evaluating the production process as they experience the services. One example of this is in a restaurant outlet (Kouthouris and Alexandris, 2005).

3.3.3 Heterogeneity

Scholars argue that services, especially those with a high labour content, are heterogeneous (Laroche, Ueltschy, Abe, Cleveland and Yannopoulos, 2004). Their performance often varies from producer to producer or performer to performer or from customer to customer, and even from day to day (Kouthouris and Alexandris, 2005). The quality of the interactions that short-term insurance agents have with clients can rarely be standardised to ensure uniformity the way quality of goods produced in a manufacturing plant can (Grönroos, 2010).

3.3.4 Diverse standards and criteria of service

Malai and Speece (2005) argue that services, as performances, are difficult for customers to evaluate prior to purchase. The criteria that customers use to evaluate service quality may be more difficult for the marketer to comprehend (Grönroos, 2010). How customers evaluate investment services offered by a stockbroker is more complicated and varied than how they evaluate trouser materials.

Customers define the criteria that count in evaluating service quality. Service-quality perceptions stem from how well a provider performs in relation to customers' expectations about how the provider should perform (Malai and Speece, 2005).

Laroche *et al.*, (2004) argue that customers do not evaluate service quality solely on the outcome of a service (for example, how their car looks after a repair), they also consider the process of service delivery (for instance how involved, responsive, and friendly the car repairer is in the process of repairing the car) (Malai and Speece, 2005).

3.3.5 Perishability

Agarwal and Kumar (2016) hold that a service is a perishable commodity. In the case of the short-term insurance company, a day without clients is a lost opportunity because service cannot be stored, it is lost forever when not used. In addition, the customer cannot retain the actual service after it is produced. However, the effect of the service can be retained for long time (Ahmad and Sungip, 2008).

3.3.6 Simultaneity

Anderson and Kerr (2002) state that the fact that services are created and consumed simultaneously and, thus, cannot be stored is a critical feature in the management of services. This inability to inventory services precludes using the traditional manufacturing strategy of relying on inventory as a buffer to absorb fluctuations in demand (Awara, 2001).

The simultaneous production and consumption in services also eliminates many opportunities for quality-control intervention (Ekinchi, 2008). A product can be inspected by the client before delivery, but clients in the services industry must rely on other measures to ensure the quality of services delivered. Customers' presence in these facilities and their participation in the service process expose them to errors (Buttle, 2009).

3.3.7 Participation of customers in the service process

Awara and Amaechi (2014) argue that the presence of the customer as a participant in the service process requires that attention be paid to facility design that is not found in traditional manufacturing operations. For example, if short-term insurance service is provided in a hot, dirty, and noisy office this may influence the clients because the unpleasant surroundings of the insurance company's office may be a predictor of the service they will receive. Service

organisations must therefore pay attention to interior decorating, furnishings, layout, and noise as they can influence the customer's perception of their service (Bryman, 2012).

3.4 QUALITY

Several studies show that the word 'quality', in this context, comes from quality goods literature (Laroche *et al.*, 2004; Kouthouris and Alexandris, 2005). People tend to associate quality with tangible goods and not often with service. The definition of quality has often been alluded to by scholars, including Deming and Juran who are believed to be 'gurus' in the discipline of service quality (Lee and Hwan, 2005). Deming states that quality means different things to different people depending on their situations (Lewis and Soureli, 2006). Therefore, the individual customer's meaning of quality is what matters. To an extent this means that quality is relative (Lorenzoni and Lewis, 2004). Siddiqui, Masood, Khand and Sharma (2010) explain that quality refers to features in a product or service that meet people's needs and results in satisfaction. Tsoukatos (2007) argue that quality is the status of being free from errors and deficiencies resulting in people's satisfaction. Walsh, Northington, Hille and Dose (2015) define quality as the ability of a product or service to conform to standards or requirements. Yarimoglu (2014) explains that quality has several dimensions including features, performance, perceivable quality, conformance, durability, reliability and aesthetics. The American Society for Quality defines quality as a subjective phenomenon that depends on individual views (International Standard Organisation (ISO), 2011). For a product or service to be of quality it should satisfy the stated needs or implied needs (Rust and Huang, 2014). Garvin (2008) argues that the eight dimensions of product quality management can be used at a strategic level to analyse quality characteristics. Some of the dimensions are mutually reinforcing, whereas others are not because improvement in one aspect may be made at the expense of others. Understanding the trade-offs desired by customers among these dimensions can help build a competitive advantage. Garvin's (2008) eight dimensions can be summarised as follows:

- **Performance** refers to a product's primary operating characteristics. This dimension of quality involves measurable attributes. Brands can usually be ranked objectively on individual aspects of performance.

- **Features** are additional characteristics that enhance the appeal of the product or service to the user.
- **Reliability** is the likelihood that a product will not fail within a specific time. This is a key element for users who need the product to work without fail.
- **Conformance** is the precision with which the product or service meets the specified standards.
- **Durability** measures the length of a product's life. When the product can be repaired, estimating durability is more complicated. The item will then be used until it is no longer economical to operate it. This happens when the repair rate and the associated costs increase significantly.

Serviceability is the speed with which the product can be put back into service when it breaks down, as well as the competence and the behaviour of the service person.

- **Aesthetics** is a subjective dimension indicating the kind of response a user has to a product. It represents the individual's personal preference.

3.5 SERVICE QUALITY

Several studies indicate that the first attempt to conceptualise service quality was informed by the Disconfirmation Paradigm, which originated in goods quality literature (Malai and Speece, 2005). The Disconfirmation Paradigm explains service quality because it compared the expected and the experienced service (Lorenzoni and Lewis, 2004). In other words, to ascertain clients' satisfaction of the service provided, initial expectations should be compared with clients' experiences or the actual service rendered (Malhotra, Ulgado, Agarsal, Shainesh and Wu, 2005). When the experienced rating of service is lower than the expected rating, this is an indication that clients are not satisfied with the service (Marwa, 2005). Informed by the expectation and experience conceptualisation, Yarimoglu (2014) explain that service quality involves how clients experience service provided, and Palmer (2011) argue that service quality is what clients experience as service provided by firms. Lovelock and Wirtz (2011) explain that service quality should not only be determined by the service providers, but by clients' views as well. Parasuraman and his colleagues (Mehta, Lobo and Khong, 2002) argue that

when clients are provided with services, they evaluate these services by using their own standards that address different aspects of the service.

Wilson, Zeithaml, Bitner and Gremler (2012) understand service quality as a consequence comparison of the initial expectation of service quality with perceptions of the service received. Palmer (2011) argue that when the level of service received is lower than the initial wished for, then the service quality should be regarded as poor. In other words, it is not possible to talk about service quality without talking about perceived quality, which is experienced service. Yen, Liu, Chen and Lee (2014) add their voice to the argument and explain that service quality is what a customer experiences. Lack of understanding on what service quality is, makes it difficult to investigate service quality in the short-term insurance industry. This is what this study set out to achieve.

Based on the discussion above, scholars seem to agree that service quality is the result of a comparison between what is expected from a service provider and the way in which the service provider actually performs. Based on this conceptualisation, service quality essentially involves perceived quality, in other words, how the quality of the service is experienced. Further, service quality is whatever the customer perceives it to be. The level of conformance of a business service quality to a certain set of standards should thus be guided by the customer's point of view, and not by how management sees it (Grönroos, 2007).

Service quality can, therefore, be formally defined as the discrepancy between a customer's perceptions of a service delivery and the customer's initial expectations of the service provider (Palmer, 2011; Zeithaml *et al.*, 2002).

3.6 CONTRIBUTIONS OF SERVICE QUALITY

Scholars argue that service-quality perceptions can influence customers' behaviour, whether directly or indirectly, via customer satisfaction (Chanotakis and Lymperopoulos, 2009; Dagger, Sweeney and Johnson, 2007; Olorunniwo *et al.*, 2006). If customers experience positive service quality, they are more likely to recommend the service provider to others, to increase their volume of purchases, or even agree to pay a premium price for the service (Parasuraman *et al.*, 2002). Ekinci *et al.*, (2008) also find that positive service quality perceptions increase the possibility of customers re-visiting the service provider in future.

The behavioural consequences can, in turn, provide the business with a competitive advantage and in this manner, enhance its position in the marketplace. According to Grönroos (2007), states that a business' competitive advantage is highly dependent on the quality of its goods and services. Thus, in order for service providers to maintain or improve their competitive edge, they will have to ensure excellent service quality based on the dimensions customers use to evaluate service quality.

Another result of delivering high service quality is that it improves the business' financial performance. Bates, Bates and Johnston (2003) find that service providers with high service quality offerings had a significantly higher profit margin than service providers with lower service quality offerings. This finding appeared to apply to both small and large businesses.

The service-profit chain supports these consequences of service quality by suggesting that service quality influences not only certain customer behaviours, but also the business' profitability (Palmer, 2011). From the service-profit chain, it is clear that service quality begins within the business. The organisation must work to achieve both internal satisfaction (employee satisfaction) and productivity (employee productivity) before being able to provide quality services externally to customers. Customers tend to be more satisfied with higher quality services which the positively influence their behaviours (such as loyalty or positive word-of-mouth). The service provider is then rewarded with increased profitability" (Baran *et al.*, 2008; Parasurama *et al.*, 2002).

3.7 MEASURING OF SERVICE QUALITY

Businesses need to identify those aspects of a service that require improvement if they want to ensure optimal customer fulfilment (Zeithaml *et al.*, 2009). In order to determine perceptions of the quality of a particular service, and whether the service meets their needs, performance measurement practices need to be in place.

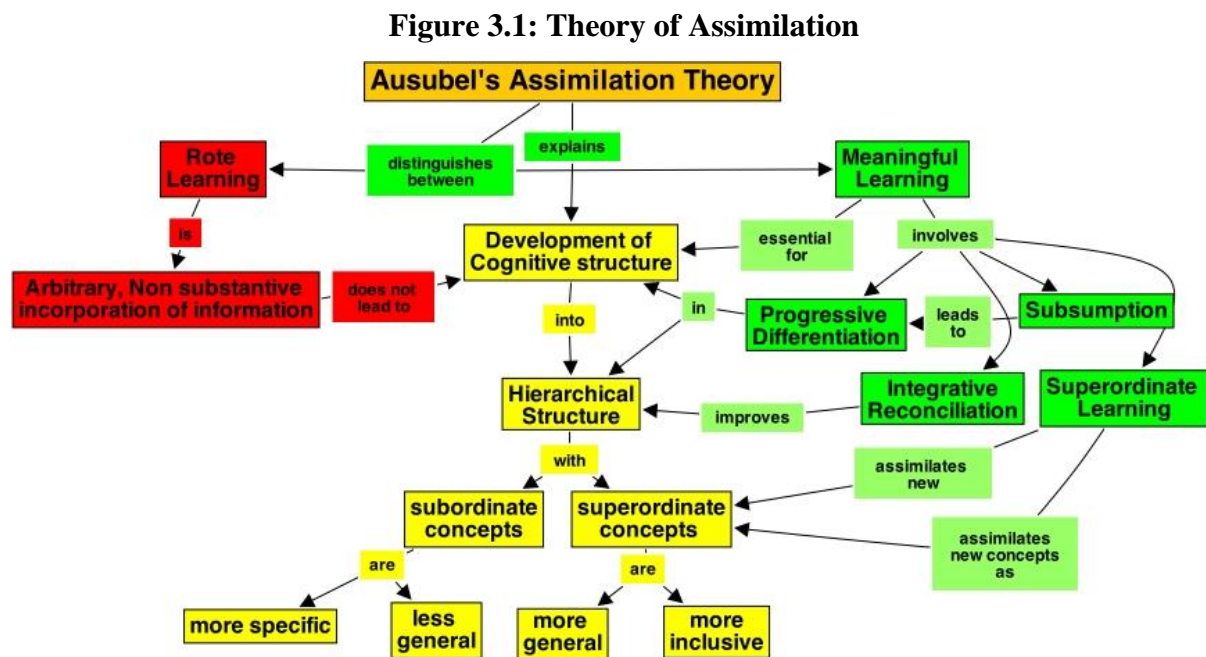
Given the abstract nature of service quality, Grönroos (2007) suggests that the best way to measure service quality is to measure customers' evaluations of the service. Due to the complexity of such an operation, several different views and methods exist regarding the measurement of customers' service quality perceptions. There are different models or frameworks for measuring service quality. The section below presents models that show that

service quality is influenced by customers' experience by comparing expected level of service and delivered level of service.

3.7.1 Theory of Assimilation

The Theory of Assimilation draws from Festinger's 1957 Dissonance Theory, which posits that customers make a cognitive comparison between a product's expected performance and its perceived performance. Any discrepancy that arises from this comparison results in dissonance.

The Theory of Assimilation is a post-usage evaluation point of view that was introduced into literature exploring customer satisfaction (Isac and Rusu, 2014). The Theory of Assimilation is presented in detail in Figure 3.1.



Source: listed by Isac and Rusu (2014, p. 82-88)

Customers adjust their perceptions by lowering their expectations. This may be done to avoid dissonance, and to align the product with their expectations. Customers also alter their expectations to keep them in line with product performance. They may raise their level of satisfaction by minimising the relative importance of the disconfirmation (Isac and Rusu, 2014). This theory is widely criticised because it seems to suggest that the customer is motivated enough to adjust their expectations and perceptions in order to be satisfied (Lankton

and McKnight, 2012). Such a theory does not seem to apply in the current business climate where competition is prevalent, customers have become well informed and there are many products/brands from which to choose (Awara and Amaechi, 2014). Manufacturers are becoming more innovative in order to remain relevant in the marketplace. Customers no longer need to adjust their expectations or perceptions, as they are more easily able to find an alternative product to suit their needs. This theory suggests that dissatisfaction with service quality would not occur unless the expectation was negative from the beginning (Isac and Rusu, 2014).

3.7.2 Theory of Contrast

This theory was introduced by Sherif (1957) as an alternative to the Theory of Assimilation. The Theory of Contrast states that the surprise discrepancy between performance and expectation will lead to exaggerated discrepancy (Lankton and McKnight, 2012). For instance, should a customer find a product marked at a certain price on the shelf, they expect to pay that price at the till point. If they get to the till point and find that the price is actually higher than expected, they will be extremely dissatisfied. The converse will also be true: should the customer find that the price is less than they expected to pay, they will feel positive and satisfied (Chen, 2012).

This theory has received support from researchers. It attempts to predict customer reaction, as opposed to reducing dissonance (Isac and Rusu, 2014). It is human nature to be very happy with a surprise bargain and by equal measure, to be dissatisfied if what has been promised, is not given. Perhaps this is the reason businesses always strive to delight customers by under-promising and over-delivering, in order to influence the exaggerated positive disconfirmation.

3.7.3 Theory of Negativity

Developed by Carlsmith and Aronson in 1963, the Theory of Negativity suggests that any discrepancy in performance expectation will cause negative energy because of the disruption experienced by the customer. The Theory of Negativity draws from the disconfirmation process

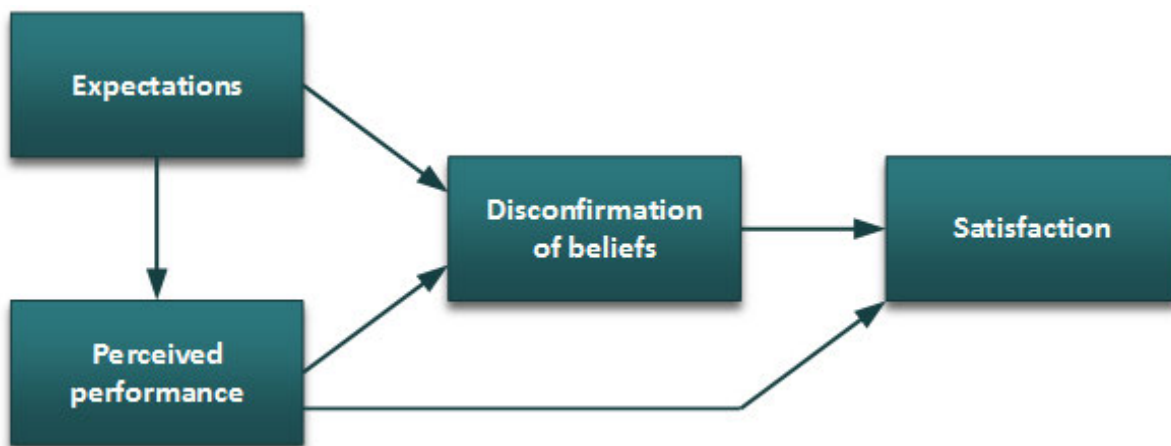
(Isac and Rusu, 2014). It suggests that dissatisfaction will occur if performance either exceeds or falls below expectations”.

3.7.4 Theory of Assimilation Contrast

This theory was introduced by Anderson in 1973, drawing from assimilation and contrast theories. The Theory of Assimilation Contrast suggests that customers have a range of acceptance and rejection levels. Should product performance fall within a customer’s region of acceptance, the customer will disregard the discrepancy which might arise if their expectations that were not fully met (Lankton and McKnight, 2012). However, should product performance fall within the region of rejection, the theory of contrast applies with its magnified negative disconfirmation. This theory seems to suggest that both assimilation and contrast theories are relevant within service quality and customer behaviour studies (Yuksel and Yuksel, 2008).

3.7.5 The Expectations Disconfirmation Theory

Figure 3.2: The Expectations Disconfirmation Theory



Source: Oliver (1977, p.120)

The Expectation Confirmation Theory is also referred to as Confirmation Disconfirmation Theory was developed in 1977. This theory attempts to describe levels of satisfaction after the purchase. However, it has been commonly accepted and used in other technical fields such as customer research. It posits that after purchase or repeat purchase, fulfilment is determined by

what customers expected, what they perceived of the actual performance and disconfirmation of beliefs (Bae, 2012). Figure 3.2 above presents the Expectations Disconfirmation Theory.

The theory was originally found in marketing and psychology literature and consists of four concepts: expectations, perceived performance, disconfirmation of beliefs, and satisfaction” (Ganiyu, Uche and Elizabeth, 2012).

- **Perceived Performance**

Perceived performance refers to what customers feel about the performance of the service or product. Perceived performance is what customers expected before purchasing the product. These expectations are either confirmed or disconfirmed and this will influence their level of satisfaction after purchase (Hsu et al., 2016).

- **Disconfirmation of Beliefs**

Disconfirmation of beliefs refers to the inconsistency between two concepts: the inconsistency between pre-purchasing expected performance and actual performance (Shahin, 2011). Studies conducted in the customer satisfaction field have found disconfirmation to be the difference between expectations and perceived level of performance. The disconfirmation is positive if the product or service outperforms the customer’s original expectations, which results in post-purchase satisfaction. When the service or product does not live up to the pre-purchase expectations, negative disconfirmation occurs. Negative disconfirmation results in post-purchase dissatisfaction (Awara and Amaechi, 2014). According to Oliver (2015), disconfirmation is considered a separate cognitive state, individually perceived by the customer, which may be measured, regardless of its precursors.

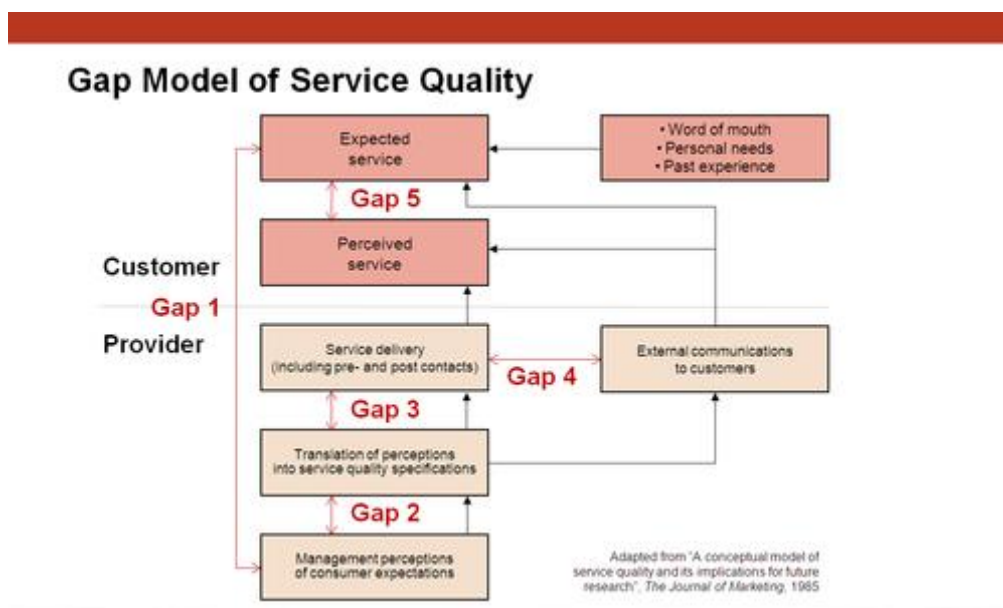
Customer fulfilment theories focus on the end-users of products and services. It is evident from the literature that meeting customer or customer expectations can yield positive results for the product or service (Isac and Rusu, 2014). Service providers cannot meet expectations of which they are not aware. The literature suggests that providers must understand the nature of their customer expectations. Perhaps influencing their expectations is even more important, because knowing the expectations in advance will make it easier to meet them (Lankton and McKnight, 2012). This action would help eliminate any unrealistic expectations which would result in negative disconfirmation (Lankton and McKnight, 2012; Isac and Rusu, 2014). The converse

may also be true: if service providers or product manufacturers over-promise and under-deliver, customers will be negatively disconfirmed (Awara and Amaechi, 2014). Several other psychological theories identified by Anderson are useful in explaining the impact of expectancy or the process customers go through to form judgements (Yuksel and Yuksel, 2008). In short, the Expectations Disconfirmation Theory is a cognitive theory that seeks to explain post-purchase or post-adoption satisfaction as a function of expectations, experienced performance, and disconfirmation of beliefs (Isac and Rusu, 2014).

3.7.6 The Gap Model of Service Quality

According to Doyle (2005), the Gap Model is based on the process of identifying the gaps that exist in a market and whatever means and measures can be used to fill those gaps. Gaps are a direct result of unfulfilled customer needs and expectations. The definition of service quality can be expanded to refer to the difference (or the gap) between customers' service expectations and their perceptions of the service received. The ultimate goal of the Gap Model is to identify possible 'gaps' or breaks in the business-customer relationship which can lead to quality shortfalls (Buttle, 2009).

Figure 3.3: The Gap Model of Service Quality



Source: Parasuraman, Zeithaml and Berry (2002)

Parasuraman *et al.*, (2002) state that delivering superior value to the customer is an ongoing concern of product managers. This not only includes the actual physical product, but the intangible factor of customer service as well. Products that do not offer good quality customer service that meets the expectations of customers will find it difficult to survive in a competitive market (Isac and Rusu, 2014). The Service Quality Gap Model is a gap method in service quality measurement and is a tool that can be used by product managers across all industries. The aim of this model is to identify the gaps between customer expectation and the actual services provided at different stages of service delivery, and close the gap and improve the customer service.

This model developed by Parasuraman, Zeithalm and Berry in 1985 identifies five different gaps:

- The Customer Gap: The Gap between Customer Expectations and Customer Perceptions

The customer gap is the difference between customer expectations and customer perceptions. Customer expectation is what the customer expects according to available resources. Expectations are influenced by cultural background, family lifestyle, personality, demographics, advertising, experience with similar products and information available online (Zikmund *et al.*, 2003). Customer perception is subjective and is based on the customer's interaction with the product or service. Perception is derived from the customer's satisfaction with the specific product or service and the quality of service delivery (Zikmund *et al.*, 2003). The customer gap is the most important gap and in an ideal world, the customer's expectation would be almost identical to the customer's perception. In a customer orientated strategy, delivering a quality service for a specific product should be based on a clear understanding of the target market (Parasuraman *et al.*, 2009). Understanding customer needs and knowing customer expectations are the best ways to close the gap.

- The Knowledge Gap: The Gap between Customer Expectation and Management Perception

The knowledge gap is the difference between the customer's expectations of the service provided and the company's perceptions of the customers' expectations of the service (Parasuraman *et al.*, 2009). In cases where a knowledge gap exists, managers are not aware of

or have not correctly interpreted the customer's expectation in relation to the services or products the company has provided (Chen and Hu, 2012). If a knowledge gap exists, it may mean that the company is trying to meet incorrect or non-existent customer needs. In a customer-orientated business, it is important to have a clear understanding of the customer's need for service. To close the gap between the customer's expectations for service and management's perception of service delivery will require comprehensive market research (Davis, 2009).

- **The Policy Gap: The Gap between Management Perception and Service Quality Specification**

According to Kasper *et al.*, (2006), this gap reflects management's incorrect translation of the service policy into rules and guidelines for employees. Some companies experience difficulties translating customer expectation into specific service quality delivery. This can include poor service design, failure to maintain and continually update their provision of good customer service or simply a lack of standardisation. This gap may see customers seek a similar product with better service elsewhere.

- **The Delivery Gap: The Gap between Service Quality Specification and Service Delivery**

This gap exposes the weakness in employee performance (Parasuraman *et al.*, 2009). Organisations with a delivery gap may specify the service required to support customers but have subsequently failed to train their employees, put good processes and guidelines in action (Zikmund *et al.*, 2003). As a result, employees are ill-equipped to manage customer's needs. A delivery gap may result in the following problems: (Parasuraman, Zeithaml and Berry, 2009) employees lack product knowledge and have difficulty managing customer questions and issues, organisations have poor human resource policies, and teams are not cohesive and are therefore unable to deliver.

- **The Communication Gap: The Gap between Service Delivery and External Communications**

In some cases, promises made by companies through their advertising, media and communication programmes, raise customer expectations. When the promises made in the advertising do not match the actual service delivery, it creates a communication gap (Botes,

2008). Customers become disappointed and consequently may seek alternative product sources.

In spite of the several service quality models reviewed in this study, the American service quality/SERVQUAL/RATER model seems to be the most comprehensible in explaining the phenomenon of service quality and the most practical for this study. In agreement, Brady, Cronin and Brand (2002, p.9) maintain that:

It is clear that researchers are far from reaching a consensus on the superiority or inferiority of disconfirmation or performance-only measures. Nonetheless, SERVQUAL is still the most commonly used scale by service organisations and identified as the appropriate measurement tool for measuring service quality in the marketing literature. Practitioners like SERVQUAL because the Gaps Analysis approach seems to them a logical and straightforward concept. In addition, once data have been analysed they can easily be visually presented to identify strengths and weaknesses relative to competition. They also like SERVQUAL because it can be used in a variety of ways: to define the average gap score for each service attribute and each dimension, to define the average weighted SERVQUAL score that takes into account not only the service quality gap for each dimension but also the relative importance of dimensions, for tracking the progress of customers' expectations and perceptions, for benchmarking purposes with regard to competition, for identifying and examining customer segments, [and] for assessing internal service quality.

In other words, there is no agreement on which model explains service quality better (Brady and Cronin, 2001).

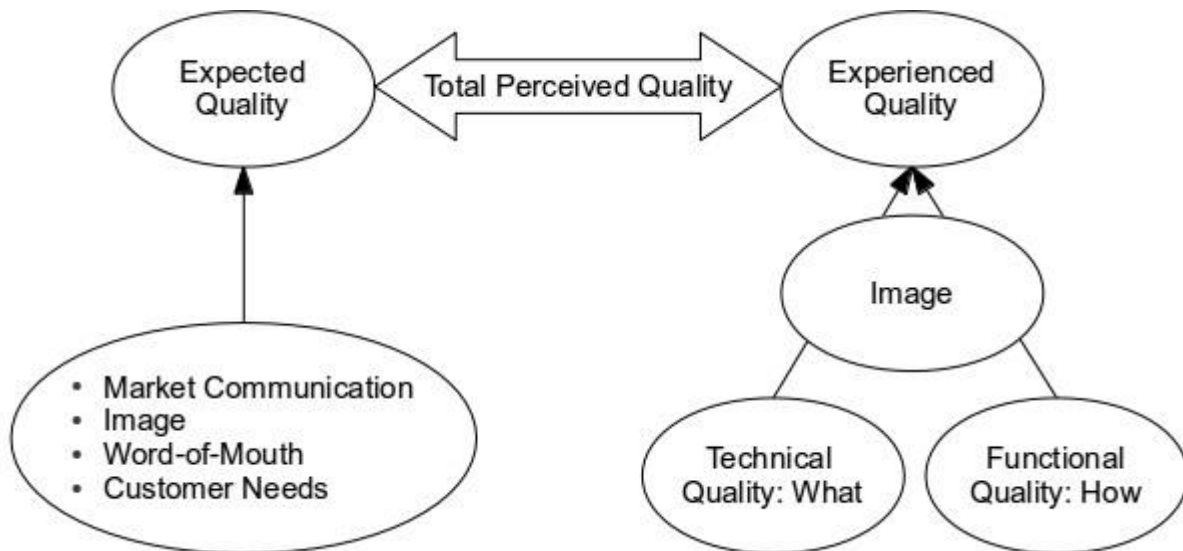
3.7.7 The Nordic (European) Service Quality Model

The Nordic Service Quality Model developed in 1990, explains services as products where customers need to be actively involved in the processes of their production and consumption (Grönroos, 2009; Reinartz and Kumar, 2012). Grönroos' (2009) explanation of service quality is twofold: the technical quality which refers to the service customers get, that is the 'what'; and the functional quality which refers to the way in which service is delivered to customers

that is the ‘how’ (see also Kumar and Reinartz and 2012). This model explains that customers’ expectations are influenced by several factors, namely by a company’s traditional actions such as availability, pricing, promotion and others; and by the external factors such as political beliefs, ideologies, habits, tradition, and others (Grönroos, 2009).

The model claims that technical, as well as functional features influence perceived or experienced service. Service to customers is provided through what is regarded as image, which is a function of the technical and functional quality (Grönroos, 2009). The Nordic Model is presented in the figure below.

Figure 3.4: The Nordic Model for Service Quality



Source: Grönroos (2009, p.11)

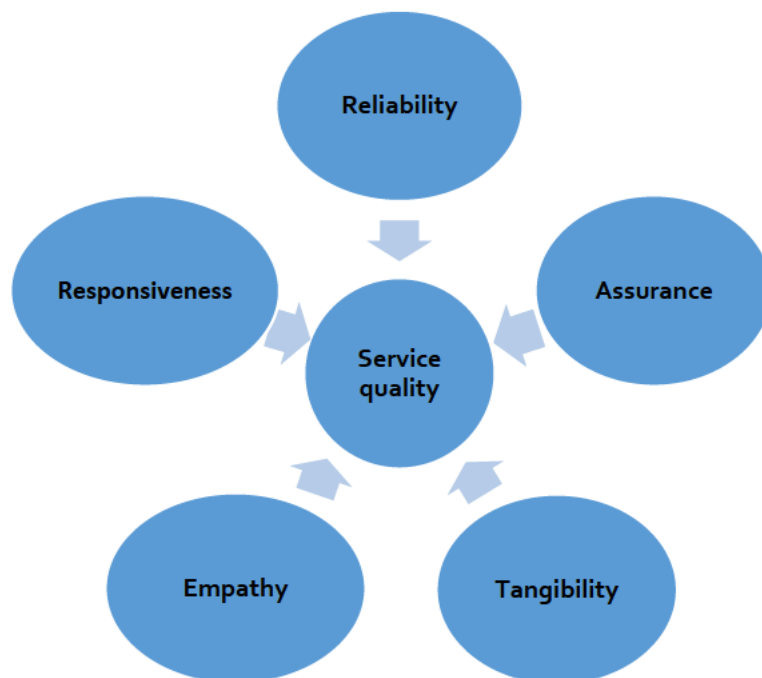
Scholars have criticised the Nordic Model for failing to provide an explanation of how the different dimensions of service quality promoted in a particular technical and functional context can be practically measured (Saurina and Coenders, 2002; Semejin, Van Riel, Van Birgelen and Streukens, 2005). This may be one of the reasons why the Nordic Model is not as popular as the American or RATER Model of service quality (see Figure 3.4). A lack of practical measuring tools in the Nordic Model prompted scholars to develop their own measuring instruments to determine service quality. As a result, there is a multiplicity of

instruments and methods that can be used to measure the technical and functional features of service quality (Semeijn *et al.*, 2005).

3.7.8 RATER Service Model

In order to understand the intricacies of service quality, Parasuraman and his colleagues developed the American Model of Service Quality, also known as the RATER Model in 1990. Presented below is the refined service quality model or the RATER Model.

Figure 3.5: RATER Model



Source: Parasuraman *et al.* (2002, p.10)

In particular, the model stems from an investigation into what service firms were providing to customers, the problems being encountered and the processes involved (Parasuraman *et al.*, 2002). The investigation was extended to include customers' perceptions of the service provided to them and the differences between customers' and service providers' perceptions of service quality (Parasuraman *et al.*, 1988; Boshoff and Gray, 2004). A further study was also

undertaken in an effort to generate a reliable conceptualisation of service quality involving marketers and customers (Kang and James, 2004).

In particular, Parasuraman and his colleagues propose that there are five dimensions that clients reflect on to determine service quality. The dimensions are based on expectations and experiences, and are discussed below:

- **Reliability**

This refers to the fact that clients are satisfied with the service provided by firms if the service is provided in a dependable and accurate manner (Leverin and Liljander, 2006). This suggests that service providers who offer a service that is error-free, timeous and accurate are likely to satisfy their clients. Martins, Loubser and Van Wyk (2002) state that clients wanted to deal with service providers who are able to keep their promises (see also Menon and O'Connor, 2007).

- **Assurance**

Scholars argue that knowledge and courtesy levels of service providers as well as their ability to instil trust in their clients, are important dimensions of assurance in service quality. Buttle, (2004), Lee and Hwan (2005) and Botes (2008) found that it is important for employees to be knowledgeable, so that they are able to answer questions from clients promptly, without having to refer to other employees or to management for answers. Chan, Hui, Lo, Tse, Tso and Wu (2003) state that clients will not be satisfied with service levels if they have to visit the firm's offices multiple times to get the information they need. Studies also show that insurance companies that have websites with up-to-date and correct information are in a better position to satisfy customers with their service (Davis, 2009).

- **Tangibles**

Studies show that the physical appearance of equipment and material such as documents, chairs, and others have an influence on clients' satisfaction (Petousis, 2008; Read, 2009).

Zeithaml *et al.* (2006) explain that tangibles give service providers an opportunity to communicate or display their image and quality.

- **Empathy**

Studies explain empathy as the ability of service providers to show care and individualised attention to clients (Davis, 2009; Egan, 2004). This implies that companies should understand their customers and should be willing to help clients. Grönroos (2003) added that clients must be given individualised and caring service in the language they understand. Other scholars argue that service providers should have a better understanding of clients' needs as this also influences clients' satisfaction levels (Hugo and Zondagh, 2007; Gummesson, 2008). Kotler and Keller (2006) explain that it is important for companies to build long-term relationships with clients, as this has an influence on clients' satisfaction. Building a relationship with clients helps them to develop trust and confidence in the service provider (Krasnikov, Jayachandran and Kumar, 2009).

- **Responsiveness**

When service providers are willing and prompt in providing service to customers, they are likely to satisfy their customers (Malhotra, 2007; Petousis, 2008). This responsive service can be achieved by ensuring that insurance companies provide a service without making clients wait too long to be served (Malhotra, 2007). Scholars also argue that a service provider's ability to answer questions, respond to requests, problems and complaints from clients, influences clients' satisfaction levels. Petousis (2008) argues that service providers with good communication strategies, and those who deal with the issues of responsiveness from the perspective of clients, can meet their clients' needs.

- **Experiences and Expectations**

Expectations in service quality are understood as wants, desires or needs in service offered by firms (Reinartz and Kumar, 2012). Zeithaml *et al.* (2006, p.23) explained that there are two types of expectations in service quality; services that clients feel 'should' be offered and services clients feel 'will' be offered. Therefore, expectations refer to services that clients feel should be offered. Experience is service that is offered, as deduced by clients, through involvement or exposure to the service (Zeithaml *et al.*, 2006). Sirdeshmukh, Singh and Sabol, (2002, p.31) state that experience in service quality is 'empirical knowledge' or '*a posteriori* knowledge' based on figure experience of the service provided. Other scholars understand

experience as service perceived through first hand sensing or understanding (Veloutsou *et al.*, 2002).

3.7.9 Alternative Service Quality Models

In addition to the Nordic and American models of service quality, several other service quality models have been developed (Baran *et al.*, 2008). Most of the models are an extension of either the Nordic Model or the American Model, or are a combination of the two.

- **The Attribute Service Quality Model**

Kim, Kim, Kim, Kim and Kang (2008) developed the Attribute Service Quality Model in 1988. The model explains that high scores for the quality of service given to customers reflects the service providers' ability to meet customers' expectations and provide them with positive experiences (Berndt, Du Plessis, Klopper, Lubbe and Roberts-Lombard, 2009). The model explains that services have three features, namely, professional judgement, physical facilities and people's behaviour. The model also demonstrates the need to have a balance between the three attributes, as failure to do so leads to failure in service quality Yarimoglu (2014). The model also presents different types of service setting by relating the service setting to the degree of contact labour intensity, interaction and customisation (Berndt *et al.*, 2009). In other words, the model holds that customers are satisfied with service when equipment is easy to use and reliable. The model was criticised for not offering ways of measuring service quality or of identifying service quality challenges (Buttle, 2004).

- **Synthesis Model of Service Quality**

In 1990, Brogowicz and his colleagues introduced the Synthesis Model of Service Quality that blends the Nordic Model and the American Model (Wang, Lo and Yang, 2004). The model explains that the service quality gap is the function of the technical and the functional quality (Buttle, 2004). According to Tsoukatos (2007), the model explains that managers of service and service providers should determine what customers expect and how they expect it to be delivered. In addition, managers should implement and control service quality in order to reduce service quality gaps. The model promotes three factors as critical in service quality: external influence, company image and traditional activities, arguing that these factors influence technical and functional quality (Tsoukatos, 2007). According to the Synthesis Model of Service Quality, the gap in service quality can exist even before customers have an

experience of the service provided (Christopher, Payne and Ballantyne, 2002). Thus, there is a need to ensure that if service providers are to offer quality service, then customers' expectations and experiences must inform the service. The model was criticised for its lack of empirical evidence to justify its assumption (Churchill and Brown, 2004).

Ladhari, Pons, Bressolles and Zins (2011) argue that there are fifteen service quality factors that need to be taken into consideration to be able to define quality service, and they divided these factors into three categories: hygiene; enhancing and dual threshold factors. This assumption is in agreement with Pizam, Shapoval and Ellis (2016) that service quality factors can be divided into satisfiers that compliment service providers and 'dissatisfiers' that cause customers to complain to service providers about their service (see also Egan, 2004).

Adil, Mohammad, Ghaswyneh and Albkour (2013) developed the *Performance Only Model* to dispute the American Model of service quality. In this model, these two authors argue that service quality is more a phenomenon of customer attitude than anything else (see also, Davis, 2009). Cronin and Taylor (2001) developed SERVPERF that explains that measuring perceptions of performance is adequate for measuring service quality (Adil *et al.*, 2013). In other words, assessing quality is an attitude, not a form of satisfaction. The model explains that perceived service quality leads to satisfaction (Yayla-Küllü, *et al.*, 2015). The authors of the Synthesis Model of Service Quality also propose that satisfaction has an influence on customers' intention to buy products or services. Thus, the SERVPERF is a modification of the SERVQUAL model and measures the categories of reliability, assurance, tangibles, empathy and responsiveness as the main categories of service quality (Minami, 2012; Evans *et al.*, 2004). In each of the five categories, statements are assessed using a seven-point Likert scale. The SERVQUAL model proposes 44 research items on expectations and performance, while the SERVPERF presents 22 items on performance (Guesalaga and Pitta, 2014).

▪ **Retail Service Quality Scale (RSQS) Model**

This model was developed in 1995 following the criticism that SERVQUAL was not fully adoptable by the retail sector. The RSQS Model is a hierarchical factor model that measures performance of service quality and as the name suggests, it is specific to the retail sector (Khudri and Sultana, 2015). It consists of five dimensions which were developed by drawing

from the modified SERVQUAL scale and three methods that were used during the triangular research. The Retail Service Quality Scale (RSQS) model is presented in the figure below.

Figure 3.6: Retail Service Quality Scale (RSQS) Model

Retail Service quality Dimension	RSQ subdimension
Physical aspects	Appearance
	Convenience
Reliability	Promises
	Doing it right
Personal interaction	Inspiring confidence
	Couteousness/ helpfulness
Problem-solving	
Policy	

Source: Dabholkar *et al.*, (2000, p.3-16)

The dimensions of the model include physical aspects, reliability, personal interaction, problem solving and policy (Gopalan, Sreekumar and Satpathy, 2015). RSQS consists of 28 factors, 11 of which are directly applicable to the retail sector while the other 17 originated from SERVQUAL. The model has been tested and used in the retail industry. However, the factors were found to be irrelevant in India (Khudri and Sultana, 2015).

▪ **Analytical Hierarchy Process (AHP) Technique**

This model was developed in 1996 and is used to analyse and organise multifaceted decisions. It enables decision makers to decompose the problem into sub-problems hierarchically such that each can be independently analysed. It is used to derive ratio scales from both discrete and continuous paired comparisons in multilevel hierarchic structures (Saaty and Vargas, 2012). This model consists of three steps, namely modelling the problem as a hierarchy; evaluating the hierarchy; and finally establishing priorities (Saaty, 2008). The distinguishable factor about this model is that it allows for both tangible (physical) and intangible (psychological) factors to be considered in decision-making. The model has been used in different sectors such as manufacturing, finance, sports, political and social to make decisions. However, it has also

received criticism (Gopalan *et al.*, 2015) from those who argue that the model has limitations because it allowed rank reversal. Another criticism is that it is vulnerable to manipulation if one replaces a judgement with a less favourable one to check if the priority becomes less favourable than the original priority within a comparison matrix (Gopalan *et al.*, 2015).

▪ **Multilevel Model**

Influenced by the inconsistencies reported in SERVQUAL factors, Dabholkar, Thorpe and Rentz proposed the Multilevel Model for service quality in 1996. They suggest changing the structure of service quality models to a three-stage model: overall perceptions of service quality, primary dimensions, and sub-dimensions (Isac and Rusu, 2014). This model is primarily meant to evaluate service quality in retail stores. Although the Multilevel Model proposes a new structure, it needs to generalise for different areas and consider the effect of certain other factors such as environment, price, and so on. In addition, there is a lack of identifying attributes or factors that define the sub-dimensions (Isac and Rusu, 2014).

▪ **Hierarchical Model**

In 2001 Brady and Cronin, suggested a new model by combining four models. They improved SERVQUAL (Parasuraman *et al.*, 1988) by specifying what needed to be reliable, responsive, empathic, assured and tangible. Brady and Cronin adopted service quality perceptions based on customer evaluations of three dimensions, namely interaction quality (i.e. functional quality); physical environment quality; and outcome quality (i.e. technical quality) (Grönroos, 1984; Rust and Oliver, 1994). In addition, they accept multilevel and multidimensional service quality perceptions (Dabholkar *et al.*, 2000). Service quality has three primary level dimensions in this conceptualisation, namely interaction, environment and outcome with three sub dimensions for each one:

- Interaction Quality (Attitude, Behaviour and Expertise),
- Physical Environment Quality (Ambient Conditions, Design and Social Factors), and
- Outcome Quality (Waiting Time, Tangibles and Valence).

Brady and Cronin have improved the service quality framework and solved the stalemate in this theory. Whilst SERVQUAL measurement, service outcomes were not clearly considered,

Brady and Cronin's model seems to fill this void, defines service quality perception and provides a clear form of service quality measurement (Pollack, 2009).

- **Model of e-service quality**

The model was developed by Santos in 2003. The model explains that service quality is one of the key factors in determining the success or failure of commerce especially electronic commerce. E-service in the model is defined as the role of service in cyberspace. According to Santos (2003) e-service quality have incubative and active dimensions for increasing hit rates, stickiness, and customer retention.

- **Internal service quality DEA model**

The model was found in 2003 by Soteriou and Stavrinides. The model explains that service quality is an important factor that must be considered when assessing organisational performance. The organisation may report high volume of products and services offered as well as profits, but lose its long-term advantage owing to eroding service quality. This service quality model can be used to provide directions to an organisation for optimal utilisation of its resources. The model does not aim to develop the service quality measures, rather guides how such measures can be incorporated for service quality improvements (Soteriou and Stavrinides, 2003). The inputs to the model consists of two sets: consumable resources such as personnel, space, time etcetera and the number of accounts in different categories. The output of the model is the level of service quality perceived by the personnel of the organisation. The data envelope analysis (DEA) model compares organisations on how well they transform these resources (inputs) to achieve their level of service quality (output) given the client base (Soteriou and Stavrinides, 2003).

The DEA model helps to identify under-performers and suggest ways for their improvement. The input minimisation DEA model provides information on how much consumables resources can be reduced while delivering the same level of service quality, while the output maximisation DEA model provides information on how much service quality can be improved using the same consumable resources (Soteriou and Stavrinides, 2003).

- **Technical and functional service quality model**

The Gronroos model of 2004 defines perceived service quality as the relation between expected and perceived service with the influence of the company image. The author identifies two basic

quality dimensions of perceived service: technical and functional quality; sometimes called as result quality and process quality. Technical quality of service is the result of operational processes, which means everything that the consumer receives as a result of provided service (Gronroos, 2004). The technical aspect of quality depends on used technologies, equipment, computerization, know-how, staff professionalism and qualification (Gronroos, 2004).

Functional quality is the result of interaction between the service provider and the recipient. The customer assess the way of providing the service taking into account for example timeliness, staff behaviour and competence, kindness and others. In the model, the purchaser of the service is interested in not only the result of the service but also the way of its providing (Gronroos, 2004). The model also emphasised the importance of corporate image in the experience of service quality. The model argues that experienced service quality is subjectively assessed by clients. As a result, some researchers suggest measuring only the customers' perception of a service proposing particular measurement scales (Mattsson, 2012; Newman, 2011; Leonard and Sasser, 2012). According to many later researchers this model is too general and has some disadvantages: it does not present the whole relationship and features of service quality, it does not offer an explanation on how to measure functional and technical quality and how the customer perceives these dimensions. Moreover the critics outline that client not always can assess the technical quality because of the lack of knowledge (Mattsson, 2012). Despite these disadvantages, the model emphasises the important role of staff in the process of creating the service quality especially in direct contact with clients.

- **Modified service Journey model**

Nash in 2006 modified his modified service model to come up with the Journey service model. The model explains that that customers evaluate services they receive. In determining their satisfaction, their expectation of services has important role, and so understanding how these expectation from will implement necessary function to deliver services with high quality. On the basis of the model Nash (2006) introduced service journey model and the experience of every level and formed expectation before purchasing, will help to form next level expectation. The model initiates with requirement and if customers' requirements confirm perceived services, the purchasing will occur. The relationships of lesson and fame are key elements with which customers select deliverer of services. Furthermore, promotional and communicative activities, customers' perceptions in the steps of participation renunciation, reflection are affected by those elements (Nash, 2006).

3.7.11 Application of the RATER Model to the Study

- **Reliability:** this concept was used to assess short-term insurance companies' ability to perform the promised service dependably and accurately.

Assurance: this idea was used to assess short-term insurance companies' knowledge and courtesy towards their employees and their ability to convey trust and confidence.

Tangibility: this concept was used to assess the appearance of physical facilities, equipment, personal and communication material in the short-term insurance companies under study.

Empathy: this concept was employed to assess short-term insurance companies' provision of caring and individual attention to customers.

Responsiveness: this concept was used to assess short-term insurance companies' willingness to help customers and to provide prompt service.

- **Experiences and Expectations:** these concepts were used to assess the gap between clients' expectations and their experiences. Using the Service Quality Model, this study assessed service quality in the short-term insurance industry in KwaZulu-Natal, to ascertain clients' expectations and experiences and the gap between the two.

3.7.12 Relational Benefits of Service Quality

Studies show that service quality is a broad construct that includes relational benefits (Peighambari, 2007; Mehdi, 2007). According to Hennig-Thurau *et al.* (2002), relational benefits are service quality benefits that customers get for being in a relationship or business arrangement with service companies. This view suggests that, in addition to the core service quality benefits customers get from service providers, there are also benefits realised merely for interacting with service provider organisations (Hennig-Thurau *et al.*, 2010; Gil-Saura and Ruiz-Molina, 2011).

Relational benefits are mainly realised because of being in an enduring relationship with business organisations. This realisation led Viek *et al.* (2012) to underscore the importance of

customer and service provider relationship. They state that there is need to maintain and sustain lasting relationships as they are important to both the profitability and sustainability of business, and satisfaction of customers. Rust and Huang (2014) argue that there is a need for CRM as this can help to ensure that customers receive relational benefits, which then have an influence on their loyalty to business. The relationship between customers and business organisations should therefore not only benefit business organisations, but also customers if they are to be meaningful. Having a relationship with business organisation can influence the satisfaction of the customer and the service provided can have an influence on customer commitment to that business organisation (Gil-Saura and Ruiz-Molina, 2011).

Many of the benefits that customers derive from a relationship with a service provider can be grouped into three categories: social benefits, special treatment benefits, and confidence benefits (Lovelock and Wirtz, 2011:373). Social benefits deal with issues of emotional, personal recognition of customers (Hennig-Thurau *et al.*, 2010). Special treatment benefits are benefits in terms of economic gain, time and price discount, and customisation of service provided to help meet the customer's needs (Lee *et al.*, 2014). Confidence benefits are psychological benefits that include feelings of security, comfort, and trustworthiness in business. (Breckenridge *et al.*, 2014). These three types of benefits are discussed in greater detail below.

- **Social benefits**

Over time, customers may develop a sense of familiarity and even form a social relationship with a service provider (Zeithaml *et al.*, 2009). The benefits that customers derive from this close relationship are known as social benefits, and relate to the emotional part of the customer-business relationship. These benefits include, among others, personal recognition of customers, a sense of belonging, being known by name, and feelings of familiarity and friendship towards the service provider” (Hennig-Thurau *et al.*, 2002).

- **Special treatment benefits**

Hennig-Thurau *et al.*, (2002) describe special treatment benefits as the result of employees' 'special' behaviour towards those customers who have developed a relationship with the service provider. In these relationships, customers can receive benefits in the form of either economic or customisation benefits (Vázquez-Carrasco and Foxall, 2006). Economic benefits include price breaks or discounts, and also non-pecuniary benefits such as receiving faster

service than other customers receive, or time saved in searching for another service provider. Customisation benefits include customers' perception of receiving preferential treatment, extra attention and individualised additional services not available to other customers (Lovelock and Wirtz, 2011; Zeithaml *et al.*, 2009). This then makes the customer feel special and incites loyalty.

- **Confidence benefits**

Martín-Consuegra, Molina and Esteban (2006) state that confidence benefits describe a combination of psychological benefits in a customer's experience. These benefits relate to the customer's feelings of security and comfort with the service provider in knowing what to expect in the service encounter (Grönroos, 2007). In a trusting customer-business relationship, customers are confident in the business's performance. As a result, they are less anxious regarding their purchasing processes since they know that they will receive the business' highest level of service and feel confident that operation risks are limited" (Lovelock and Wirtz, 2011; Martín-Consuegra *et al.*, 2006).

3.7.13 Consequences of Relational Benefits

In their analysis of the different types of relational benefits, Hennig-Thurau *et al.* (2002) found that these benefits could have significant influences on the outcomes of the service-profit chain. These relational benefits not only influence the customer and his/her perceptions of the service, but also affect his/her satisfaction levels and behavioural intentions.

- **Social benefits**

According to Grönroos (2007), social benefits can develop through any type of interpersonal contact. It is therefore clear that the relationship itself, rather than the performance or the level of service quality determines social benefits.

Customers who are in a positive social relationship with a service provider will experience the benefits related to this relationship. The influence of these benefits might cause customers to manifest their satisfaction through loyalty and commitment to the service provider (Zeithaml *et al.*, 2009). The research of Hennig-Thurau *et al.* (2002) and Xu *et al.* (2006) found that social benefits are indeed positively related to the customer's commitment and loyalty to the relationship, and hence to the business. The customer's commitment to a service provider will

increase as the social relationship between the customer and service worker increases (Martín-Consuegra *et al.*, 2006).

Since most customers measure quality based on their interactions with service employees, and since people in general desire personal recognition, Gremler and Gwinner (2000) propose that social benefits will also increase customers' satisfaction with the service provided.

- **Special treatment benefits**

A business' offer of special treatment is often seen as part of the service performance itself. Offering special benefits such as discounts or individualised services can encourage customers to remain in their relationship with the business (Martín-Consuegra *et al.*, 2006). Hennig-Thurau *et al.* (2002) emphasise that, as a business increases the number and level of special treatment benefits, emotional barriers to switching will increase. As a result, loyalty and commitment on the part of the customer will certainly intensify.

However, even though special treatment benefits have a direct bearing on customers' degree of satisfaction, and consequently on their loyalty and commitment, Zeithaml *et al.* (2009) posit that most customers perceive these benefits as less important than social or confidence benefits. Hennig-Thurau *et al.* (2002) furthermore suggest that, instead of focusing on the economic aspects of special treatment benefits (which can easily be imitated by other service providers), businesses should rather focus on non-financial benefits as a sustainable source of competitive advantage.

- **Confidence benefits**

Confidence benefits are commonly regarded as having the most important influence on and advantages to customers. Customers prefer feelings of safety and trust in a service provider, rather than some form of price discount (Xu *et al.*, 2006). If these feelings and assurances are promoted within customer-business relationships, the possibility of achieving customer commitment and loyalty will be much higher (Vázquez-Carrasco and Foxall, 2006). Hennig-Thurau *et al.* (2002) also find that confidence benefits have a positive influence on customer satisfaction. This is based on the notion that high levels of trust and confidence in a service provider will result in lower anxiety during customers' purchasing actions. As a result, Grönroos (2007) suggests that businesses can maintain committed and loyal customer relationships by making customers feel secure in their choices and purchases.

From the above discussion, it is clear that these relational benefits closely correlate with customers' perceptions of the business' service delivery. These benefits also influence customers' satisfaction with the service delivery and their potential loyalty to the business.

3.7.14 Measuring Relational Benefits

In order to improve relationships with customers, businesses should keep the various benefits customers expect from the service delivery process in mind. However, in order to know how customers perceive these benefits, and to determine how important these benefits are to them, the business should attempt to measure these perceptions (Molina, Martin-Consuegra and Esteban, 2007). The most basic approach for measuring relational benefits is the application of the instrument developed by Gwinner *et al.* (1998).

After extensive empirical research Gwinner *et al.* (1998) identified 16 items that can be used to successfully measure customers' perceptions of the three relational benefit concepts (social, special treatment, and confidence benefits). Customers are asked to rate the importance of each of these items in terms of the service they received by means of an adjustable scale, ranging from "very weak relationship" to "very strong relationship". By calculating the ratings on these items, businesses can effectively determine the benefits that are most often received, and can determine which of these benefits are most important to the customer (Gwinner *et al.*, 1998).

Gwinner *et al.* (1998:23), in conclusion indicate that, each of these three relational benefit factors demonstrates a strong positive relationship with generally accepted relationship marketing outcomes. In other words, these benefits are significant for ensuring the delivery of important behavioural outcomes such as loyalty, positive word-of-mouth, commitment and satisfaction.

3.8 CUSTOMER RELATIONSHIP MANAGEMENT

This section explores relevant theoretical insights into the characteristics of Customer Relationship Management (CRM). The section starts by defining the concept of CRM, followed by a summary of the origin and evolution of CRM. Thereafter, the section discusses benefits and barriers to CRM, the use of and the measures for CRM initiatives and ways in which these initiatives are related are discussed. The section ends with a discussion on the role of CRM in the context of the short-term insurance industry.

3.8.1 Definition of Customer Relationship Management

CRM is a popular concept in the world of business, which is a contemporary, or leading edge way of engaging in business. The concept of CRM calls for innovation in the manner business is conducted with customers (Knox, Maklan, Payne, Peppard and Ryals, 2003). To have an understanding of this idea it is important to explore the concept of CRM.

- Knox *et al.*, (2003) provide an in-depth definition of CRM as a strategic plan designed to increase shareholder value by trying to create long-term relationships with customers and trying to increase profitability of business. For CRM or strategic planning to be beneficial, marketing capabilities, technologies, stakeholders, and operations must be integrated.
- Payne and Frow (2005) develops an in-depth definition of CRM saying that the idea is a comprehensive strategic business plan aimed at generating stakeholder value through several business activities such as developing customer segments and quality relationships with salient customers.
- Buttle (2009) defines CRM as a business management approach aimed at developing profitable and durable relationships with customers. This approach takes advantage of the existing potential customers and their interaction with business.
- Greenberg (2009) says that CRM is a fundamental business approach that is informed by expert customer data and is affected by information technology.
- According to Chen (2012), the end goal of CRM is to create value for customers at a profit by integrating internal business functions and processes with external business networks.

Previous studies therefore show that there are different types of definitions for CRM demonstrating the complex nature of the concept. However, there are several ideas that the definitions have in common. There is agreement that CRM is a comprehensive business strategy that is not only relevant for the school of business or marketing or management, but is a culture in business that should be adopted and implemented across the entire business

environment (Greenberg, 2004). Definitions of CRM seem to agree that this concept is aimed at increasing service quality by demonstrating the ability to know customers and to manage them by addressing their needs and treating or serving them according to those specific needs (Raab *et al.*, 2008). This strategy results in customers being satisfied with the service they receive and remaining loyal to their service provider for many years. Definitions also suggest that CRM increases profits. This can only be achieved by understanding the customer's expectations and experiences and then satisfying their needs. This eventually attracts customers and maintains existing customers. This strategy has the potential to develop long-term and profitable relationships that are critical in adding value to customers and business.

Definitions also list technology as a critical component of CRM strategy and initiatives. Whilst CRM should not be reduced to technology alone, technology should be viewed as a strategy within CRM, which assists the business organisation to maintain a customer-oriented focus. This helps the organisation to focus on customers as important stakeholders in the business (Greenberg, 2004).

Based on the common elements in the various definitions, it is plausible to define CRM as a business strategy aimed at increasing profits by developing long-term relationships between customer and business. These relationships are enhanced by integrating both internal and external business processes to adequately satisfy customers' needs and desires.

3.8.2 The Evolution of Customer Relationship Management

The different definitions show how the concept of CRM developed from one stage to another; from processing the segmentation of the population to focusing on marketing relationships to customer management. The purpose of this section is to explain the origin of the concept of CRM and how it developed over time and the direct influence it has in delivering service quality.

3.8.3 Origin of Customer Relationship Management

The concept of CRM was developed in the 1990s and took the world of business by storm (Payne and Frow, 2006). The concept developed into an important business concept within ten years of its inception. To date, the concept has evolved significantly, making it an imperative business strategy. While scholars argue that the concept of CRM is a new idea, the principles

underpinning the concept are not new (Knox *et al.*, 2003). Payne (2006) argues that business entities have been practicing the principles of CRM since time immemorial.

CRM emerged in early 1970s when business was generally product-oriented and largely focused on manufacturing (Greenberg, 2006). In this era, customers were not part of business planning and decision-making processes aimed at enhancing the internal operations of business (Baran, Galka and Strunk, 2008). The practice of not including customers in the business processes helped to keep the production costs low (Knox *et al.*, 2006). This had a bearing on business as demand became higher than supply (Bligh and Turk, 2004). Scholars argue that customers' expectations were low and levels of tolerance were very high (Kumar and Reinartz, 2006; Payne and Frow, 2006).

Towards the end of 1970s, the business world experienced change as customers' needs and demands started to surpass all business bounds (Greenberg, 2004). Customers were developing into two-income families to meet and satisfy their needs. Customers' demand reached the highest levels ever during this era. Businesses were forced to strategise and adapt to this new environment and started to include customers in some of their business processes such as planning and manufacturing. This led to the development of different business techniques such as enterprise resources planning. The new wave of change in business made production processes more effective and efficient. As a result, business processes and systems became more accessible and acceptable. Though these changes in business were influenced by customers' needs and desires, business processes were still product-oriented (Bligh and Turk, 2004).

In the early 1990s, the Internet entered the global business environment. This exposed customers to different options of services and brought down geographic barriers (Peelen, 2005). As a result, customers' expectations and unpredictability increased and this affected customers' loyalty towards business.

Businesses that were not ready to adapt to the new environment, went out of business while those did adapt, were faced with new challenges and new opportunities. To survive, businesses had to revisit their business models and produce products that were informed by customers' specifications. This brought about a distinct business shift from product- to customer-oriented (Barnes, 2006). The customer-centric approach led to the emergence of the idea of 'relationship

marketing'. This concept emphasises the need for business to manage relationships with all stakeholders and is what informed the development of the concept of CRM (Bligh and Turk, 2004).

3.8.4 Customer Relationship Management Evolution

The relationship era is believed to be the time when the concept of CRM emerged. The concept developed in meaning making it a vital part of business.

Functional Customer Relationship Management approach 1990-1996

The CRM approach developed as a concept dealing with two issues, namely customer service, and support and sales force automation (Bligh and Turk, 2004).

The idea of sales force automation deals with pre-sales matters such as placing sales orders, collecting information for prospective customers, generating leads, developing sales quotations, and telemarketing. The functions of sales force automation provided business with the push to increase productivity while customer service and support helped to deal with issues of call centres, contacts, and help desks. This resulted in the improvement in the manner in which customers' queries were dealt with (Kumar and Reinartz, 2006). The application of customer service, and support and sales force automation were, however, disconnected in operations. Overall, customer service, and support and sales force automation resulted in service and sales improvement (Knox *et al.*, 2003). A lack of coordination between pre-sales and after-sales service levels highlighted the need for an integrated business approach or system that would be applied across all business departments.

Customer-Facing the Customer Relationship Management approach 1996-2002

Between 1996 and 2002 CRM developed into an 'integrated customer-facing approach' (Bligh and Turk, 2004). This means that businesses were encouraged to conduct business that linked customers to pre-sales and after-sales activities. This influenced the creation of customer data banks that gave businesses customers' contact details and behavioural and demographic information that facilitated CRM. Numerous businesses explored the idea of the customer integration approach with the aim of reaping business benefits. However, not all businesses were able to reap the benefits, as the implementation of the concept was disappointing and elusive (Baran *et al.*, 2008). Therefore, the function of CRM was introduced to specifically

help reap potential benefits of the customers integration approach (Payne, 2006). Businesses used their customer data to inform campaign techniques. This enabled business to target smaller and focused customer populations by employing customer-specific marketing campaigns. This resulted in a more affordable integrated customer approach. Businesses found CRM initiatives very difficult to implement and it was clear that they were not reaping the expected benefits. In many businesses a decision had to be made to either terminate CRM or explore another strategic initiative to help propel business (Greenberg, 2004)

Customer Relationship Management 2002-todate

Towards the end of 2001, several businesses were able to close the gap between customers' expectations and what was possible to reap from CRM experience. Businesses realised that success was not only dependent on the customer integration approach and pre-sales and after-sales functions. Business stakeholders such as partners and suppliers also had to be integrated (Buttle, 2009). This meant that there was need to gather data on customers to inform business operations. The integration of the internet helped in making CRM effective as the internet linked business, customers, customer data, and channel members to each other in more a direct way (Payne, 2006).

3.8.5 Growth of Customer Relationship Management

Though the concept of CRM is still viewed as new in many business sectors, it has evolved to become one of the most useful tools for many businesses around the world, be they in the public or public sector. Businesses were so quick to embrace the concept after discovering how beneficial it was where it was adopted or adapted (Greenberg, 2004).

The annual growth rate for the global CRM was estimated to be 67% in 2006 and increased by an average of 13% between 2007 and 2012 (CRMinfoline, 2011). Thus, CRM was one of the fastest growing industries in the world (CRMinfoline, 2011). Businesses were therefore benefiting from CRM as the idea helped to attract and retain customers, and assisted businesses to realise their goals even in most challenging situations (Kumar and Reinartz, 2006). CRM was viewed as a priceless strategy in an uncertain economy.

3.8.6 Importance and Purpose of Customer Relationship Management

Statistics show that more than 70% customers who stopped using the service of a businesses as a result of poor customer service quality (Kumar and Reinartz, 2006). Scholars argue that poor customer service quality is either caused by an ineffective CRM strategy or is due to the lack of customer-centric approach (Barnes, 2006; Payne, 2006).

The expansion of the internet developed customers and empowered them to demand the possible services available at any given time and from any given place. This changed businesses' view of customers forever (Greenberg, 2004).

The customer-centric approach left businesses with no option but to revisit their business strategies or lose business. Both internal and external business processes and strategies came under scrutiny. Businesses adopted CRM as it was useful in dealing with competition in an aggressive environment with equal quality products and similar pricing (Payne, 2006).

Studies show that businesses were faced with challenges hence they were forced to re-strategise (Baran *et al.*, 2008). CRM was developed to help businesses prepare to deal with these new challenges.

3.8.7 Changing Customers

The ever-changing business environment is influencing customer behaviour. Hence, the behaviour of customers is also changing and customers of five years ago are not the same as the customers of today (Kasper, Van Helsdingen and Gabbot, 2006). The customer population is diverse in terms of age groups, races, and social classes. Dual income households have also become the norm, putting pressure on individuals' time allocation. Customers have evolved into highly dedicated people with high expectations (Payne, 2006).

3.8.8 Challenging Marketplace

A decade ago, the competition between businesses was based largely on the prices or the attributes of products. With the shift of emphasis onto the customers, businesses are forced to adopt different business strategies to manage demand that is increasingly fragmented, heterogeneous and individualised (Kasper *et al.*, 2006). This is contributing to globalisation and the emergence of different businesses dealing with the same products or services. Business is not only competitive in terms of products or prices but in terms of customers as well.

Business goals now include customers and their needs. As a result, as the number of businesses increases so does the quality of competition (Payne, 2006). Buttle (2009) states that the measure of a company's competitive edge is no longer price, it is rather, high quality services or products. In other words, customers want services and products that are customised to their needs.

3.8.9 Changing Effectiveness of the Market Function

For many years, mass communication has been used by businesses to communicate information regarding their practice and products. The changes in customers' needs and the overall marketplace have put businesses in the position that it is no longer easy to satisfy all (or even the majority of) customers using a single marketing strategy. Mass marketing is now ineffective and outdated in its ability to reach potential customers (Kasper *et al.*, 2006). The new customer-centric approach requires that businesses pay individualised attention to customers. As a result, businesses are now paying more attention to retaining customers, adding value to their customers and developing long-term relationships with them.

According to Kasper *et al.*, (2006), the market place is overcrowded with so many media options and mass advertisements that it is now almost impossible for businesses to market their services and products using mass media.

3.8.10 Implications of these Changes

Changes in the business and market environment has confronted businesses with the challenge of high quality demands, not only in terms of products and prices, but also in terms of customer service quality. Businesses, therefore, need to have a better understanding of their customers and their needs, and adopt marketing strategies to meet those customers' needs through personalised service (Bligh and Turk, 2004). Due to the fast changing business environment, product-oriented approaches are no longer effective in meeting customers' needs. To address these challenges, CRM emerged, providing a business strategy with a competitive approach to satisfying customers' demands (Kasper *et al.*, 2006). Effective CRM enables businesses to gather useful customer information about their demands and expectations in order to be in a position to satisfy individual customers' needs. Information is collected on various aspects of customers, including purchase responses, purchasing time, and ways of purchasing. Information is then used to develop appropriate marketing strategies for specific target populations with individualised effects on the presentation (Bligh and Turk, 2004).

Besides information, it is important to have specific management approaches if businesses are to be effective in the changing environment. The CRM strategy deals with the current diverse customer population. However, the strategy's focus is primarily on maintaining and satisfying the current customers rather than trying to attract new customers. In this new approach, businesses are under pressure to include customers in a range of decision-making strategies with the aim of retaining customers for a profitable time. Thus, businesses are embracing the CRM concept in a bid to ensure that their advertisements are accurate (Bligh and Turk, 2004).

As mentioned above, mass marketing is largely becoming ineffective, and CRM offers an option that would help reduce costs for advertising by creating advertisements, which target specific customers.

Scholars argue that the increased understanding of the customer market and changes that go with the phenomena driving marketplaces are compelling businesses to use the idea of customer-centricity (Bligh and Turk, 2004; Payne, 2006). Businesses have to increase their market share by setting themselves apart and offering a unique service guided by the CRM idea.

3.9 CUSTOMER RELATIONSHIP MANAGEMENT SEGMENT

The CRM strategy is divided into three segments: collaborative, operational and analytical CRM. These segments enable business to offer service quality that is customer-oriented.

3.9.1 Operational CRM

Through operational CRM, businesses are expected to automate the business processes that are used to interact with customers (Bligh and Turk, 2004). The specific business functions involved in operational CRM include service automation, marketing automation, and sales force automation. Marketing automation enables businesses to effectively generate budgets, run advertisements, and develop businesses. Sales force automation deals with customer contact, sales forecasting, lead management, and opportunity management. Service automation is a function that allows business to manage their service operations by for example, dealing with customer complaints, directing service calls, and supervising customers' incoming calls (Barnes, 2006).

One of the focuses of CRM is to improve efficiency in businesses especially in the interaction between businesses and customers, which results in higher profitability (Bligh and Turk, 2004). Operational CRM adds value to business processes by integrating sales and customers, and marketing databases. However, it does not improve the understanding of customers nor does it promote the relationship between businesses and customers (Knox *et al.*, 2003).

3.9.2 Analytical CRM

Analytical CRM involves different processes ranging from capturing data to the time data is implemented (Raab *et al.*, 2008). This function provides a unique opportunity to analyse, model and evaluate data to promote a mutually beneficial relationship between businesses and customers. The concept also explains that CRM can help to improve the understanding of customers and thereby influence better service delivery and customised and timely service. The end process of the idea is that it helps businesses to increase customer satisfaction and enrich the relationship between businesses and customers (Bligh and Turk, 2004). It is important for businesses to understand why it is important to apply analytical CRM, especially in relation to its ability to give businesses a competitive advantage in an increasingly competitive environment. However, this concept cannot effectively function without employing data generated during the operational CRM processes. For this reason, it is critical that there is a good integration between analytical and operational CRM processes (Knox *et al.*, 2003).

3.9.3 Collaborative CRM

The concept of collaborative CRM promotes the interaction between employees, customers and businesses. This can only be effectively achieved by tapping into technology such as emails, websites, and conferences to deal with customers' complaints. Businesses should implement technological communication techniques as, by doing this, they are able to offer service that is relevant is customised for individual customers and is delivered to customers in time (Bligh and Turk, 2004). Collaboration CRM enables and empowers customers to access and share business data. In the nutshell, collaboration CRM links operational and analytical CRM processes, thus serving as a link between customer data gatherers and implementers.

3.10 BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT

From the definitions presented above and the discussion on several aspects of CRM, one can plausibly conclude that a CRM strategy is an intricate process aimed at improving service quality to satisfy customers' needs. A CRM strategy's benefits for a business will be discussed in detail below.

3.10.1 Benefits of CRM to Businesses

Knox *et al.*, (2003) state that CRM focuses on customers. This is important because businesses depend on the existence of customers' needs to operate. Therefore, businesses should ensure that they have a good relationship with customers and other business processes. This may help businesses to identify with customers, feel for customers and eventually satisfy customers' needs (Buttle, 2009).

CRM helps businesses to increase customers' satisfaction levels. Through the CRM strategy, businesses are able to employ a 'customer-focus-mind set'. This strategy enables employees to have a better understanding of customers and they are then empowered to meet customers' heterogeneous needs (Henning-Thurau *et al.*, 2010). When businesses are able to meet their customers' expectations by offering specifically designed customer services and products. This results in the customers' overall satisfaction.

Bligh and Turk (2004) state that CRM increases customer retention rates. Buttle (2009) argues that retaining customers and establishing loyalty are some of the main objectives of the CRM strategy. If businesses are able to offer service beyond customers' expectations, this has the potential to increase customers' satisfaction and customers will gladly return to those service providers for their future needs. This has the potential to develop relationships between customers and businesses. Consequently, businesses will be able to grow the retention rates of loyal customers. A CRM strategy is designed to increase customer retention and increase the company's share of the available market.

The CRM approach makes customers more willing to pay premium prices if they are satisfied with the service provided. This is a direct result of the relationship customers feel they have with the business (Payne, 2006). In other words, if customers trust their suppliers, they are

willing to pay premium prices and spend more than when buying from suppliers they do not trust. Loyal customers not only support businesses, but continue to do so over time.

The CRM strategy allows businesses to benefit from gaining new customers who come to them as referrals from existing customers (Bligh and Turk, 2004). Businesses that apply the CRM strategy benefit from word of mouth marketing or referrals from their existing customers. Customers who are satisfied with the service they receive, are more likely to refer colleagues, friends, and family members to a service provider that they believe in (Jobber, 2010). Referrals usually come from people who are trusted sources, and prospective customers are more easily persuaded by people than by paid-for advertisements. Businesses therefore benefit by increasing sales and profits, and meeting shares.

Maklan, Knox and Ryals (2007) argue that businesses are benefiting from the CRM strategy especially in the area of reduced marketing costs. The strategy enables business to collect data on customers, making it easy for businesses to meet customers' needs because they are seen as responsive and accessible to customers. The CRM strategy enables businesses to acquire target-responsive customers. The strategy enables businesses to filter unprofitable customers and focus on responsive customers. This results in a decrease in their marketing costs because it is easier to hold on to regular customers than to attract new customers.

The CRM strategy has long-term profitability benefits to business. The benefits of customer satisfaction, retention, referrals, increased spending and reduced marketing costs are improved long-term profitability. Thus, business ensures that high-profit customers are not only identified, but are carefully nurtured as this can transform low-profit customers into high-profit customers. The ultimate aim is to develop a relationship between business and highly profitable customers (Jobber, 2010).

The concept of CRM benefits a business because the advantages mentioned above give the business a competitive advantage that allows a business to develop profitable relationships with customers who are satisfied. Customers who are satisfied are not likely to approach another business to satisfy their needs. Businesses with sound CRM strategies are able to make inroads in the marketplace with their competitive advantage over other rival businesses (Jobber, 2010).

3.10.2 Benefits of Customer Relationship Management to Customers

CRM strategy is not only beneficial to businesses, but also to customers. Confidence benefits are one of the advantages of CRM to customers. Zikmund, McLeod and Gilbert (2003) argue that customers benefit because CRM helps to reduce customers' anxiety about the product or service offered. Many customers are attracted to the idea of having a long-term relationship with businesses if they are satisfied with the service offered.

Berndt and Tait (2012) propose that when customers feel secure and safe with businesses, they increase their confidence in the business. Customers consider confidence benefits as critical to their satisfaction (Knox *et al.*, 2003). For businesses to be viable they need to make their customers feel secure enough with their buying choices to desist from patronising other businesses.

Raab *et al.* (2008) argue that the CRM strategy also offers social benefits to customers. Social benefits are generally emotion-based. They may emanate from employees' recognition of customers or from direct contact with customers, both of which are uplifting to customers. As the relationship between customers and businesses develops, it increases the customers' commitment to the business providing service (Barnes, 2006). As a result, there is a positive relationship between businesses and customers. In short, as the relationship between customers and businesses increases so does customer fulfilment.

Literature also shows that customers enjoy special treatment benefits. Scholars such as Mishra and Nischal argue that these benefits may include individualised service and discounts. The increase in the relationship between customers and businesses influences customers' loyalty to the business. Buttle (2009) found that customers consider confidence benefits more important than special treatment benefits. When customer service quality increases, this benefits customers in more than just the obvious way. It leads to the development of long-term relationships making it easy for businesses to predict customers' expectations and needs (Zikmund *et al.*, 2003). This leads to the creation of an environment where businesses focus their processes and functions on beating customers' expectations, which eventually results in customer contentment (Payne, 2006).

The idea of CRM strategy helps to prevent customers from incurring costs for switching to other businesses or competitors. Studies by Payne (2006) and Jobber (2010) show that even

though competitors may be offering attractive products or services, customers do not easily switch to competitors because of financial and psychological costs of moving to another business. It is therefore critical that businesses should quickly develop fulfilling relationships with customers.

3.11 BARRIERS TO SUCCESSFUL CUSTOMER RELATIONSHIP MANAGEMENT

Even though numerous sources indicate that CRM is highly beneficial to both the business and its customers, many CRM failures have been reported (Buttle, 2009). Most of these failures can be ascribed to a number of barriers that prevented the successful implementation of CRM.

3.11.1 Strategy-Related Barriers

According to Knox *et al.*, (2003), CRM strategies should be based on the differentiated needs and behaviours of customers. Without a profound understanding of the individualised customer, CRM strategies might fail. In addition, if CRM strategies (based on customer differences) are not integrated throughout the entire business, these customised strategies will be of no use (Donaldson and O'Toole, 2007). Businesses should therefore ensure that CRM strategies are customised according to the needs of both the customer and the business. Business strategies should also be adapted to enable CRM development and implementation (Bligh and Turk, 2004).

3.11.2 Decision-Making Barriers

Another barrier that could prevent the successful implementation of CRM is the lack of decision-making abilities. According to Donaldson and O'Toole (2007), many employees lack the required decision-making abilities or the capacity to handle customer complaints and problems. As a result, customer problems remain unsolved, which result in a depreciation in the value of the relationship that has developed between the business and customer. This can have very detrimental consequences for the profitability and sustainability of the business.

3.11.3 Management Barriers

Managers who fail to recognise the importance of and need for implementing CRM programmes also fail to see the importance of having a satisfied customer base. In such businesses (where managers do not support CRM), basic CRM strategies are bound to fail

(Buttle, 2009). Even in businesses where CRM programmes have already been implemented, management support is still required. If management is not willing to see the process through, and begins to question the effectiveness of CRM along the way, other employees within the business might also doubt its effectiveness (Bligh and Turk, 2004). It is therefore crucial that management should remain focused on the potential outputs and advantages of CRM, and to integrate CRM processes thoroughly throughout the business (Baran *et al.*, 2008).

3.11.4 Business barriers

Since CRM requires a new approach towards conducting business and customer processes, employees often resist CRM programmes. This reluctance is characterised by employees who are wary and sceptical of the potential success and beneficial results. CRM results are unfortunately not quickly achieved. Rather, it is a slow and long-term process. Even though the development of sound customer relationships takes time, businesses will eventually experience the associated benefits of CRM (Payne, 2006).

3.12 IMPLEMENTATION OF CUSTOMER RELATIONSHIP MANAGEMENT

Lovelock and Wirtz (2011) note that for successful CRM implementation, all the processes involved in the establishment and maintenance of successful customer relationships must be integrated. However, since large businesses generally have multiple customer-contact points, it is unlikely that customers will interact with the same employee(s) over a succession of different contacts. Consequently, it is imperative that a CRM vision must be shared throughout the entire business (Berndt and Tait, 2012:176). Payne (2006) adds that a well-implemented CRM strategy will further enable a business to better understand, segment, and satisfy its target customers.

Donaldson and O'Toole (2007) identify several elements that need to be addressed with a view to ensure the successful implementation of a CRM strategy.

3.13 RELATIONSHIP-BASED INTERFACES

The first element of successful CRM implementation relates to the interface that the business has created in order to establish relationships with its customers. This element of CRM implementation assists in identifying those customers a business might consider investing in

(Donaldson and O’Toole, 2007). Buttle (2009) explains that one of the most important aspects of implementing relationship-based interfaces is to ensure that the entire business adopts a shared CRM vision. Businesses should, however, not only have a shared CRM vision, but should also be able to execute this vision as was intended. Donaldson and O’Toole (2007) propose that the following relationship-based interfaces should receive attention”:

3.13.1 Management-customer interface

Even though it is impossible for management to have a personalised relationship with every one of their customers, managers should attempt to at least be aware of customers’ needs and reflect this awareness in their operations. Management can consequently conduct market research, and invest in complaints procedures and help lines as possible ways to improve this interface (Payne, 2006).

3.13.2 Staff-customer interface

Customers often rate a business’ performance on their interactions with the staff. Businesses, therefore, need to keep in mind that their employees represent the business’ image, and should therefore ensure that these employees have good interpersonal and communication skills, positive attitudes, and excellent product knowledge in order to create a positive image (Buttle, 2009).

3.13.3 Management-staff interface

Businesses should not only take management’s involvement and employees’ interactions with customers into account, but should also be aware of the effect of relationships within the business. In other words, management should consider a relationship-orientated management style towards employees by conveying a message of certainty regarding a CRM approach (Donaldson and O’Toole, 2007).

3.13.4 Management-system interface

Systems such as those used for order entry, order processing, enquiries and complaints also have a significant effect on customers’ perceptions of a business. Systems should not only include the use of new technologies in order to reduce expenses for the business, but should also take the customer and his/her needs into account. These systems, therefore, need to be set up in such a way that they are user-friendly (Donaldson and O’Toole, 2007)

3.14 AN EMPHASIS ON QUALITY

The second element of successful CRM implementation concerns quality. Kasper *et al.*, (2006) propose that businesses seeking a competitive advantage should pursue overall quality. According to Donaldson and O'Toole (2007), this focus or emphasis on quality should include more than simply providing an improved product/service offering. Quality can be incorporated by means of supporting services in the form of product/service/contact customisation, adding value to the offering, and enhancing the quality of the relationship. To incorporate quality effectively throughout the business, its offering(s), and relationships, Donaldson and O'Toole (2007:23) suggest that the following aspects should be considered:

- **Product-related factors:** If a business is truly committed to its customers and relationships with them, it should also be committed to providing these customers with superior quality product offerings.
- **Customer-related factors:** Businesses should realise that customers are becoming increasingly well-informed and should, as such, involve customers on a continuous basis in everyday practices. Customer-input on market opportunities, wants, needs, changes, and solutions should therefore be integrated in business decisions. These contributions will, in the end, reward the business with satisfied customers”.
- **Market-related factors:** Businesses should be proactive and innovative when dealing with market factors, such as competitors and intermediaries. By focusing on retaining relationships with intermediaries, the number and quality of competitors can be limited.

3.15 MEASURING CUSTOMER SATISFACTION AND MANAGING CUSTOMER SERVICE

After determining the type of relationship and developing an integrated business capable of delivering a suitable level of service quality, it is necessary to communicate *what* that level is to customers (Oliver, 2010). Flint, Blocker and Boutin (2011) explain that, if a business is confident about its service quality levels and delivery capabilities, it will be able to influence customers' expectations of its performance. Service quality generally has a significant influence on customers' experiences and their overall satisfaction with a business.

In addition, Oliver (2010) explains that customers with low expectations and who receive average service offerings tend to have a higher level of satisfaction than customers with high expectations who receive average service. It is therefore imperative that businesses should not only ensure superior quality offerings, but should also manage customers' pre-determined expectations regarding these offerings as a way to minimise potential dissatisfaction (Buttle, 2006).

3.16 INVESTING IN PEOPLE

The fourth element of successful CRM implementation involves investing in people. Kumar and Reinartz (2006) explain that an integrated business aim of delivering superior service quality is not possible without the cooperation of the entire business, its processes and employees. It is therefore important that businesses should also focus on the development of internal relationships.

According to Kasper *et al.*, (2006), employees are often seen as marketers of the business who are capable of influencing customers' satisfaction and relationships based, significantly, on their own levels of satisfaction. Therefore, internal relationships need to be managed if a business wants to be effective in its relationships with its customers. Part of the development of internal relationships is the adaptation of employees' approach towards each other and towards customers, which might result in resistance on the part of employees. To overcome possible employee resistance, Berndt and Tait (2012) propose investing in employee training, continuous communication, and encouraging staff participation and involvement.

3.16.1 Maintaining dialogue with customers

Building relationships with customers is practically impossible if the business does not have a good understanding of who its customers really are and what they truly desire. In order to develop a better understanding of customers, it is critical to build customer intelligence, which includes the process of gathering customer information; building a historical database; and developing an understanding of current, potential, and lapsed customers (Harris, 2010).

By employing skilful person-to-person communication with customers, the necessary customer intelligence can be gathered regarding customers' needs and expectations. Berndt and Tait (2012) add that communication is essential for developing long-term relationships with

customers in order to share information and create collaborative relationships between a business, its employees and its customers. However, since employees only communicate what they know or are familiar with, it is critical that they are completely conversant with the business' service policies (Bligh and Turk, 2004), hence the necessity of the previous element, namely investment in people.

3.16.2 Setting realistic targets and assessing performance

In order to develop long-term relationships, a business needs to establish realistic service delivery targets. According to Donaldson and O'Toole (2007), these targets must be based on the assessment and measurement of performance. By means of a performance analysis, the business will obtain a clear image of issues requiring attention or revision (Kasper *et al.*, 2006). One way to measure relationship performance is to determine current customer loyalty, which to some extent, might be misleading since not all loyal customers necessarily signify the development of a long-term relationship (Baran *et al.*, 2008). It is therefore necessary to implement and evaluate all the elements (customer service, customer perception and customer loyalty) that are required for building a sustainable relationship.

3.17 MEASURING CRM INITIATIVES

Several scholars, including Ekinici, Dawes and Massey (2008); Olorunniwo, Hsu and Udo (2006); Wetsch (2006); Xu, Goedegebuure and Van Der Heijden (2006) identify the basic variables involved in evaluating or measuring business CRM initiatives as service quality, customer perception and customer loyalty. The findings of these scholars indicate that a positive relationship exists between customer-perceived service factors (such as service quality) and customer loyalty, and that this relationship is mediated by customer perception. The result is that this combination of variables will ultimately increase the business' overall profitability.

Baran *et al.*, (2008) confirm that these variables (service quality, relational benefits, customer perception and customer loyalty) can serve as measures of the success of a business' CRM initiatives. Thus, for the purpose of this study, these variables have been used to measure the selected short-term insurers' CRM initiatives.

3.18 SUMMARY

The chapter presented the concept of customer relation management by discussing its origin and evolution and its invaluable and important role in business by highlighting among other things the benefits and barriers. This section further described the measures for customer relation management initiatives and how they are linked. This section end by discussing the role of customer relation management within the short-term insurance industry. The second section presented factors that customers view as important in service quality by exploring service quality and relational benefits. The section also discussed the conceptualisation of service quality and its contributions to business. Then, service quality models, management strategy, and relational benefits were discussed, mainly by ascertaining the different types of benefits, their consequences, and measurement approach. The following chapter presents the research methodology underpinning the study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The previous chapter presented critiques of the literature identifying the contributions and gaps in the previous studies related to the research topic of this thesis. This chapter presents the research methodology underpinning this study. Research methodology is the approach that is selected to conduct the study by identifying the research design, methods, study site, population and target population, sampling methods, sample size, and data collection instruments to be used in the study. The methodology also highlights the issues of validity and reliability, data analysis techniques, ethical issues, and ends with a summary on the main research methods to be used in the study to achieve its stated research objectives. Mutinta (2014) highlights that one of the main causes of deficiencies, or even failure of research projects is the lack of a research methodology that is suitable to achieve the specific objectives set in a study. Thus, it is important to clearly outline the way a research project is carried out as this can help the study to be replicated or repeated in a similar manner in another environment or situation.

4.2 RESEARCH DESIGN

Researchers define a research design as a detailed outline or blueprint on how a study will be conducted. A research design helps to ensure that adequate control is exercised to enable the collection of valid results. Creswell (2014) explains that a research design is the overall plan a researcher uses to ensure that research questions posed in the study allow a researcher to collect data that will realise the research objectives. Bryman (2012) states that a research design is a detailed research plan that enables a researcher to collect results that will reflect the reality of the phenomenon or situation under study.

This study used exploratory research design. This is the most useful (and appropriate) research design for the projects that are addressing a subject about which there are high levels of uncertainty and ignorance, and when the problem is not very well understood. Such research is usually characterised by a high degree of flexibility and a lack of formal structure (Maxwell, 2012). The main aim of exploratory research is to identify the boundaries of the environment in which the problems, opportunities or situations of interest are likely to reside and to identify

the salient factors or variables that might be found there and be of relevance to the research (Yin, 2009). The exploratory research design was selected for this study because it is appropriate when studying a research problem in an area where little is known about the phenomenon, or there is no earlier study to refer to or use to understand the research problem under study (Morse and Niehaus, 2009).

The aim of the study was to gain insight into the service quality provided by short-term insurance companies in KwaZulu-Natal. Therefore, the study employed an exploratory research design because there is a dearth of studies conducted to identify factors of service quality in short-term insurance companies in KwaZulu-Natal areas. Using the exploratory research design, the study produced insight into the most important factors of service quality in the short-term insurance companies. The exploratory research design helped to generate a comprehensive and well-organised picture of the problem of service quality among short-term insurance companies (Bryman, 2007). Using the exploratory research design, the study generated new ideas, assumptions, details, and a theoretical framework to understand the type of service quality provided by short-term insurance companies in KwaZulu-Natal areas.

In short, the exploratory research design was able to discover and generate the key factors considered important for determining service quality in the short-term insurance industry in South Africa. In other ways, the exploratory research design was used as a general strategy that was employed to integrate the different aspects of the research project in a logical and coherent manner to effectively address the under-researched phenomenon of service quality in the insurance industry.

4.3 RESEARCH METHODOLOGY

There are three types of research methods, namely, quantitative, qualitative and mixed methods. According to Creswell (2014), methodology refers to the methods used to obtain, organise and analyse data. Methodology decisions depend on the nature of the research question. Methodology in research can be considered the theory of correct scientific decisions.

In this study, methodology refers to how the research was done and describes its logical sequence. Yin (2009) describes methodology as the means or methods of doing something. According to Morgan (2007), methodology includes the design, setting, sample,

methodological limitations, and the data collection and analysis techniques in a study. Greene (2006) describes methodology as coherent group of methods that complement one another and that have the ability to fit to deliver data and findings that will reflect the research question and suit the researcher's purpose. According to Brannen (2009), methodology means a framework of theories and principles on which methods and procedures are based.

This study used a quantitative methodology to study service quality in the short-term insurance companies. According to Creswell (2013), quantitative research emerged in or around 1250 Anno Domini (AD) to assist researchers in their analysis through the quantification of data. Since then this methodology has dominated the research culture especially in the West as the most frequently used research pattern for the creation of meanings and new knowledge. In the same context (Goertzen, 2017) states that quantitative research employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data. The findings from quantitative research can be predictive, explanatory, and confirming. Warfield (2010) states that quantitative research involves the collection of data so that information can be quantified and subjected to statistical treatment in order to support or refute alternate knowledge claims. Quantitative research techniques are used to gather data/information from different reliable sources. The data is presented as numbers, statistics, charts, and graphs. Quantitative is used to quantify attitudes, opinions, behaviours, and other defined variables and generalise results to a larger sample population. Quantitative research uses measurable data to formulate facts and uncover patterns in research. In agreement, Yin (2009) says that quantitative methodology emphasises the objective measurement of a phenomenon using statistical, mathematical or numerical analysis of data generated through questionnaires. A quantitative methodology focuses on gathering numerical data and generalising this to the target population in order to explain the phenomenon under study. Quantitative methodology is suitable for determining relationships between independent variables and dependent or outcome variables within the target population (Du and Kamakura, 2012).

Greene (2006), states that the quantitative method deals with logic, numbers, an objective stance, and holds that there is one reality that can be defined by careful measurement. Using quantitative methodology, a study is able to collect data to assess relationships, and it is suitable for ascertaining causality among variables (Morgan, 2007).

This study therefore uses quantitative research methodology to conduct a statistical analysis, to organise and interpret data, and to ascertain the factors that determine clients' expectations and experiences with the quality of services provided by short-term insurance companies.

A quantitative methodology is used because the method is able to generate a representative sample from a large population and can be used to collect data that can be generalised to the target population. Morse and Nieham (2009) argue that quantitative methodology allows a researcher to ensure the reliability and validity of the data collection instruments. More importantly, the study uses quantitative methodology because the method has the capacity to provide an adequate and accurate account of a phenomenon, event, situation, or research problem under study. Oates (2009) states that quantitative methodology uses structured instruments and all aspects of the study are carefully planned before a study is conducted. The researcher attempts to do the same in this study.

A quantitative methodology is considered suitable for this study, because it allows studies to generate data in the form of statistics and numbers that are presented as charts, tables, figures and other non-textual forms. In other words, quantitative methodology was deemed suitable for this study because the method allows the researcher to classify and assess data and to generate a statistical model to explain what was studied. The objective of this study is to provide a direction for short-term insurance companies' administration so that areas for improving services quality may be identified and clients' expectations, particularly in short-term insurance companies in KwaZulu-Natal areas, may be enhanced. Therefore, there was no better method for interpreting the results of this study in simple conclusions than what was achieved using quantitative research methodology (Zikmund and Babin, 2007).

4.4 STUDY SITE

The study site refers to the place where the study conducted to collect the data needed to achieve the research objectives (Denzin and Lincoln, 2005). In this study, data was collected from all short-term insurance policy-holders of Company A, Company B and Company C based in KwaZulu-Natal. This is a coastal South African province formed in 1994 at the time Zulu Bantustan of KwaZulu, 'place of the Zulu' and Natal Province were merged. KwaZulu-Natal has a long shoreline beside the Indian Ocean and shares boundaries with other provinces, and countries such as Swaziland, Lesotho and Mozambique. The capital city of KwaZulu-Natal

is Pietermaritzburg (South Africa Statistics, 2013). KwaZulu-Natal is a rapidly growing area and is by most measures has the busiest port in Africa. A good railway network links the cities to other areas of Southern Africa. Sugar refining is KwaZulu-Natal main industry. Sheep, cattle, dairy, citrus fruits, corn, sorghum, cotton, bananas, and pineapples are also raised. There is an embryonic KwaZulu-Natal wine industry. Other industries include textile, clothing, chemicals, rubber, fertiliser, paper, vehicle assembly and food-processing plants, tanneries, and oil refineries. There are large aluminium-smelting plants at Richards Bay, on the north coast. To the north, Newcastle is the province's industrial powerhouse, with Mittal Steel South Africa and the Karbochem synthetic rubber plant dominating the economy. In 2002, KwaZulu-Natal became the largest producer of chrome chemicals in Africa with the completion of a chrome-chemical plant, a joint-venture project between Karbochem and German manufacturing giant Bayer. Other large operations include a diamond-cutting works, various heavy engineering concerns, the Natal Portland Cement (NPC) slagment cement factory, and the Newcastle Cogeneration Plant. Independent Power Southern Africa (IPSA) recommissioned this as Africa's first gas-fired power station, and it supplies the Karbochem Plant with electricity. The textile industry is a major employer in KwaZulu-Natal area, with over 100 factories. Maize, livestock and dairy farmers operate in KwaZulu-Natal. Coal is also mined in the KwaZulu-Natal. The province as a whole produces considerable amounts of coal and timber. Offshore mining of heavy mineral sands including minerals with a concentration of significant economic importance at several locations, such as rutile, ilmenite and zircon (South Africa Statistics, 2013). This is what makes KwaZulu-Natal an interesting area for short-term insurances industry.

4.5 POPULATION AND TARGET POPULATION

Population is defined as the entire category of subjects or units that conform to a set of requirements (Teddlie and Tashakkori, 2012). Warfield (2010) states that population is a collection of all units or subjects that a researcher is interested in. This is the same population to whom the findings of the study can be generalised. In this case, the population is made up of more than 100 000 short-term insurance policy-holders based in KwaZulu-Natal, but in particular, insurance policy-holders from Company A, Company B and Company C.

4.6 SAMPLING METHODS

Sampling is defined as the process of selecting a small number of subjects or units from the entire population. This sample will represent the entire population (Teddlie and Tashakkori, 2012). There are two types of sampling methods, namely probability and non-probability sampling. The probability sampling method involves random selection, while non-probability sampling relies on the judgement of the researcher when selecting participants. It does not use the principle of random selection. This means that non-probability samples are not representative of the whole population, as they are designed to generate a reliable sample. Probability sampling allows a researcher to generate a representative sample of the population. Using the probability sampling method, a study is able to estimate confidence intervals for the statistics. However, with non-probability sampling methods, a researcher may or may not generate a truly representative sample of the population (Yin, 2006).

This study used a probability or random sampling method explained below. This is because the study is underpinned by the quantitative research methodology. In addition, probability sampling methods are considered to be more rigorous and accurate as each item in the target population is given an equal chance known in advance. This means that each unit or subject has a chance greater than zero for being chosen to be part of the sample for the study. Several scholars argue that probability sampling is not predominantly dependent on the judgment of the researcher, making the sampling process free from a degree of bias (Merriam, 2009). The probability method was also chosen for this study because the method it is cost effective, is a reasonably simple method of selecting respondents, is less time consuming, can be implemented by non-technical persons, and above all, produces samples that are representative of the population (Neuman, 2014).

4.6.1 Sampling Technique

Stratified sampling is a sampling method in which a researcher divides the target population into different strata or groups (Mutinta, 2014). From these groups, a simple random sampling method is used to draw individual respondents from each of the generated groups. This approach was employed to ensure that the sample was a close reflection of the population of insurance policyholders in KwaZulu-Natal.

KwaZulu-Natal was purposively chosen for convenience purposes as the researcher is based in KwaZulu-Natal. Three strata were identified within the province, namely Company A, Company B and Company C. From each strata or insurance company, a simple random sampling method was employed to select individual policyholders. This selection was made possible as marketing managers provided the researcher estimates for all policyholders in each insurance company. A request was made to short-term insurance companies to provide emails for policyholders. Email addresses of the clients were provided after the researcher had met all the criteria. Bearing in mind that the total population for the study is over 100 000 policyholders, it was not possible to use a random number table list to select the sample. Therefore, a computer software program called ‘Random Number Generator’ was used to randomly select numbers that were given randomly and uniquely to each insurance policyholders of each insurance company (Saunders, Lewis and Thornhill, 2012).

4.7 SAMPLE SIZE

It is important for the researcher to ensure that the sample size is large enough and is representative of the entire population. The estimated population for policyholders in each company was about 60 000 for Company A, about 30 000 for Company B, and about 10 000 for Company C. Using the simple random sampling method respondents were selected within each insurance company or strata as the entire population of policyholders in KwaZulu-Natal province. Proportionally, 60% of policyholders were selected from Company A, 30% from Company B and 10% from Company C. From the total of 384 respondents, the Random Number Generator proportionally selected 230 policyholders from Company A, 115 from Company B, and 39 from Company C. This is illustrated in Table 4.1.

Table 4.1: Sample Size

Short-term insurance companies	Short-term insurance policyholders selected
Company A	230
Company B	115
Company C	39
Total	384

The researcher emailed all 384 prospective respondents as they met the criteria for participating in the study. The Consent Letter and questionnaires were emailed to all prospective respondents. They were asked to complete the questionnaires and to read and sign the consent letter. Once questionnaires were completed, they were emailed back to the researcher who carefully scanned through all the questionnaires for both completeness and quality. To enable the researcher to help achieve the recommended sample size for the study, any prospective respondent who did not complete and return the questionnaire within 14 days was replaced with another respondent using the ‘Random Number Generator’. The distribution of questionnaires completed was as follows: Company A (230), Company B (115) and Company C (39) making a sample size of 384 respondents. The sample size table, which provides confidence levels that can be attached to the selected sample, was used to determine the sample size.

Table 4.2: Sample Size Table

Population size	Confidence level = 95%			Confidence level = 99%		
	Margin of error			Margin of error		
	5%	2,5%	1%	5%	2,5%	1%
100	80	94	99	87	96	99
500	217	377	475	285	421	485
1.000	278	606	906	399	727	943
10.000	370	1.332	4.899	622	2.098	6.239
100.000	383	1.513	8.762	659	2.585	14.227
500.000	384	1.532	9.423	663	2.640	16.055
1.000.000	384	1.534	9.512	663	2.647	16.317

Source: Krejcie and Morgan (1970) enhanced by Creswell (2009, p.37)

In this study, the researcher wanted to achieve a 95% confidence level, or, in other words, a 5% margin of error. As suggested by the sample size table, a minimum of 384 respondents were selected.

4.8 DATA COLLECTION INSTRUMENTS

Bryman (2012) defines data collection instruments as research tools which a researcher uses to gather information during the process of a study. These may include questionnaires, interviews, observations, document collection, schedules and checklists (see also Teddlie and Tashakkori 2006). In this study, questionnaires were used to collect data which was relevant to realise the research objectives set for this study.

4.8.1 Questionnaire

According to Greene (2006), questionnaires are most suitable for a quantitative study and, as a result, the researcher in the study decided to use a questionnaire. A questionnaire is a quantitative research instrument made up of a series of questions and sometimes other prompts to effectively collect the information needed from respondents. The questionnaire was chosen largely because it is practical; it deals with large tracts of information; and data can be collected within a short period of time. A questionnaire can be administered by anyone. It can be analysed scientifically and objectively, and the results can be compared with and contrasted to other results. Lastly, the results of a questionnaire can be used to create a model, theory or conceptual framework. All of these advantages are important characteristics of the study. The questionnaire was also used because respondents were able to remain anonymous and could complete the questionnaire without fear of identification. Patten (2017) said that a questionnaire is a good method for data collection because it has a standard format for all subjects and is independent of the respondent's mood.

4.8.2 Development of the Questionnaire

The questions that are in the questionnaire were adopted from the RATER Model questionnaire. The RATER Model service quality framework poses questions to customers about their expectations and experiences across the five RATER dimensions of quality. The measure of the service quality is the gap between expectations and experiences. If experiences are below expectations, then the score is negative. On the other hand, if experiences are above expectations, then the score is positive. This questionnaire was used to evaluate the services of the short-term insurance by seeking responses from some prototypical clients. The questionnaire consisted of the following four sections:

- Section A: Personal biographical information

Questions were designed to ensure that the study was able to determine the different factors that influence clients' responses, interests, and views on service quality in the insurance industry. More importantly, demographic information was collected to help with cross tabulation and comparative analysis of groups to ascertain how responses differed between groups. Demographics included age, gender, race, education, professional or employment status, income, and many others.

- Section B: Customers' expectations

Data collected was on the expectations of service quality of clients in the short-term insurance industry. Data was collected on clients' desired or wished for service quality in the short-term insurance industry in the context of reliability, assurance, tangibility, empathy, and responsiveness. Respondents were asked to indicate their agreement with certain statements regarding their expectations with service quality delivery at short-term insurance companies. A five point Likert scale was used: Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree was used.

- Section C: Customers' experiences

Data collected in this section was on the experiences of service quality experienced by the clients in the short-term insurance industry. Data collected was on clients' perceived or received or 'tasted' service quality in the short-term insurance industry in the context of reliability, assurance, tangibility, empathy, and responsiveness. Respondents were invited to show their agreement with the statements regarding their experiences with service quality delivery at short-term insurance companies. A five point Likert scale was used: Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree. The items contained in the questionnaire comprised closed-ended questions that attempted to identify factors contributing to service quality in short-term insurance companies in KwaZulu-Natal areas.

4.9 RELIABILITY AND VALIDITY OF STUDY

Tavakol and Dennick (2011) state that reliability and validity are critical ideas in the research process because they are used to increase the precision of the evaluation and assessment of a research projects. Therefore, a study that does not take into account the importance of validity and reliability may not have the sound rigour needed in a research process.

Reliability refers to the consistency of a measure (Creswell, 2014), therefore, a questionnaire is considered reliable if the same results are obtained repeatedly when the questionnaire is re-administered or tested repeatedly (see also Twycross and Shields, 2004).

Validity refers to the extent to which a questionnaire or test measures what it purports to measure (Thatcher, 2010). Validity of the questionnaire implies that the questionnaire should be free from both random and systematic errors. Zikmund and Babin (2007:179) explain that:

Validity can be defined as the extent to which differences in observed scale scores reflect the true difference between objects on the characteristics being measured, rather than systematic or random errors. Thus, validity addresses the questions of whether what was attempted to be measured, was actually measured. Validity can be viewed from a number of different perspectives, being; content validity, criterion validity and construct validity.

In this study, the dependent variable was service quality as its value was dependent on the researcher's manipulation of the independent variables of, reliability, assurance, tangibility, empathy, and responsiveness.

Scholars argue that reliability and validity are concepts that have different meanings depending on whether the research is quantitative, qualitative or mixed methods research (Thatcher, 2010). This suggests that the type of research determines the types of reliability and validity measures to be employed. The types of validity include:

4.9.1 Face validity

A pilot test was conducted with sixteen (16) respondents to test the research instruments. The pilot study respondents were then excluded from the actual research. To ascertain the clarity of the items and consistency of the responses, the pilot study respondents had similar characteristics to those in the study sample. The pilot study helped to refine questions in the questionnaire and ascertain the amount of time that respondents would need to respond to the questionnaire. The rationale behind conducting a pilot study was twofold: to realise statistical variability by assessing issues of time, feasibility, cost, adverse events, and to determine the "appropriate sample size and improve upon the study design prior to performance of a full-

scale” (Hulley, Cummings, Browner, Grady and Newman, 2007: 169). Specifically, the main aim of testing the questionnaire was to ensure that the research objectives would be adequately met.

4.9.2 Content validity

The study was reliable because respondent selection and analysis processes adhered to statistical principles. The questionnaire was purpose-designed according to structured theoretical knowledge and research questions. Specifically, the questions in the questionnaire were not designed by the researcher, but were adopted from the RATER Model itself in particular from Parasuraman *et al.*, (2002) study on the refinement and reassessment of the SERVQUAL Scale, which tested valid.. The researcher’s influence was hereby eliminated, thus reducing bias in the study. The adopted questionnaire was assessed and validated by three subject experts and a statistician prior to its use on the respondents. The study took advantage of the subject experts’ authority in the areas of service quality in the insurance industry and statistics to make use of their expertise gained through experience and combination of education to enhance the study.

In addition, the fact that the researcher used simple random sampling implies that bias was reduced because each policyholder in the target population had an equal chance of participating in the study (Yin, 2009).

4.9.3 Construct validity

A statistician performed the Varimax with Kaiser Normalisation to assess the discriminant validity of the questionnaire. The statistician also confirmed validity by performing the Bartlett’s test of sphericity and Kaiser-Meyer-Olkin (KMO) test. The test of items in the questionnaire showed a significant <0.05 rating indicating the validity of the questionnaire as a research instrument (Madiba, 2009).

4.10 DATA ANALYSIS

Data analysis is a process through which a researcher inspects, cleans, transforms, and models data with the aim of discovering valuable information (Morgan, 2006). Data analysis involves reporting proposed conclusions that may, at times, support decision-making in the organisation in which the study was conducted (Creswell and Clark, 2009).

4.10.1 Quantitative data

The Statistical Package for Social Sciences (SPSS), latest Version Windows 22.1 was used for the quantitative data processing and analysis. Tests used in the analysis are presented below. The research objectives that guided the activities of research, especially data collected in the study, determined the tests that were used. This was done based on the number of dependent variables, sometimes referred to as outcome variables, and the nature of the independent variables also known as predictors.

Descriptive statistics: the researcher analysed means and standard deviations, where applicable. Frequencies are represented in tables or graphs;

- **Chi-square goodness-of-fit-test:** A univariate test, was used on a categorical variable to test whether any of the response options were selected significantly more/less often than the others. Under the null hypothesis, it is assumed that all responses were equally selected;
- **Wilcoxon Signed Ranks test:** A non-parametric test was used to test, in this study, whether the average value is significantly different from a value of 3 (the central score). This is applied to Likert scale questions. It was also used in the comparison of the distributions of two variables;
- **Chi-square test of independence:** Was used on cross-tabulations to see whether a significant relationship existed between the two variables represented in the cross-tabulation. When conditions were not met Fisher's exact test was used;
- **Regression analysis:** Linear Regression was used to estimate the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable;
- **ANOVA:** Was used to test several independent samples that compared two or more groups of cases in one variable;
- **Mann Whitney U Test:** Non-parametric equivalent to the independent samples t-test;

- **Binomial test:** Was used to test whether a significant proportion of respondents selected one of a possible two responses. This was extended when data with more than 2 response options was split into two distinct groups;
- **Pearson's correlation:** Correlations was used to measure how variables or rank orders were related. Pearson's correlation coefficient measured linear association;
- **One sample t-test:** Was used to test whether a mean score was significantly different from a scalar value;
- **Independent samples t-test:** Was used to compares two independent groups of cases; and
- **Paired samples t-test:** Was used to compare the means of two variables for a single group.

4.11 ETHICAL CONSIDERATIONS

The researcher adhered to the ethics policy of UKZN. For example, in addition to being informed of what the study is all about, respondents were informed that participation in the study was voluntary, and that their anonymity, confidentiality and privacy would be maintained. Respondents were informed of their right to withdraw from the study at any time. There were no financial rewards offered, derogatory language was not to be used and so forth. In addition, the researcher did not distribute the research instrument until full approval had been obtained from the UKZN's ethics committee with protocol reference number HSS/1755/015D as presented in Appendix 4, and a gate-keeper's letter obtained from the companies under study as presented in Appendix 1.

4.12 SUMMARY

The chapter presented a systematic and theoretical assessment of the methods or set of best practices used to study service quality in the insurance industry in KwaZulu-Natal, South Africa. Research methods are also understood as techniques that are used when conducting research. In other words, all the methods used by researchers during the course of studying a research problem are called research methods. This chapter presented quantitative research methodology as the systematic way that the research problem was studied. Several steps were taken by the researcher in studying the research problem along with the logic behind them. This chapter presented the research methodology of the study as well as the research design, quantitative methodology, study site, population, sampling methods, sample and size, data-collection instrument, data analysis techniques and ethical considerations. Chapter 5 covers the data presentation and analysis focusing on the responses of the clients to the statements in the questionnaire.

CHAPTER FIVE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

5.1 INTRODUCTION

The previous chapter presented the research methodology underpinning the study. This chapter presents, discusses and analyses findings generated in this study. Data presentation, discussion and analysis in this chapter refers to how the researcher summarised, presented and interpreted the findings generated in this study and made meaning of the findings on service quality in the short-term insurance industry in KwaZulu-Natal, South Africa. In order to present and analyse the main findings, various research techniques and instruments were used to condense and summarise the key findings. The tools used include the use of tables to provide an overview of the calculations of the findings, data collected and the interpretation.

The chapter starts by presenting a summary of the research process underpinning the study, the data on the demographics of the respondents and an examination of their experiences of service quality in short-term insurance companies with particular reference to reliability, assurance, tangibles, empathy, and responsiveness. This is followed by an examination of the expectations of service quality in short-term insurance companies using reliability, assurance, tangibles, empathy and responsiveness. The chapter explores the role of demographic characteristics in the experiences and expectations of service quality in the short-term insurance industry. This is followed by inter-correlations among study variables on the expectations and experiences of service quality. The last part of the chapter presents and analyses findings on the gap between clients' expectations and their experiences of the service quality provided by short-term insurance companies. The chapter ends with a brief summary of the key themes of service quality in the short-term insurance industry. The section below is a recapitulation of the key set of activities carried out in this research.

5.2 A SUMMARY OF THE RESEARCH PROCESS FOLLOWED

This section is a summary of the main set of activities carried out in this research project that generated the data presented below.

5.2.1 Research Objectives

- To determine the expectations of service quality of the clients in the short-term insurance industry.
- To ascertain the experiences of service quality of the clients in the short-term insurance industry.
- To understand the gap between expectations and experiences of the service quality provided to the clients in the short-term insurance industry.
- To understand the influence of demographics on clients' expectations and experiences of service quality in the short-term insurance industry.

The researcher adhered to the ethics policy of UKZN. The researcher applied and obtained full research approval from the UKZN's ethics research committee and a gatekeeper's letter from the companies under study. Informed consent was obtained from respondents who were also informed that participation in the study was voluntary, and that anonymity, confidentiality and privacy were assured. Respondents were informed of their right to withdraw from the study at any time. There were no financial rewards offered and derogatory language was not to be used. Quantitative methodology was used, underpinned by a questionnaire which ensured that the respondents remained anonymous and that they could complete the questionnaire without fear of identification. The questionnaire allowed data on a wide range of research issues to be collected within a short period.

Data analysis is a process through which a researcher inspects, cleans, transforms and models data with the aim of discovering valuable information (Maxwell, 2012). Data analysis involves reporting proposed conclusions that may, at times, support decision-making in the organisation in which the study is conducted (Onwuegbuzie and Combs, 2011). The Statistical Package for Social Sciences (SPSS), latest Version Windows 22.1, was used for the quantitative data processing and analysis. The SPSS was used to analyse data using descriptive analysis which helped to measure the central tendency such as the mean, median, mode, range, variance, standard deviation. An inferential analysis was also undertaken which helped to measure relationships such as t-test, ANOVA, chi-square, regression, and correlation. The following section presents and analyses findings on the demographic characteristics of the sample.

5.3 DEMOGRAPHIC CHARACTERISTICS

This section mainly presents and analyses findings on the demographic characteristics of the sample. The data on the demographic characteristics of the sample is presented in Table 5.1 below. Males comprised approximately 61.6% of the sample, with the remaining 38.4% being females. Approximately 73% of the respondents were Black South Africans, 9.4% were White, 8.9% were Indian and the remaining 8.6% were Coloured. In terms of income, only 5.6% had an income less than R10 000 per month. A further 38.4% of the respondents had an income of over R30 000, whilst 35.4% and 20.6% had a monthly income range of R20 001-R30 000 and R10 001-R20 000 respectively. Respondents in the study were recruited from three companies in the following distribution: Company A (n = 39; 10.2%), Company B (n = 230; 59.9%) and Company C (n = 115; 29.9%).

Table 5.1: Demographic Characteristics of the Respondents

Characteristics		<i>N</i>	%
Gender			
	Males	237	61.6
	Females	147	38.4
	Total	384	100
Age groups			
	< 26 years	35	9.2
	26-35 years	136	35.4
	36-45 years	121	31.5
	46-55 years	59	15.5
	>55 years	33	8.4
	Total	384	100
Race			
	Black	281	73.2
	Coloured	33	8.6
	Indian	34	8.9
	White	36	9.4
	Total	384	100

Income			
	<R10 000	21	5.6
	R10 001 - R20 000	79	20.6
	R20 001 - R30 000	136	35.4
	R30 001+	148	38.4
	Total	378	100
Insurance Company			
	Company A	39	10.2
	Company B	230	59.9
	Company C	115	29.9
	Total	384	100

5.4 EXPERIENCES OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES

This section presents and analyses findings on clients' experiences of service quality in short-term insurance companies based on five (5) main variables: reliability, assurance, tangibles, empathy and responsiveness as presented in Table 5.2 below. One-t-test was used to analyse the client's experiences of service quality in the short term insurance companies.

Table 5.2: Experiences of Service Quality in Short-Term Insurance

<i>Statements</i>	<i>Response categories</i>					<i>Statistics</i>
	<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>	<i>p-values</i>
<i>Reliability</i>	<i>N (%)</i>	<i>N (%)</i>	<i>N (%)</i>	<i>N (%)</i>	<i>N (%)</i>	
1. When a response is promised in a certain time, it does happen	179(46.6)	203(52.9)	----	2(0.5)	----	< 0.001
2. My exact specifications of service quality are followed e.g. sincere interest from staff in solving a problem	172(44.8)	210(54.7)	----	1(0.3)	1(0.3)	< 0.001
3. Insurance statements are accurate and error-free	155(40.4)	215(56.0)	11(2.9)	3(0.8)	----	< 0.001
4. Company reports are accurate and error-free	153(39.8)	217(56.5)	12(3.1)	2(0.5)	----	< 0.001
5. Service is performed right the first time	161(41.9)	220(57.3)	1(0.3)	1(0.3)	1(0.3)	< 0.001
6. Levels of service are consistently good	153(39.8)	227(59.1)	2(0.5)	2(0.5)		< 0.001
	<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>	
<i>Assurance</i>						
1. Staff provide service without fumbling	157(40.9)	221(57.6)	4(1.0)	1(0.3)	1(0.3)	< 0.001
2. Staff are courteous	130(33.9)	213(55.5)	26(6.8)	15(3.9)	----	< 0.001
3. Materials provided are appropriate	123(32.0)	213(55.5)	4(1.0)	43(11.2)	1(0.3)	< 0.001
4. Materials provided are up to date	122(31.8)	223(58.1)	17(4.4)	21(5.5)	1(0.3)	< 0.001
5. Staff can use technology quickly	117(30.5)	217(56.5)	30(7.8)	20(5.2)	----	< 0.001
6. Staff can use technology skilfully	115(29.9)	220(57.3)	24(6.3)	35(6.5)	----	< 0.001
7. Staff at this organisation have a good reputation	116(30.2)	230(59.9)	16(4.2)	22(5.7)	----	< 0.001

8. Responses given by staff are accurate	125(32.6)	248(64.6)	7(1.8)	3(0.8)	1(0.3)	< 0.001
9. Responses given by staff are consistent	142(37.0)	237(61.7)	3(0.8)	2(0.5)	----	< 0.001
10. Materials used are easy to understand	118(30.7)	248(64.6)	9(2.3)	9(2.3)	----	< 0.001
	SD	D	N	A	SA	
Tangibles						
1. Facilities are suitable	9(2.3)	188(49.0)	10(2.6)	141(36.7)	36(9.4)	0.758
2. The technology looks modern	9(2.3)	189(49.2)	13(3.4)	123(32.0)	49(12.8)	0.373
3. Facilities are neat and presentable	13(3.4)	187(48.7)	17(4.4)	126(32.8)	41(10.7)	0.828
4. Staff are neat and presentable	13(3.4)	192(50.0)	13(3.4)	129(33.6)	37(9.6)	0.512
Empathy						
1. Staff try to determine what my specific objectives are	160(41.7)	218(56.8)	2(0.5)	4(1.0)	----	< 0.001
2. The level of service is consistent with what I require	158(41.1)	223(58.1)	1(0.3)	2(0.5)	----	< 0.001
3. The level of service cost is consistent with what I can afford	141(36.7)	239(62.2)	3(0.8)	1(0.3)	----	< 0.001
4. Staff are polite	73(19.0)	241(62.8)	30(7.8)	40(10.4)	----	< 0.001
5. Staff show respect	83(21.6)	239(62.2)	38(9.9)	22(5.7)	2(0.5)	< 0.001
6. Staff are considerate	87(22.7)	243(63.3)	32(8.3)	21(5.5)	1(0.3)	< 0.001
7. Staff are able to explain clearly to me the various options of service available	129(33.6)	242(63.0)	8(2.1)	4(1.0)	1(0.3)	< 0.001
8. Staff avoid using technical jargon when speaking to me	112(29.2)	253(65.9)	12(3.1)	7(1.8)	----	< 0.001

<i>Responsiveness</i>						
1. When there is a problem staff respond quickly	158(41.1)	219(57.0)	4(1.0)	2(0.5)	1(0.3)	< 0.001
2. Staff are willing to answer my questions	147(38.3)	225(58.6)	7(1.8)	4(1.0)	1(0.3)	< 0.001
3. It is easy for me to talk to knowledgeable staff when I have a problem	166(43.2)	214(55.7)	2(0.5)	1(0.3)	1(0.3)	< 0.001
4. Service access points are conveniently located	149(38.8)	231(60.2)	1(0.3)	2(0.5)	1(0.3)	< 0.001
5. Specific times for completing tasks are generally given	155(40.4)	225(58.6)	----	2(0.5)	1(0.3)	< 0.001

Note: *SD* = Strongly Disagree; *D*= Disagree; *SA* = Strongly Agree; *A* = Agree; *N*= Neutral

Statistically significant values are presented in bold-face.

The section below presents data on the experiences of reliability of service quality.

5.4.1 Experiences of reliability in service quality

In terms of measuring reliability, the data in Table .5.2 above shows that large numbers of the respondents disagree or strongly disagree with all the statements given. The data also shows that the majority of the respondents disagreed when asked: whether a response is forthcoming at the promised time (99.5% disagreed); $p < 0.001$; my exact specifications of service quality are followed (99.5% disagreed); $p < 0.001$; insurance statements are accurate and error-free (96.4% disagreed); $p < 0.001$; company reports are accurate and error-free (96.3% disagreed); $p < 0.001$; service is performed right the first time (99.2% disagreed); $p < 0.001$ and the levels of service are consistently good (98.9% disagreed); $p < 0.001$.

These responses reveal that the experiences of respondents regarding the reliability of services were exceptionally bad. This means that clients are dissatisfied with the reliability of the quality of service provided by short-term insurance companies. In relation to this finding, Brady *et al.*, (2002) and Pizam *et al.*, (2016) both state that when companies are not able to translate their service of reliability into the ability to provide the service promised in an efficient and a safe manner, this results in dissatisfied clients. In agreement, Carman (2010) finds that organisations' lack of reliability, in particular in the spheres of steady performance and compliance with their promises, makes it difficult for clients to trust them. There is, therefore, a need for short-term insurance companies to be reliable in their service quality by complying with the service they promise as a way of satisfying clients. The following section presents, discusses and analyses the findings on clients' experiences of the assurance of service quality provided by short-term insurance companies.

5.4.2 Experiences of the assurance in service quality

The assurance of service quality in short-term insurance companies was assessed using 10 (ten) questions. The data as shown in Table 5.2 above revealed that the majority of the respondents did not agree, and that the differences between those who strongly disagreed and agreed were found to be statistically significant. For example, when asked whether staff provide service without fumbling, the majority (98.5%) of the respondents did not agree ($p < 0.001$), and when asked if responses given by staff are consistent, 98.7% did not agree ($p < 0.001$). These data are indicative of the fact that the majority of the respondents were generally not satisfied with the assurance of quality services from short-term insurance companies. This implies that the skills, knowledge and credibility of the employees in the short-term insurance companies are not inspiring trust and confidence in clients as these determine assurance service quality. Brady

and Robertson (2001) and Plewa and Conduit (2016) argue that clients are dissatisfied with the experience of the assurance of service quality if the service delivered by companies is not assuring to clients. Clients will also be dissatisfied with the quality of knowledge, courtesy of employees and with their capacity to promote trust in them. The findings indicate that short-term insurance companies' employees lack skills, credibility and knowledge and therefore they engender no confidence or trust in clients despite the fact that these factors are critical to the provision of quality service delivery. The finding indicates that all clients want first-rate assurance related service quality levels. De Jager and du Plooy (2007) agree that clients want staff who are friendly, courteous and who communicate effectively. The following section presents, discusses and analyses clients' experiences of tangibles in the determination of service quality.

5.4.3 Experiences of tangibles in service quality

Mainly, this section presents the significant findings presented in Table 5.2 above. The data did not reveal any significant difference on items assessing tangibles in terms of quality service from short-term insurance companies. While 51.3% did not agree to the suggestion that facilities are suitable, 46.1% agreed responded to the same statement. It was found that 51.5% did not agree and 44.8% positively to the statement that the technology looks modern respectively. To the statement about the facilities being neat and presentable, 52.1% did not agree and 43.5% positively. While 53.4% did not agree that staff are neat and presentable, 43.2% agree to the same statement. The findings indicate almost equal levels of experiences concerning the physical aspects of the service provided by short-term insurance companies. This reveals the need for short-term insurance companies to improve several aspects of their tangibles including offices, equipment, and employees' visible presence so that they appeal to clients, as this is important in influencing clients' experiences. In agreement, Dittmar, Long and Meek (2004) and Mokhlis (2012) find that it is easy for companies to lose customers if the physical equipment, facilities, appearance of employees and materials used do not appeal to the senses, and that gender preferences must be taken into consideration (see also Juwaheer, 2011). Generally, the clients' experiences were lower than any of the service quality dimension because many clients use online services and therefore have little experience of the tangibility aspect of service quality in the short-term insurance industry. The section below presents, discusses and analyses clients' experiences of empathy in service delivery.

5.4.4 Experiences of empathy in service quality

Empathy in the quality of service delivery in short-term insurance companies was assessed using eight (8) questions. The data in Table 5.2 above reveals that the majority of the respondents disagreed, and the differences between those who strongly disagreed and agreed were statistically significant. For example, when asked whether staff try to determine what their clients' specific objectives were, the majority (98.5%) of the respondents did not agree ($p < 0.001$). It was also found that when asked whether the level of service is consistent with what they require, 99.2% of the respondents did not agree ($p < 0.001$). Also, 81.8% of the respondents either disagreed or strongly disagreed when asked whether staff were polite ($p < 0.001$). These data are indicative of the fact that the majority of the respondents were generally not satisfied with the empathy of services from short-term insurance companies. Drawing on the above findings it is logical to argue that short-term insurance companies are not providing service quality, which clients want when it comes to empathy in particular in areas such as personalisation, politeness, respect, thoughtfulness and affability of the personnel. In support of this finding, Gilbert, Voloutsou, Goode and Moutinho (2004), and Oodith and Parumasur (2015) find that there service organisations that do not care for the clients or customers are not successful, especially if organisations do not assist clients in an individualised way.

In support of this finding, Jain and Gupta (2004) state that for organisations to excel in their business, they should have the capacity to show interest in and to give personal attention to clients, as this is important in influencing satisfaction and loyalty. In adding his voice to the discourse of service quality in relation to empathy, Karatepe (2011) states that in showing empathy, organisations should ensure that they are accessible and sensitive, and they should make an effort to have a sound understanding of the needs of clients or users. In short, the study shows that respect, consideration, politeness and the friendliness of frontline employees to the clients are crucial determinants of service quality (see also Yarimoglu, 2014). The following section presents, discusses and analyses clients' experiences of responsiveness in service delivery

5.4.5 Experiences of responsiveness in service quality

The responsiveness of the service in short-term insurance companies was assessed using five (5) questions. The data as shown in Table 5.2 above revealed that the majority of the respondents did not agree and the differences between those who strongly disagree and agree were statistically significant. For example, when asked whether staff members respond quickly

when there is a problem, the majority (98.1%) of the respondents did not agree ($p < 0.001$). When asked whether or not staff are willing to answer questions, 96.9% of the respondents did not agree ($p < 0.001$). Also, 98.9% of the respondents either disagreed or strongly disagreed when asked whether or not it is easy for them to talk to knowledgeable staff when they have a problem ($p < 0.001$). These data are indicative of the fact that the majority of the respondents were generally not satisfied with responsiveness of the services from short-term insurance companies. The findings indicate that short-term insurance companies are lagging behind in terms of providing fast and high-quality services to their clients. The negative response of the clients is an indication that they are dissatisfied with the quality of service provided by short-term insurance companies. Juwaheer (2011) concurs that when companies' employees are not easily available to attend to clients in a focused way that is efficient and swift, it is difficult to have satisfied clients. In the same vein, Lassar, Manolis, and Winsor (2000) and Mokhlis (2012) find that it is not easy to satisfy clients if personnel are not available in the organisation to help clients and the promised service is not prompt. Thus, there is a need for short-term insurance companies to pay attention to the issue of responsiveness if they are to succeed in satisfying clients and to continue to be in the short-term insurance business.

5.5 EXPECTATIONS OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES

This section presents data on respondents' expectations of service quality in short-term insurance companies, which were assessed on five (5) main criteria: reliability, assurance, tangibles, empathy and responsiveness. These data are presented in Table 5.3 below. The following section presents data on client expectations of service quality in short term insurance companies analysed using One-t-test.

Table 5.3: Expectations of Service Quality in Short-Term Insurance

<i>Statements</i>	<i>Response categories</i>					<i>Statistics</i>
	<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>	<i>p-values</i>
<i>Reliability</i>	<i>N (%)</i>	<i>N (%)</i>	<i>N (%)</i>	<i>N (%)</i>	<i>N (%)</i>	
1. Responses to happen when promised	----	----	----	19(4.9)	365(95.1)	< 0.001
2. My exact specifications of service quality are followed e.g. sincere interest from staff to solve problem	----	----	----	27(7.0)	357(93.0)	< 0.001
3. Insurance statements are accurate and error-free	----	----	1(0.3)	41(10.7)	342(89.1)	< 0.001
4. Company reports are accurate and error-free	----	----	1(0.3)	37(9.6)	346(90.1)	< 0.001
5. The service to be performed right the first time	1(0.3)	----	----	34(8.9)	349(90.9)	< 0.001
6. The level of service to be consistently good	1(0.3)	----	----	31(8.1)	352(91.7)	< 0.001
	<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>	
<i>Assurance</i>						
1. Staff provide service without fumbling	----	----	----	33(8.6)	351(91.4)	< 0.001
2. Staff are courteous	----	----	2(0.5)	50(13.0)	332(86.5)	< 0.001
3. The materials provided to be appropriate	----	----	----	36(9.4)	348(90.6)	< 0.001
4. The materials provided to be up to date	----	----	----	31(8.1)	353(91.9)	< 0.001
5. Staff to have the knowledge to use technology quickly	----	----	----	54(14.1)	330(85.9)	< 0.001
6. Staff to have the knowledge to use technology skilfully	----	----	----	45(11.7)	339(88.3)	< 0.001

7. Staff to have a good reputation	----	----	----	47(12.2)	337(87.8)	< 0.001
8. The responses given by staff to be accurate	----	----	----	36(9.4)	348(90.6)	< 0.001
9. The responses given by staff to be consistent	----	----	----	29(7.6)	355(92.4)	< 0.001
10. The materials used to be easily understood	----	----	----	31(8.1)	353(91.9)	< 0.001
	<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>	
<i>Tangibles</i>						
1. Physical facilities to be suitable	----	----	----	14(3.6)	370(96.4)	< 0.001
2. Technology to look modern	----	----	----	22(5.7)	362(94.3)	< 0.001
3. Facilities to be neat and presentable	----	----	----	22(5.7)	362(94.3)	< 0.001
4. Staff to be neat and presentable	----	----	1(0.3)	12(3.1)	371(96.6)	< 0.001
<i>Empathy</i>						
1. Staff try to be able to determine my specific objectives	----			13(3.4)	371(96.6)	< 0.001
2. The level of service to be consistent with what I require	----	----	----	23(6.0)	361(94.0)	< 0.001
3. The level of service costs to be consistent with what I can afford	----	----	1(0.3)	30(7.8)	353(91.9)	< 0.001
4. Staff to be polite to me	----	----	2(0.5)	40(10.4)	342(89.1)	< 0.001
5. Staff show respect to me	----	----	3(0.8)	40(10.4)	341(88.8)	< 0.001
6. Staff to be considerate to me	----	----	6(1.6)	44(11.5)	334(87.0)	< 0.001
7. Staff to be able to clearly explain to me the various options of service available	----	----	----	25(6.5)	359(93.5)	< 0.001

8. Staff to avoid using technical jargon when speaking to me	----	----	----	30(7.8)	354(92.2)	< 0.001
Responsiveness						
1. Staff are to be able to respond quickly when solving problems	----	----	1(0.3)	10(2.6)	373(97.1)	< 0.001
2. Staff to be willing to answer my questions	----	----	1(0.3)	28(7.3)	355(92.4)	< 0.001
3. It should be easy to talk to knowledgeable staff when I have a problem	----	----	----	26(6.8)	358(93.2)	< 0.001
4. Service access points to be conveniently located	----	1(0.3)	1(0.3)	31(8.1)	351(91.4)	< 0.001
5. Specific times for completing tasks to be given	----	----	----	19(4.9)	365(95.1)	< 0.001
Statistically significant values are boldfaced.						

Note: *SD* = Strongly disagree; *D* = disagree; *SA* = Strongly agree; *A* = Agree; *N* = Neutral

5.5.1 Expectations of reliability in service quality

The data on Table 5.3 above reliability show that a large number of the respondents agreed or strongly agreed with all the expectation statements put to respondents. The data show that the majority of the respondents agreed when asked whether responses do happen when promised (100%), $p < 0.001$; exact specifications of services are followed (100%), $p < 0.001$; insurance statements are accurate and error-free (99.8%), $p < 0.001$; company reports are accurate and error-free (99.7%,) $p < 0.001$; service to be performed right the first time (99.8%) $p < 0.001$ and finally the levels of service are to be consistently good 99.8%; $p < 0.001$. These data generally showed that the expectations of respondents concerning the reliability of services were high as shown by the data above. This finding is supported by Mattila, Grady and Fisk (2003), and Mattila, Cho and Ro (2009) who argue that customers want service suppliers or organisations that are able to carry out the services they promise in a dependable and accurate manner. The findings therefore show that clients have extremely high expectations for short-term insurance companies to deliver on their promises. Zeithaml *et al.*, (2006:117) argue that reliability is a critical dimension of service quality, because all clients want to do business with organisations that are able to honour their promises to their clients.

In support of this finding, McQuitty, Finn and Wiley (2000) and Mokhlis (2012) state that short-term insurance companies are among the companies that explicitly market their services by raising the expectations of their clients. Thus, clients expect short-term insurance companies to have the ability to perform the promised service dependably and accurately. This finding is in agreement with Spathis, Petridou and Glaveli (2004) and Mokhlis's (2012) findings that show that clients expect companies to deliver on promises, especially when it comes to service delivery, problem resolution, and pricing. Clients want to do business with companies that are faithful in keeping their promises concerning service results and primary service attributes. All short-term insurance companies need to know that clients' expectations of reliability are high. Short-term insurance companies that do not provide the key services that clients are made to believe they are buying, are failing their clients in the most unjust and direct manner. Therefore, there is a need for short-term insurance companies to keep the promises they make to their clients as this critical to their service quality satisfaction. The section below presents, discusses and analyses clients' expectations of assurance of service quality.

5.5.2 Expectations of assurance in service quality

The assurance of service quality in short-term insurance companies was assessed using 10 (ten) questions. The data shows that the majority of the respondents agreed when asked whether or not they expect staff to provide service without fumbling, 100% response rate was achieved for both respondents who agreed and strongly agreed with the statement ($p < 0.001$). High numbers of respondents were in agreement when asked to respond to the following statements: staff are courteous (99.5%, $p < 0.001$); materials provided to be appropriate (100%, $p < 0.001$); materials provided to be up to date (100% $p < 0.001$); staff to have the knowledge to use technology quickly (100%, $p < 0.001$); staff to have the knowledge to use technology skilfully (100%, $p < 0.001$).

The data as shown in Table 5.3 above further reveals that the majority of the respondents agreed to the following statements and the differences between those who agreed and strongly agreed were found to be statistically significant. For example, when asked whether staff are to have a good reputation, all the respondents (100%) agreed ($p < 0.001$). The same pattern of data was found for the following: the responses given by staff to customers are to be accurate (100%, $p < 0.001$); the responses given by staff to customers are to be consistent (100%, $p < 0.001$) and the materials used by staff are to be easily understood (100%, $p < 0.001$). These findings indicate that clients would be very satisfied with the service quality provided by the short-term insurance companies if the service provided was courteous and employees were knowledgeable. An additional requirement was for employees to have the ability to transmit trust and confidence. These findings are supported by Sureshchandar, Rajendran and Kamalanabhan (2001) and Khare (2011) who argue that when clients view service providers or insurance companies as experts in the service they are delivering, they tend to be satisfied with the service. In agreement, Tan and Kek (2004) and Donlagic and Fazlic (2015) state that clients' expectations are met if insurance companies are able to communicate their expertise to clients. Overall, the study suggests that assurance of service quality is one of the main key drivers of clients' service quality satisfaction in the short-term insurance industry in South Africa.

The findings further show that the majority of the respondents agreed to the following statements, and the differences between those who agreed and strongly agreed were statistically significant. For example, when asked whether staff were to have a good reputation, all the respondents (100%) agreed ($p < 0.001$). The same pattern of data was found for the responses

to the statements that followed. Van Ryzin (2004) and Van Ryzin and Immerwahr (2007) state that when clients' expectations of assurance are high it means that clients want service providers or companies to be polite and friendly, and to provide insurance advice efficiently. This is a guaranteed way of making clients feel comforted and allow them easy to access insurance information. High expectations of assurance indicate that clients want to do business with insurance companies that are experienced and knowledgeable. This is an area that short-term insurance companies need to invest in, as it is a key driver of service quality satisfaction. The findings therefore suggest that the majority of clients would be satisfied with the service quality provided by short-term insurance companies if assurance was prioritised. The following section presents, discusses and interprets clients' expectations of the tangibles of service quality.

5.5.3 Expectations of tangibles of service quality

The same pattern of data was found across the four (4) items assessing tangibles in terms of quality service from short-term insurance companies. The data in Table 5.3 above showed that all the respondents (100%) agreed when asked whether physical facilities are to be suitable ($p < 0.001$). High numbers of respondents agreed when asked to respond to the following statements: technology should look modern (100%, $p < 0.001$); facilities must be neat and presentable (100%, $p < 0.001$), and staff must be neat and presentable (100%, $p < 0.001$). These findings show that the majority of the respondents would be generally satisfied with the tangibles of the service quality provided by short-term insurance companies if assurance service quality was enhanced. These findings do not come as a surprise because Saghier and Demyana (2013) state that when physical facilities, equipment, employees, and written company materials are appealing to clients, clients are likely to be satisfied with service quality. Sohail (2003:202) and De Jager and de Plooy (2014) confirm the finding above as they find that the majority of customers in the service industry have very high tangibility expectations of service quality compared to other variables. Previous studies therefore confirm this study's findings of clients' experiences of tangibility where all clients demanded excellent tangibility services. It is therefore important for short-term insurance companies to improve their equipment, physical facilities, personnel and materials. Although most of the clients use online services, these factors are all visually appealing to clients and influence their satisfaction. The following section presents, discusses and analyses findings on clients' expectations of empathy in service delivery.

5.5.4 Expectations of empathy in service quality

The empathy encountered in service delivery in short-term insurance companies was assessed using eight (8) questions. The data as shown in Table 5.3 above reveals that the majority of the respondents agreed and the differences between those who agreed and strongly agreed were found to be statistically significant. For example, when asked whether staff try to determine their specific needs, all the respondents (100%) agreed ($p < 0.001$). It was also revealed that, when asked whether the level of service costs is consistent with what can be afforded, about 99.7% of the respondents agreed or strongly agreed ($p < 0.001$). Also, 99.2% of the respondents either agreed or strongly agreed when asked whether staff showed respect to them ($p < 0.001$). This finding shows that short-term insurance companies' need to pay attention to service quality in the area of caring and individual attention provided to clients if customers are to be satisfied. Van Ryzin (2004) state that clients' expectations of empathy can be satisfied if clients are given individual attention, personnel make an effort to understand the specific needs of their clients and have suitable business hours. In agreement, Ananth, Ramesh and Prabakaran (2011) state that organisations could satisfy clients' needs for service quality if they give their clients individual attention or have the interest of the clients at heart and strive to understand clients' specific needs. The section below presents, discusses and analyses findings on clients' expectations of the responsiveness in the service provided by short-term insurance companies.

5.5.5 Expectations of responsiveness in service quality

The responsiveness in service delivery in short-term insurance companies was assessed using five (5) questions. The data as shown in Table 5.3 above reveals that the majority of the respondents agreed and the differences between those who strongly agreed and agreed were found to be statistically significant. For example, when asked whether staff members should respond quickly when there is a problem, the majority (99.7%) of the respondents agreed ($p < 0.001$). It was also revealed that when asked whether staff should be willing to answer their questions, about 99.7% of the respondents either agreed or strongly agreed ($p < 0.001$). In addition, 99.5% of the respondents either agreed or strongly agreed when asked whether service access points are to be conveniently placed ($p < 0.001$). The findings on clients' expectations of the responsiveness of service quality point to several issues about the clients and the short-term insurance companies. Clients may only be satisfied with short-term insurance companies' service quality if employees are willing, and ready to service them. The timeliness of services; understanding of clients' needs and wants, providing realistic working hours; giving individual attention to clients; paying attention to clients' problems; and issues of safety in their dealings

with insurance personnel are some of the areas insurance companies need to enhance for better service quality and business. In short, the disposition and alacrity of the short-term insurance companies' personnel to serve clients swiftly and appropriately is a strong determinant of service quality satisfaction.

5.6 THE ROLE OF DEMOGRAPHIC CHARACTERISTICS IN THE EXPERIENCES OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES

This section presents, discusses and analyses data on the role of demographic characteristics in the experiences of the quality of service delivery in short-term insurance companies. To examine the role of demographic characteristics (gender, age, race and income levels) in the experiences of service delivery quality in short-term insurance, an independent sample t-test and One-Way ANOVA were used.

5.6.1 Gender differences of experiences in service quality

As shown in Table 5.4 below, male respondents ($M = 1.76$, $SD = 0.44$) rated reliability higher than females respondents ($M = 1.35$, $SD = 0.43$); $t = 8.82$, $p < 0.001$. The same trend was observed for assurance, empathy and responsiveness where males scored significantly higher scores on each of the gender differences in experiences with service delivery quality categories than females. However, females scored significantly higher on tangibles ($M = 3.54$, $SD = 1.06$) than males ($M = 2.67$, $SD = 1.06$); $t = 8.82$, $p < 0.001$.

Table 5.4: Gender Differences in Experiences with Service Delivery Quality

Variables	Male		Female		t – value
	Mean	SD	Mean	SD	
Reliability	1.76	0.44	1.35	0.43	8.82***
Assurance	1.89	0.48	1.64	0.64	4.31***
Tangibles	2.67	1.06	3.54	1.06	7.89***
Empathy	1.92	0.42	1.62	0.50	6.39***
Responsiveness	1.77	0.45	1.40	0.55	7.16***

*** $p < .001$

The variations between male and female clients' responses send a clear message to short-term insurance companies that they are dealing with two distinct clients segments. For short-term insurance companies to be successful, the differences between males and females' experiences need to be taken into consideration. Awareness that four of the five service quality dimensions were statistically positively correlated with experiences for both male and female clients, can help short-term insurance companies to avoid unnecessary and expensive initiatives focusing on the less important dimension.

5.6.2 The experiences of service quality according to age groups

The data of the One-Way ANOVA, as presented in Table 5.5 below, showed a statistically significant difference in reliability among the 5 age groups, [$F = 6.34, p < 0.001$]. Further analysis indicated that the mean score for 26-35 years olds were significantly different from the other age groups. There was a significant difference in assurance [$F = 5.60, p < 0.001$], tangibles [$F = 7.89, p < 0.001$], empathy [$F = 7.07, p < 0.001$] and responsiveness [$F = 6.01, p < 0.001$] among the 5 age groups of respondents in the study. Further analysis showed that the mean score for 26-35 years olds was significantly different from the other age groups on assurance. On the issue of tangibles, further analysis revealed that those younger than 26 years old were significantly different from the other age groups. The data also showed that on experiences of service quality on both empathy and responsive, respondents between the ages of 26-35 years were significantly different from the other age groups.

It is therefore important for short-term insurance companies to focus on creating trust in insurance companies by performing what they promise their clients. In particular, short-term insurance companies should enhance their service quality consistency and credibility by promoting accurate delivery service; keeping service promises; using accurate insurance records being truthful in the service offered; and other reliability dimensions. Insurance companies need to find resources to enhance their performance to deliver promised services to clients in a dependable and accurate manner, as this is critical amongst important to respondents in all five age groups. In agreement with this study, Roberts-Lombard and Du Plessis (2012) find that insurance clients of all ages want to deal with companies that are able to keep promises communicated to clients.

The study also found that the mean score for the 26-35 years old respondents was significantly different from the other age groups concerning experiences of service quality. It is critical for

short-term insurance companies to focus on this age group, as their age influences their experience of service quality differently to the other age groups. Doudu and Amankwah (2011) find that young people are generally faster in encoding new information, and in retrieving information stored in memory than other age groups. This increases their service quality information processing capability making their experience of service quality a serious concern.

There was a significant difference in assurance [$F = 5.60, p < 0.001$], tangibles [$F = 7.89, p < 0.001$], empathy [$F = 7.07, p < 0.001$] and responsiveness [$F = 6.01, p < 0.001$] among the 5 age groups of respondents in the study. Short-term insurance companies need to know that four of the five-service quality dimensions' influence experiences across all five age groups. This can help short-term insurance companies to prevent unwarranted and expensive initiatives focusing only on reliability, which is of less importance than other dimensions. By focusing on the service quality dimensions reported to be the most significant for all five age groups, short-term insurance companies can make better decisions on the allocation of resources for promoting service quality.

Further analysis shows that the mean score on assurance for the 26-35 year olds was significantly different from the other age groups. Thus, being 26-35 years old has little influence on experience of assurance service quality provided by short-term insurance companies. It is important to focus on the other four age groups whose average age has an influence on assurance services quality. This will be achieved by promoting the levels of knowledge and courtesy in employees, and more especially the employees' ability to transmit trust and confidence to the clients.

Concerning tangibles, further analysis revealed that those younger than 26 years old were significantly different from the other age groups. This finding indicates that the younger clients were satisfied with the tangibility of the service quality provided by short-term insurance companies. Short-term insurance companies need to be aware that enhancing the physical appearance of facilities, improving the quality of equipment and communication assets and empowering personnel has an influence on service quality experience levels in one out of the five age groups. The finding could be attributed to the assumption that most of the short-term insurance companies' clients aged below 26 years are young people who find physical appearance to be one of the things to take into consideration when making decisions about what is considered satisfying service.

In agreement, Ganesan-Lim, Russell-Bennett and Dagger (2008), Min, Khoon and Tan (2012) find that age in general was a significant factor in the experience of service quality in the health and transport industry respectively.

Table 5.5: The Experiences of Service Quality According to Age Groups

Variable	< 26 years		26-35 years		36-45 years		46-55 years		> 55 years		F Values	Post hoc test
	[1]		[2]		[3]		[4]		[5]			
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>		
Reliability	1.40	0.45	1.74	0.49	1.60	0.46	1.47	0.46	1.48	0.45	6.34***	2 > 1 > 3
Assurance	1.60	0.53	1.90	0.54	1.77	0.52	1.61	0.56	1.70	0.66	5.60***	2 > 5
Tangibles	3.40	1.05	2.78	0.99	2.78	1.08	3.40	1.20	3.57	1.29	7.89***	4 > 2
Empathy	1.68	0.47	1.96	0.43	1.78	0.44	1.67	0.49	1.63	0.56	7.07***	2 > 4
Responsiveness	1.49	0.48	1.78	0.57	1.62	0.45	1.48	0.51	1.44	0.48	6.01***	2 > 4; 5

* $p < .05$; *** $p < .001$

5.6.3 The experiences of service quality according to race

The One-Way ANOVA, as presented in Table 5.6 below, did not reveal any differences in the indices of experiences (i.e. reliability, assurance, tangibles, empathy and responsiveness) according to race. This finding suggests that experiences of quality services are not influenced by race.

Table 5.6: The Experiences of Service Quality According to Race

Variable	Black		Coloured		Indian		White		F Values	Post Hoc test
	[1]		[2]		[3]		[4]			
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>		
Reliability	1.72	.044	1.31	0.41	1.39	0.53	1.13	0.26	27.81***	1 > 3 > 2
Assurance	1.89	0.49	1.6	0.65	1.52	0.61	1.46	0.67	11.96***	1 > 3 > 4
Tangibles	2.72	1.07	3.63	0.79	3.51	1.17	4.17	0.78	29.04***	4 > 2 > 3
Empathy	1.91	0.42	1.65	0.49	1.56	0.47	1.38	0.47	21.63***	1 > 2 > 3
Responsiveness	1.74	0.46	1.30	0.47	1.31	0.45	1.35	0.75	18.46***	1 > 2

* $p < .05$; *** $p < .001$

The study found no differences in the indices of experiences in the context of reliability, assurance, tangibles, empathy and responsiveness according to race. This finding suggests that experiences of quality services are not influenced by race. This finding demonstrates that race is not a factor in clients' experiences of how the standard of service short-term insurance companies provide. Short-term insurance companies need to know that investing in initiatives promoting service quality which focus on racial groupings would be a waste of resources because racial identities

have no bearing on clients' experience of all the five dimensions of service quality namely reliability, assurance, tangibility, empathy, and responsibility. The section below presents a discussion and analysis on the experiences of service quality according to income

5.6.4 The experiences of service quality according to income

With regards to the role of income levels on the experiences of quality service from short-term insurance companies, the One-Way ANOVA was used as presented in Table 5.7 below.

Table 5.7: The Experiences of Service Quality According to Income

Variable	< R10 000pm		R10 001- R20 000pm		R20 001- R30 000pm		> R30 000pm		F Values	Post Hoc test
	[1]		[2]		[3]		[4]			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Reliability	1.38	0.48	1.63	0.44	1.68	0.51	1.56	0.46	3.03*	2 > 1
Assurance	1.52	0.52	1.86	0.48	1.86	0.57	1.74	0.59	3.10*	2 > 1
Tangibles	3.27	1.06	2.93	1.07	2.82	1.03	3.18	1.26	2.90*	4 > 2
Empathy	1.59	0.42	1.85	0.38	1.88	0.50	1.73	0.49	4.02**	2 > 1
Responsiveness	1.43	0.47	1.67	0.46	1.74	0.59	1.54	0.47	4.81**	2 > 4

* $p < .05$; ** $p < .01$

The study found statistically significant differences in reliability among the 4 income groups [$F = 3.03, p < 0.05$]. Thus income, particularly amongst clients earning more than R30 000 per month, influences their experience of reliability as a dimension of service quality. This is an indication to short-term insurance companies to be aware that only the reliability dimension, or providing service as promised, is influenced by earning more than R30 000 out of the four income groups of clients. Any efforts to improve the reliability of the service quality offered by short-term insurance companies would therefore not affect other 4 income levels.

There was a significant difference in assurance [$F = 3.10, p < 0.05$], tangibles [$F = 2.90, p < 0.05$], empathy [$F = 4.02, p < 0.01$] and responsiveness [$F = 4.81, p < 0.01$] among the four income groups. The study shows that income has an influence on clients' experience of service quality provided by short-term insurance companies. In particular, income has an influence on a customer's experience of assurance, tangibles, empathy and responsiveness. Four income groups are positively correlated with experience of all the service quality dimensions. This finding indicates that short-term insurance companies should strategically focus their efforts on the four income groups that have a positive bearing on four dimensions of service quality. Focusing on income groups that have good influence on service quality dimensions may result in short-term insurance companies satisfying clients better and excelling in their businesses.

The study found that the mean score for assurance for clients who earned over R10 000 per month was significantly different from respondents whose income was below this threshold. This finding suggests that having an income over R10 000pm influences clients' experience of assurance service quality. In other words, clients' experience of the knowledge, courtesy of employees and employees' capacity to convey trust and confidence is influenced by having an income over R10 000pm. Thus, targeting clients who earn over this amount would be a misapplication of resources as this income group only influences positive experience of assurance of service quality. Short-term insurance companies need to know that clients' experiences of knowledge and courtesy of the employees, as well as the ability of employees to convey trust and confidence are influenced by the status of earning over R10 000pm.

The findings on tangibles show that clients who have an income that is less than R10 000pm were significantly different from respondents from the other income groups. Thus, having an income of less than R10 000 has an influence on clients' experiences of the tangibility of the service quality offered by the short-term insurance companies. Therefore, short-term insurance companies should know that the segment of clients who are satisfied with the appearance of equipment, physical facilities, employees and communication supplies are mainly those whose income is less than R10 000pm.

The study found that having an income of R20 001-R30 000pm influences clients' experience of empathy and responsiveness significantly different compared to the other income groups. The finding suggests that the experience of caring and personalised attention provided by short-term insurance companies is influenced by having an income of between R20 001-R30 000 pm. In the same vein, the status of earning between R20 001-R30 000pm influences on clients' experiences of the willingness of the short-term insurance companies to assist clients and offer quick service quality. Thus, earning between R20 001-R30 000pm was positively collated with two of the five service quality dimensions. These findings can help short-term insurance companies to focus their resources on clients earning between R20 001-R30 000pm as this will influence the experience of empathy and responsiveness of service quality.

5.7 THE ROLE OF DEMOGRAPHIC CHARACTERISTICS IN THE EXPECTATIONS OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES

This section presents data on the role of demographic characteristics in the respondents' expectations of service quality in short-term insurance companies. To examine the role of demographic characteristics (gender, age, race and income levels), in the expectations of service quality in short-term insurance, an independent t-test and One-Way ANOVA were applied.

5.7.1 Gender differences of expectations in service quality

The One-Way ANOVA was used as shown in Table 5.8 below, female respondents ($M = 4.98$, $SD = 0.09$) showed higher expectations of tangibles than males ($M = 4.93$, $SD = 0.23$); $t = 2.48$, $p < 0.001$. However, no gender differences were observed between males and females on reliability, assurance, empathy and responsiveness.

Table 5.8: Gender Differences in Expectations of Service Quality

Variables	Male		Female		<i>t</i> – value
	Mean	SD	Mean	SD	
Reliability	4.89	0.26	4.94	0.21	1.69
Assurance	4.89	0.25	4.90	0.19	0.61
Tangibles	4.93	0.23	4.98	0.09	2.48**
Empathy	4.90	0.25	4.93	0.16	1.26
Responsiveness	4.92	0.24	4.96	0.12	1.88

** $p < .01$

The finding implies that being female clients had high expectations of the appearance of the equipment, employees, physical facilities and communication resources used by short-term insurance companies. This finding is supported by Stafford (2006) who suggests that service quality, in particular tangibles, is more important to women than to men when engaging in business. However, the study indicates that there are no gender differences between males and females on reliability, assurance, empathy and responsiveness. Therefore, there is only one service quality dimension reported to be more significant to females than male clients. Short-term insurance companies should allocate more resources to promote service quality dimensions that are influenced by both genders, but at the same time should ensure that the tangibility of service quality is addressed, as this is key in influencing women's service quality expectations

5.7.2 The expectations of service quality according to age group

Concerning the role of age levels on the expectations of the quality of services from short-term insurance, the One-Way ANOVA was used as presented in Table 5.9 below, showed no statistical significant difference in reliability, assurance, tangibles, empathy and responsiveness. Moreover, further analysis also showed that the age of respondents did not have any influence on their expectations of quality services.

Table 5.9: The Expectations of Service Quality According to Age Group

Variable	< 26 years		26-35 years		36-45 years		46-55 years		> 55 years		F Values
	[1]		[2]		[3]		[4]		[5]		
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	
Reliability	4.89	0.30	4.93	0.21	4.89	0.27	4.91	0.25	4.94	0.18	1.24
Assurance	4.87	0.25	4.90	0.22	4.89	0.24	4.90	0.24	4.89	0.20	0.86
Tangibles	4.98	0.07	4.96	0.19	4.95	0.20	4.94	0.22	4.97	0.18	0.95
Empathy	4.87	0.23	4.91	0.22	4.93	0.20	4.90	0.25	4.94	0.19	0.85
Responsiveness	4.93	0.19	4.94	0.20	4.93	0.21	4.93	0.23	4.95	0.18	1.21

5.7.3 The expectations of service quality according to race

The One-Way ANOVA was used as presented in Table 5.10 below, did not reveal any differences in the indices of expectations (i.e. reliability, assurance, tangibles, empathy and responsiveness) according to race. This finding suggests that expectations of quality services are not influenced by race. This study confirms Duodu and Amankwah's (2011) study that found that age had no significant impact on the relationship between customer service quality expectations. Consequent to the finding that four out of the five service quality dimensions are not positively correlated with expectation for both male and female clients, these findings could assist short-term insurance companies to avoid needless initiatives aimed certain age groups that have no influence on clients' expectations of service quality dimensions.

Table 5.10: The Expectations of Service Quality According to Race

Variable	Black		Coloured		Indian		White		F Values
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	
Reliability	4.92	0.23	4.84	0.34	4.96	0.14	4.89	0.25	1.81
Assurance	4.91	0.22	4.85	0.28	4.89	0.23	4.87	0.27	0.91
Tangibles	4.95	0.19	4.92	0.25	4.97	0.17	4.97	0.14	0.86
Empathy	4.91	0.22	4.86	0.29	4.93	0.21	4.94	0.14	1.52
Responsiveness	4.94	0.20	4.90	0.26	4.95	0.18	4.94	0.18	1.02

5.7.4 The expectations of service quality according to income

With regard to the role of income levels on the expectations of the quality service from short-term insurance, the One-Way ANOVA was applied as presented in Table 5.11 below, showed no statistical significant difference in reliability, assurance, tangibles, empathy and responsiveness. Moreover, further analysis also showed that income group had no influence on the expectations of quality services. This means that income levels are not important in moulding clients' expectations of reliability, assurance, tangibles, empathy and responsiveness in service quality. With this revelation that the five service-quality dimensions are not positively correlated with expectation for income groups, it would be injudicious for short-term insurance companies to focus their resources on irrelevant service quality dimensions.

Table 5.11: The Expectations of Service Quality According to Income

Variable	< R10 000pm		R10 001- R20 000pm		R20 001- R30 000pm		> R30 000pm		F Values
	[1]		[2]		[3]		[4]		
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	
Reliability	4.83	0.40	4.95	0.18	4.88	0.28	4.93	0.19	0.95
Assurance	4.88	0.28	4.89	0.24	4.88	0.25	4.92	0.19	1.01
Tangibles	4.94	0.22	4.96	0.17	4.94	0.22	4.96	0.17	0.96
Empathy	4.89	0.25	4.90	0.22	4.91	0.23	4.93	0.20	1.02
Responsiveness	4.98	0.09	4.94	0.18	4.91	0.25	4.96	0.18	0.89

With regards to the role of income levels on the expectations of the quality service from short-term insurance, the One-Way ANOVA as presented in Table 5.11 above respectively showed no statistical significant difference in reliability, assurance, tangibles, empathy and responsiveness.

5.8 INTER-CORRELATIONS AMONG STUDY VARIABLES ON THE EXPERIENCES OF SERVICE QUALITY

The Correlation results in Table 5.12 below show the relationship between the five main variables (reliability, assurance, tangibles, empathy and responsiveness) assessing the experiences of service quality of short-term insurance.

Table 5.12: Summary of the Inter-Correlations of the Study Variables on the Experiences of Service Quality

Variables		1	2	3	4	5
1.	Reliability	1	-----	-----	-----	-----
2.	Assurance	0.62***	1	-----	-----	-----
3.	Tangibles	- 0.60***	- 0.19***	1	-----	-----
4.	Empathy	0.69***	0.76***	- 0.30***	1	-----
5.	Responsiveness	0.76***	0.52***	- 0.55***	0.60***	1

*** $p < .001$, two-tailed

The findings above show that high reliability is related to high assurance, empathy and responsiveness but is associated with lower levels of tangibles. This implies that paying attention to reliability by promoting short-term insurance companies' ability to perform services as promised to clients in a dependable and accurate manner has a positive bearing on all other variables except tangibles. Thus, focusing resources or programmes on reliability, would enhance clients' overall experiences with the service provided by short-term insurance companies.

Assurance was negatively associated with tangibles ($r = -0.19$; $p < 0.001$) but positively related to empathy ($r = 0.76$; $p < 0.001$), reliability ($r = 0.62$; $p < 0.001$) and responsiveness ($r = 0.52$; $p < 0.001$). These results suggest that high assurance is related to high empathy, reliability and

responsiveness but is associated with lower levels of tangibles. If short-term insurance companies focus on assurance in their provision of service, they would, at the same time, positively influence three other dimensions of service quality. This implies that short-term insurance companies are able to satisfy clients in different dimensions of service quality at one time with one dimension of assurance.

The study shows that tangibility was negatively associated with empathy ($r = -0.30$; $p < 0.001$), responsiveness ($r = -0.60$; $p < 0.001$), reliability ($r = -0.60$; $p < 0.001$) and assurance ($r = -0.19$; $p < 0.001$). This result means that higher tangible scores lead to correspondingly lower values on empathy, responsiveness, reliability and assurance. This finding indicates that if clients are not satisfied with the service quality of the tangibles, short-term insurance companies will fail to satisfy customers' expectations in the other three dimensions of service quality.

The study further showed that empathy was found to be positively related to reliability ($r = 0.69$; $p < 0.001$), assurance ($r = 0.76$; $p < 0.001$) and responsiveness ($r = 0.60$; $p < 0.001$), but was negatively associated with tangibles ($r = -0.30$; $p < 0.001$). This study suggests that high values on the empathy score are related to high reliability, assurance and responsiveness but this produced lower levels of tangibles. Thus short-term insurance companies need to be aware that when clients are satisfied with the service quality of empathy, this has a positive bearing on another two dimensions of service quality but it has a negative influence on tangibles. There is therefore a need for strategic measures to ensure that empathy positively influences tangibles as well.

The study found that responsiveness was found to be positively related to reliability ($r = 0.76$; $p < 0.001$), assurance ($r = 0.52$; $p < 0.001$), and empathy ($r = 0.60$; $p < 0.001$), but negatively associated with tangibles ($r = -0.55$; $p < 0.001$). These results indicate that higher values on responsiveness were related to high reliability, assurance and empathy, but at the same time, to lower levels of tangibles. The finding that three service quality dimensions are statistically positively correlated with experiences for responsive experiences indicates that short-term insurance companies should focus their resources on important service quality dimensions.

5.9 INTER-CORRELATIONS AMONG STUDY VARIABLES ON THE EXPECTATIONS OF SERVICE QUALITY

The Correlation results in Table 5.13 below shows the relationship between the five main variables (reliability, assurance, tangibles, empathy and responsiveness) and assesses the expectations of service quality of short-term insurance. The study found that reliability was positively associated with assurance ($r = 0.66$; $p < 0.001$), tangibles ($r = 0.58$; $p < 0.001$), empathy ($r = 0.51$; $p < 0.001$) and responsiveness ($r = 0.58$; $p < 0.001$). These results suggest that higher levels of reliability were related to higher levels of assurance, tangibles, empathy and responsiveness. The finding that all service quality dimensions are statistically positively correlated with expectations highlights the areas that short-term insurance companies need to concentrate resources on in order to keep clients' expectations positive. It is important that short-term insurance companies are aware of clients' expectations of reliability, as this has an influence on other dimensions of service so that clients are not frustrated in a direct way.

The study further showed that assurance was also positively associated with tangibles ($r = 0.72$; $p < 0.001$), empathy ($r = 0.79$; $p < 0.001$), responsiveness ($r = 0.74$; $p < 0.001$) and reliability ($r = 0.66$; $p < 0.001$). These results suggest that higher levels of assurance were related to higher levels in tangibles, empathy, responsiveness and reliability. This finding implies that clients have good experiences of service quality offered by short-term insurance companies, especially when it comes to the knowledge and courtesy of employees and, in particular, to the ability of employees to generate trust and confidence in clients. In addition, the expectation of good service quality assurance has a positive influence on all service quality dimensions. This logically means that short-term insurance companies should maintain high levels of service quality assurance to continue to meet clients' expectations in all service quality dimensions. Pienaar (2009) finds that the dimension of assurance is important in influencing clients' expectations, especially if the service makes clients feel that they are not at risk and that there is nothing to make them feel unsure about the service offered.

The study indicates that tangibles were positively associated with empathy ($r = 0.76$; $p < 0.001$), responsiveness ($r = 0.83$; $p < 0.001$), reliability ($r = 0.58$; $p < 0.001$) and assurance ($r = 0.72$; $p < 0.001$). These results indicate that higher scores on tangibles were related to higher scores on empathy, responsiveness, reliability and assurance. Short-term insurance companies should therefore focus on improving empathy, rather than on any other service quality

dimension in the context of expectations, as these result in clients who are satisfied with all dimensions of service quality. In agreement with this, Broderick (2002) and Mey, Akhbar and Yong (2008) find that companies that present their services well, with a good appearance of their physical facilities, written communication materials, equipment and employees find it easy to satisfy clients, especially new clients, as they use physical service to evaluate service quality.

Empathy was found to be also positively related to responsiveness ($r = 0.80$; $p < 0.001$), reliability ($r = 0.51$; $p < 0.001$), tangibles ($r = 0.76$; $p < 0.001$) and assurance ($r = 0.79$; $p < 0.001$). These results indicate that higher values on empathy correlated with higher values on responsiveness, reliability, tangibles and assurance. This means that short-term insurance companies need to continue to be caring and offering individualised service to clients, as this will continue to satisfy clients' expectations in all service quality dimensions. In support of the findings, Sirdeshmukh (2002) and Ouyung (2010) state that when companies are able to provide customised or personalised service, it makes clients feel special and unique. In addition, Nelson (2009) argues that empathy makes clients feel understood by and important to service providers making them feel that their expectations have been met.

The study showed that responsiveness was positively related to reliability ($r = 0.58$; $p < 0.001$), assurance ($r = 0.74$; $p < 0.001$), tangibles ($r = 0.83$; $p < 0.001$) and empathy ($r = 0.80$; $p < 0.001$). These results show that higher values on responsiveness were related to high scores on reliability, assurance tangibles and empathy. This finding shows that, for short-term insurance companies to excel in meeting the expectations of their clients, service responsiveness should be a priority. This finding also suggests that clients of short-term insurance companies regard companies as willing to help them because responsiveness is, in fact, the willingness to assist clients and to give them timely service. In agreement with this, Kleynhans and Zhou (2012) find that the chances of a company excelling are high if it strives for promptness and attentiveness in dealing with clients' problems, questions, requests and complaints.

Table 5.13: Summary of the Inter-Correlations of the Study Variables on Expectations of Service Quality

Variables		1	2	3	4
1.	Reliability	1	-----	-----	-----
2.	Assurance	0.66 ^{***}	1	-----	-----
3.	Tangibles	0.58 ^{***}	0.72 ^{***}	1	-----
4.	Empathy	0.51 ^{**}	0.79 ^{***}	0.76 ^{**}	1
5.	Responsiveness	0.58 ^{***}	0.74 ^{***}	0.83 ^{**}	.80 ^{**}

5.10 GAP ANALYSIS OF EXPERIENCES AND EXPECTATIONS OF CLIENTS IN SHORT-TERM INSURANCE COMPANIES

This section presents data on the GAP analysis of the experience and expectations of clients. To understand the gap between clients' expectations and experiences of the service quality provided by the short-term insurance companies, the following tests were used, One-Way ANOVA, Independent samples t-test and Welch was conducted. The data presented in the table of GAP analysis in the previous chapter, showed that, there was usually a gap in clients' experiences and their expectations.

For the reliability factor, there was a significant increase in the scores where the expectations scores (M = 4.91, SD = 0.24) were higher than the scores of experience (M=1.60, SD = 0.48), $t(383) = 120.58, p < 0.001$. This means that clients feel that short-term insurance companies are, to some significant extent, not keeping their promises. This result in the service they receive not measuring up to the promises short-term insurance companies make to clients. In other words, insurance companies are failing to live up to their core service quality attributes. There is a need to address this gap if short-term insurance companies are to excel.

It was also found that the scores for assurance expectations (M = 4.90, SD=0.23) were found to be significantly higher than the scores for experience (M = 1.79, SD = 0.56), $t(383) = 94.13,$

$p < 0.001$. The same trend was observed for tangibles, empathy and responsiveness. It was observed that the mean scores on tangibles for experiences ($M = 3.10$, $SD = 0.23$) was significantly lower than the scores for expectations ($M = 4.95$, $SD = 1.14$), $t(383) = 33.15$, $p < 0.001$. This study shows, therefore, that the expectations of the short-term insurance companies' clients in all dimensions of service quality were higher than their experiences of delivery. The study implies that client expectations, which include beliefs about service provided by short-term insurance companies that sometimes serve as benchmarks, are not being met. The actual service delivered to them is falling short of what they expected. Short-term insurance companies need to know that clients use their expectations as reference points against which the service quality of insurance companies is judged. The findings also suggest that clients and short-term insurance companies have different expectations for service performance, hence the inability of the service provided to measure up to clients' expectations.

It is therefore critical that short-term insurance companies continuously measure and understand clients' expectations if they are to gain a competitive advantage. Short-term insurance companies' failure to comprehend the service quality customers' expectations may result in companies losing clients to competitors who are better able to meet their expectations. If the shortcomings in the *status quo* are not addressed, short-term insurance companies are at a risk of losing business. In agreement, Zeithaml, Bitner and Gremler (2009) argue that failure to meet clients' expectations is the same as failure to meet the desired service quality that clients hope to receive. Thus, when service providers are not able to meet what clients believe is possible for them to provide and what should be offered, they may be forced to look for the same service somewhere else. This is because expectations signal clients' service quality beliefs, wishes and hopes that they will be fulfilled.

Table 5.14: GAP Analysis of Experience and Expectations of Clients

Variables	Experiences		Expectations		t – value
	Mean	SD	Mean	SD	
Reliability	1.60	0.48	4.91	0.24	120.58***
Assurance	1.79	0.56	4.90	0.23	94.13***
Tangibles	3.01	0.23	4.95	1.14	33.15***
Empathy	1.80	0.47	4.91	0.22	111.34***
Responsiveness	1.63	0.52	4.94	0.20	112.93***

*** $p < 0.001$

The study shows that the scores on expectations of empathy (M = 4.91, SD = 0.22) were found to be significantly higher than the scores of experience of empathy (M = 1.80, SD = 0.47), $t(383) = 111.34$, $p < 0.001$. This specifically means that service quality or the service level delivered by short-term insurance companies for the factor of empathy does not match clients' expectations. In other words, there is a need for short-term insurance companies to revisit their philosophy and efforts in providing individualised attention and care to meet the high expectation scores.

5.11 FACTOR ANALYSIS

The importance of service quality in the short-term insurance industry cannot be overemphasised. The gap in clients' expectations and experiences of service quality are critical in understanding service quality in the short-term insurance industry. In particular, it is crucial for service quality managers to understand how clients perceive and experience the service they provide, and what components might determine the nature of the perceived and experienced service quality in short-term insurance industry in KwaZulu-Natal, South Africa.

The study used the most widely used instrument of service quality that is the 22-indicator RATER Model scale. It measures service quality by determining the gap between customers' expectations and experiences of service quality provided by an organisation. Five dimensions of service quality expectations and experiences include reliability, assurance, tangibles, and

empathy and responsiveness. The RATER Model instrument was subsequently applied to measure service quality in a variety of business settings (Zeithaml *et al.*, 2009). The criticism of the RATER Model instrument includes the use of gap scores, the overlap among five dimensions, poor predictive and convergent validity, the ambiguous definition of the expectation construct, and unstable dimensionality (Kleynhans and Zhou, 2012). This study used the RATER Model scale. In addition to the five dimensions of service quality by the RATER Model, another dimension, demographics (age, gender, race, and income) is incorporated in the study. Therefore, six dimensions are proposed significant to measure expectations and experiences of service quality in the short-term insurance industry in KwaZulu-Natal, which include reliability, assurance, tangibles, empathy, responsiveness, and demographics.

The original 22 items in the RATER were used, including another four items for demographics. Minor customisation in the wording of indicators was conducted in an effort to better fit the short-term insurance industry context in KwaZulu-Natal. Each item was rated by respondents on a five-point Likert scale from number one with the verbal statement “Strongly Disagree” to number five with the verbal statement “Strongly Agree”. This survey was administered to the short-term insurance clients in KwaZulu-Natal. Clients were selected as subjects because they are short-term insurance clients of companies under study therefore able to evaluate service quality provided by the short-term insurance companies studied.

The construct validity of the newly developed scale was assessed by conducting exploratory factor analysis first. Factor analysis was used for each construct and then for the six dimensions of service quality together. There was perfect alignment and loading for expectations and experience for A, C and while D was split along 2 sub-themes but the loadings were identical. The expectation value for B loaded perfectly but experience split along two sub themes as demonstrated in appendix seven on page 273.

Any item with a loading less than 0.50 on any latent variable was deleted. Most of the remaining items have factor loadings above .6 with cross loadings less than .4 after rotation according to the results of exploratory factor analysis. Six dimensions from the exploratory analysis results include reliability, assurance, tangibles, empathy, responsiveness, and demographics. This means that all dimensions are important for short-term insurance clients. This finding also indicates that it is necessary to modify the items to measure these six

dimensions when applying the RATER Model scale in KwaZulu-Natal. In addition, Cronbach's alpha was used to assess reliability. All the Cronbach's values are greater than the cut off value of 0.70. This indicates that all the indicators measure their respective latent constructs reliably. Discriminant validity is supported because all the Cronbach's Alpha values are higher than the correlation coefficients.

A second-order Confirmatory Factor Analysis was used to test the relationships between latent variable service quality and its dimensions. The standardized factor loadings indicate that all the proposed dimensions have a significant and positive relationship with service quality except for race in the demographic dimensions. The goodness-of-fit indices support the acceptability of this second-order measurement model. The significance of demographics substantiates the modification of the RATER Model instrument in the short-term insurance industry setting.

This current study therefore has developed a short-term insurance service quality model in the short-term insurance industry. First, it posits an instrument to evaluate the expected and experienced service quality, and the gap between expected and experienced service quality. In the gap analysis, the expectations of service quality are higher than experiences. Then, this instrument is empirically tested using the data from a survey of clients from the short-term insurance industry in KwaZulu-Natal. Meanwhile, the relationship between the perceived and experienced service quality and its dimensions are examined. In order to do these, both exploratory factor analysis and confirmatory factor analysis were employed. The findings indicate that the modification of the RATER Model instrument in a specific setting in different cultures is necessary. The significance of demographics in this study supports the primary modification of the RATER Model instrument in the short-term insurance industry. Therefore, when applied to a particular industry in any place other than KwaZulu-Natal, the RATER Model should be modified. Reliability, assurance, tangibles, empathy, responsiveness, demographics, and relationship between variables are all significant dimensions of perceived and experienced, and the gap between perceived and experienced service quality in the short-term insurance industry in KwaZulu-Natal. These finding suggests some managerial implications for the short-term insurance managers. First, it is critical to provide reliable, assuring, tangible, and empathetic, responsive service quality that takes into account demographics, and relationship between variable dimensions. Service quality management is important in the short-term insurance industry in KwaZulu-Natal

because reliability, assurance, tangibles, empathy, responsiveness, and demographics are prerequisite for the successful short-term insurance business. In addition, race has no significant effect on clients' expectations and experiences of the service quality in the short-term insurance industry.

5.12 SUMMARY

The study shows that, by-and-large, there was a gap in clients' experiences and their expectations. In terms of reliability, there was a significant increase in the scores where the expectations' scores ($M = 4.91$, $SD = 0.24$) were higher than the scores for experience ($M = 1.60$, $SD = 0.48$), $t(383) = 120.58$, $p < 0.001$. It was found that the scores on assurance for expectations ($M = 4.90$, $SD = 0.23$) were also significantly higher than the scores for experience ($M = 1.79$, $SD = 0.56$), $t(383) = 94.13$, $p < 0.001$. The same trend was observed for tangibles, empathy and responsiveness. It was observed that the mean experience scores on tangibles ($M = 3.10$, $SD = 0.23$) were significantly lower than the scores for expectations ($M = 4.95$, $SD = 1.14$), $t(383) = 33.15$, $p < 0.001$. The study also found that the expectation scores on empathy ($M = 4.91$, $SD = 0.22$) were significantly higher than the scores for experience ($M = 1.80$, $SD = 0.47$), $t(383) = 111.34$, $p < 0.001$. Finally, the mean scores on experience for responsiveness ($M = 1.63$, $SD = 0.52$) were significantly lower than the scores for expectations ($M = 4.94$, $SD = 0.20$), $t(383) = 120.58$, $p < 0.001$.

The findings show that demographics, in particular, gender, age, income and relationship between variables had an influence more on clients' experiences than expectations of service quality. Using findings gender, age, income and the five dimensions of service quality and their relationships, a model can be developed to help understand and address the gap between clients' high expectations and low experiences of service quality in short-term insurance companies. The study found that race has no influence on service quality. The service quality model may help to enhance the effectiveness of short-term insurance companies' service quality efforts. The following chapter deals with the conclusions and recommendations informed by the key findings.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

The previous chapter presented, discussed and analysed the findings generated in this study. This chapter presents the conclusion and recommendations based on the findings in the previous chapter. The chapter explores the implications of the results and suggests actions to be taken in light of the findings. In short, the chapter presents the main findings in this study and seeks to suggest specific service quality solutions to the challenges faced by the short-term insurance industry in KwaZulu-Natal, South Africa. The chapter has seven sections:

- Section one presents conclusions by discussing the results on clients' experiences and expectations of service quality in the short-term insurance industry;
- Section two presents findings on the role of demographic characteristics in the experiences and expectations of service quality;
- Section three deals with inter-correlations among study variables on the experiences and expectations of service quality;
- Section four presents the GAP analysis of experiences and expectations of clients in service quality;
- Section five deals with the theoretical recommendations by outlining the main contribution of the study, which is a new conceptual model on service quality;
- Section six underscores the specific service quality recommendations on experiences and expectations to the short-term insurance companies that need to be addressed; and
- Section seven presents recommendations for further research in the short-term insurance industry in South Africa.

6.2 CONCLUSIONS OF THE KEY FINDINGS

6.2.1 Experiences of service quality in short-term insurance companies

This section summarises the findings on experiences of service quality in short-term insurance in terms of reliability, assurance, tangibles, empathy and responsiveness.

The study found that clients were dissatisfied with their experience of the reliability of service provided by short-term insurance companies. For instance, the majority of the clients were dissatisfied with the time taken to respond (95.5%) to them; with how particular services are followed up (98.4%), $p < 0.001$; and with employees who fumble (98.5%) when providing services. The implication of this finding is that short-term insurance companies are not providing the services promised to their clients. This is one explanation why clients are dissatisfied with the service provided by short-term insurance companies.

The study shows considerably high levels of both satisfaction and dissatisfaction with the tangibility of service provided by short-term insurance companies though most of the clients use online services. In spite of the online service provided, there is need for insurance companies to improve their physical equipment, facilities, appearance of employees, and their printed materials so that they can be more appealing as this has an influence on service quality experiences.

The majority of the clients are not satisfied with the service quality of empathy from short-term insurance companies. In this study, 99.2% of the clients reported that there is no consistency in the provision of empathy. This suggests that short-term insurance companies are not providing personalised, polite, respectful, thoughtful and friendly empathetic service to clients. This is an area that needs attention for improving the experiences of clients and viability of business. Generally, clients were not satisfied with the responsiveness of the service provided by short-term insurance companies. The majority (98.7%) of the clients felt that the level of knowledge and ability of staff to help clients and provide quick service was too poor to satisfy their service quality desires.

It is therefore reasonable to state that short-term insurance companies are struggling to provide high-quality services to their clients. These are therefore areas that short-term insurance companies need to focus on if they are to provide assuring services able to satisfy clients.

6.2.2 Expectations of service quality in short-term insurance companies

This section presents conclusions on clients' expectations of service quality in short-term insurance companies on reliability, assurance, tangibles, empathy and responsiveness. The majority of the clients had high expectations of reliability as promised by the companies (100%), $p < 0.001$. The same trend was evident in other services related to reliability. This means that clients want short-term insurance companies to provide the services they promise in a dependable and accurate manner. As long as clients feel that, the service they receive does not match their expectations they will continue to be dissatisfied, as they want service that is trustworthy and reliable.

The majority of the clients want staff to provide service without fumbling (100%). Clients, in particular and want staff to be courteous (99.5%, $p < 0.001$). The same trend was observed for other expectations of assurance of service. This finding shows that for clients to be satisfied with the assurance of service provided by the short-term insurance companies, companies must focus on enhancing the courtesy and knowledge levels of their employees, in addition to employees' ability to promote trust and confidence in clients.

The study also found that clients expect short-term insurance companies to have a good reputation (100%) and the same pattern of data was found for the other services related to assurance. Short-term insurance companies need to be aware that it is not enough for managerial teams to put service attributes in place, without ensuring that their employees, who link clients to the insurance companies, are empowered with sufficient knowledge and skills to promote trust and confidence in clients. A hundred percent (100%) of the clients expect physical facilities that are suitable ($p < 0.001$) and the same trend is seen in the other tangible services. Thus, the majority of the clients (especially females) have high expectations of tangibles. Some clients only make use of the online service, so have limited exposure to the tangibility of service quality. There is need for short-term insurance companies to be aware that the appearance of their physical facilities, equipment, employees and written company materials matter more to female than male clients. This may influence service quality as far as tangibility is concerned.

The study shows that the majority of the clients expect a high level of empathy in the provision of services. Clients expect employees to determine their specific needs (100%). Clients also expect the level of service costs to be consistent with what is affordable (99.7%), and the same

trend was observable for other findings on expectations of empathy in service delivery. This finding suggests that clients want to be cared for and offered individualised attention. The study shows that clients want short-term insurance companies to be responsive. Clients expect personnel to be able to respond quickly (98.8%) ($p < 0.001$), and to be willing to answer questions (99.9%) ($p < 0.001$). This simply means that clients expect short-term insurance companies to have employees who are willing and ready to take action to help them.

It is therefore important to point out that clients expect high-quality service. Thus, reliability, assurance, tangibility, empathy, and responsiveness of service quality are crucial areas short-term insurance companies need to address seriously if they are to provide high-quality and satisfying services to their clients.

6.3 THE ROLE OF DEMOGRAPHIC CHARACTERISTICS IN THE EXPERIENCES OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES

This section deals with demographics, which are measurable features of the population under study. Demographic analysis in this study covers among other things age, gender, race, and income.

6.3.1 The experiences of service quality according to gender

The study found that male respondents ($M = 1.76$, $SD = 0.44$) rated reliability higher than females respondents ($M = 1.35$, $SD = 0.43$); $t = 8.82$, $p < 0.001$ and this is also seen in other dimensions of service quality. The variations between male and female clients' experiences show that males and females are fact two different client segments for short-term insurance companies. The differences between males and females' experiences need to be taken into consideration by insurance companies in their service quality strategies. However, service quality should focus on dimensions that are influenced by both genders.

6.3.2 The experiences of service quality according to age groups

The study found that being between 26 and 35 years old influences the clients' experience of reliability ($[F = 6.34$, $p < 0.001]$). Short-term insurance companies should, therefore, be aware that, when performing what they promise their clients, it is mainly those clients aged 26-35 who think seriously about companies delivering the promised service to them in a dependable

and accurate manner. This may be due to their capability to quickly and critically process information.

The study found that the 26-35 year old age group has little influence on experience of assurance service provided by short-term insurance companies, while other age groups do have influence. It would therefore be strategic for short-term insurance companies to focus on the other four age groups whose age has an influence on assurance services quality.

The study found that clients aged below 26 years were satisfied with the tangibility of the service provided by short-term insurance companies. Thus, insurance companies need to be aware that clients aged below 26 years pay attention to physical appearance of facilities, equipment and communication tools, and to the capability of personnel. This means that promoting tangibility, assurance, and empathy of the service would mainly meet expected service quality of tangibles for clients aged below 26 years

6.3.3 The experiences of service quality according to race

The study found that race is not a factor in clients' experiences of service. Thus, short-term insurance companies need to know that investing in initiatives promoting service quality focusing on racial groupings would be a waste of resources, because racial identities have no bearing on clients' experience of all the five dimensions of service quality.

6.3.4 The experiences of service quality according to income

The study found that earning more than R30 000 per month influences clients' experience of reliability out of the five dimensions of service quality. Any efforts to improve reliability of the service quality offered by insurance companies would only positively affect this income group out of the four income groups. However, the study did show that experience of assurance, tangibles, empathy and responsiveness factors are indeed influenced by the four income groups. Short-term insurance companies should strategically focus their efforts on, as they are the most important dimensions of service quality these four areas.

The study found that having an income over R10 000 per month influences clients' experience of assurance service quality. This means that an income over R10 000pm has a bearing on clients' experience of knowledge, courtesy and the capacity of the employees. Thus, investing

in the other four dimensions of service quality when targeting clients who earn over R10 000 would be a misapplication of resources.

The findings show that having an income of less than R10 000 per month has an influence on clients' experiences of the tangibility of the service quality offered. Thus, the main segment of clients who are satisfied with the appearance of equipment, physical facilities, employees, and communication supplies, are those whose income is less than R10 000pm.

The experience of empathy and responsiveness provided by short-term clients is highest in the clients with an income between R20 001-R30 000 per month. Thus, clients in this income bracket are satisfied with two out of the five service quality dimensions. Short-term insurance companies should focus their resources on necessary and less expensive initiatives by addressing the dimension of empathy and responsiveness.

6.4 THE ROLE OF DEMOGRAPHIC CHARACTERISTICS IN THE EXPECTATIONS OF SERVICE QUALITY IN SHORT-TERM INSURANCE COMPANIES

The section below presents conclusions on demographic characteristics in relation to the expectations of service quality.

6.4.1 The expectations of service quality according to gender

The study found that being female influenced clients' high expectations of the appearance of equipment, employees, physical facilities and communication resources used by short-term insurance companies (female ($M = 4.98$, $SD = 0.09$) vs males ($M = 4.93$, $SD = 0.23$); $t = 2.48$, $p < 0.001$). This finding suggests that tangibles are more important to women than to men when engaging in business. No gender differences were observed between males and females on reliability, assurance, empathy and responsiveness. Therefore, there is only one service quality dimension on which short-term insurance companies should focus in terms of gender.

6.4.2 The expectations of service quality according to age

The findings show that age groups have no influence on clients' expectations of quality service. It is, therefore, unnecessary to have initiatives focusing on age to meet clients' service quality

expectations because age has no bearing on expectations of clients for short-term insurance companies.

6.4.3 The expectations of service quality according to income

The study found that income levels had no influence on clients' expectations of reliability, assurance, tangibles, empathy and responsiveness. This means that income levels are not important in moulding clients' expectations of service.

6.4.4 The expectations of service quality according to race

The study shows that race has no influence on clients' expectations of reliability, assurance, tangibles, empathy and responsiveness. This implies that being White, African, Coloured or Indian does not influence clients' expectations of service.

6.5 INTER-CORRELATION AMONG STUDY VARIABLES ON THE EXPERIENCES OF SERVICE QUALITY

The findings suggest that high reliability is related to high assurance, empathy and responsiveness but, at the same time, it is associated with lower levels of tangibles (assurance ($r = 0.62$; $p < 0.001$); empathy ($r = 0.69$; $p < 0.001$) and responsiveness ($r = 0.76$; $p < 0.001$), but the data revealed a negative relationship with tangibles ($r = -0.60$; $p < 0.001$.) This finding means that focusing resources or programmes on reliability would enhance clients' experiences with the service provided by short-term insurance companies.

The study found that high assurance is related to high empathy, reliability and responsiveness but, at the same time, it is associated with lower levels of tangibles (assurance was negatively associated with tangibles ($r = -0.19$; $p < 0.001$), but is positively related to empathy ($r = 0.76$; $p < 0.001$), reliability ($r = 0.62$; $p < 0.001$) and responsiveness ($r = 0.52$; $p < 0.001$). If short-term insurance companies were to focus on assurance in their provision of service, they would simultaneously satisfy clients in three other dimensions of service quality.

The findings indicated that higher tangibles lead to correspondingly lower values on empathy, responsiveness, reliability and assurance (tangibles are negatively associated with empathy ($r = -0.30$; $p < 0.001$), responsiveness ($r = -0.55$; $p < 0.001$), reliability ($r = -0.60$; $p < 0.001$) and assurance ($r = -0.19$; $p < 0.001$). This finding suggests that if clients are not satisfied with

the service of tangibles, short-term insurance companies will fail to satisfy customers' expectations in the three other dimensions of service quality.

The results indicate that higher values in responsiveness were related to high reliability, assurance and empathy, but at the same time, this leads to lower levels of tangibles. Insurance companies should focus their resources on important service quality dimensions, in particular, reliability, assurance and empathy.

6.6 INTER-CORRELATION AMONG STUDY VARIABLES ON THE EXPECTATIONS OF SERVICE QUALITY

The study found that reliability was related to higher levels of assurance, tangibles, empathy and responsiveness. It is important that short-term insurance companies are aware of clients' expectations of reliability as this has an influence on other dimensions of service so that clients are not frustrated with the service.

The results show that assurance was related to tangibles, empathy, responsiveness and reliability. This finding implies that clients have high expectations of the knowledge and courtesy service offered by short-term insurance companies. In addition, owing to high expectations of assurance service quality, has an influence on all service quality dimensions. Therefore, short-term insurance companies should improve assurance of service to meet clients' expectations in all service quality dimensions.

The study indicates that tangibles were positively associated with empathy ($r = 0.76$; $p < 0.001$), responsiveness ($r = 0.83$; $p < 0.001$), reliability ($r = 0.58$; $p < 0.001$) and assurance ($r = 0.72$; $p < 0.001$). There is a need for short-term insurance companies to improve empathy, rather than any other service quality dimension in the context of expectations, as this makes clients satisfied with all dimensions of service quality. The study found that empathy was positively related to responsiveness ($r = 0.80$; $p < 0.001$), reliability ($r = 0.51$; $p < 0.001$), tangibles ($r = 0.76$; $p < 0.001$) and assurance ($r = 0.79$; $p < 0.001$). This indicates that clients expect short-term insurance companies to be caring, and to offer individualised services to clients, if they are to satisfy clients in all service quality dimensions.

The study found that responsiveness is positively related to reliability ($r = 0.58$; $p < 0.001$), assurance ($r = 0.74$; $p < 0.001$), tangibles ($r = 0.83$; $p < 0.001$) and empathy ($r = 0.80$; $p < 0.001$). This finding shows that for short-term insurance companies to meet or exceed the expectations of their clients, responsiveness of the service quality should be prioritised.

6.7 GAP ANALYSIS OF EXPERIENCES AND EXPECTATIONS OF CLIENTS IN THE SHORT-TERM INSURANCE COMPANIES

The study found that there was a gap in clients' experiences and their expectations. The study found an increase in the reliability scores where the expectation scores ($M = 4.91$, $SD = 0.24$) were higher than the scores of experience ($M=1.60$, $SD = 0.48$), $t(383) = 120.58$, $p < 0.001$. The study can therefore conclude that short-term insurance companies are failing to keep their promises. As a result, the services that clients experience do not match the promises that companies make to their clients.

The scores on assurance expectation ($M = 4.90$, $SD=0.23$) were found to be significantly higher than the scores of experience ($M = 1.79$, $SD = 0.56$), $t(383) = 94.13$, $p < 0.001$. The same trend was common for tangibles, empathy and responsiveness. The mean scores on tangibles for experience ($M = 3.01$, $SD = 0.23$) was significantly lower than the scores for expectation ($M = 4.95$, $SD = 1.14$), $t(383) = 33.15$, $p < 0.001$. This study shows therefore that the expectations of the short-term insurance companies' clients in all dimensions of service were higher than their experiences. The findings mean that client expectations are not being met, because the actual service delivered to clients does not match their expectations. Short-term insurance companies' inability to meet clients' expectations translates into a failure to meet the desired service which clients hope to receive.

The findings show that scores for the expectation of empathy ($M = 4.91$, $SD = 0.22$) were higher than the scores of experience ($M = 1.80$, $SD = 0.47$), $t(383) = 111.34$, $p < 0.001$. This finding shows that service quality or the service level delivered by short-term insurance companies concerning empathy does not match clients' expectations. There is a need for short-term insurance companies to revisit their efforts in providing individualised attention and care, which should be a cause for concern for short-term insurance companies.

In general, to improve upon service quality of expectations and experiences to short-term insurance clients, these companies' marketing strategies should be guided by the gap in service quality presented above.

6.8 UNIQUE CONTRIBUTION OF THE STUDY: CONCEPTUAL AND PRACTICAL BUSINESS IMPLICATIONS

This section presents the significant contribution the study will make to the discourse of business, in particular in the area of service quality in the short-term insurance industry. The contribution is twofold, namely conceptual and practical. Evidence below is provided to substantiate conclusions that are worth making. Figure 6.1 below presents the diagrammatic contribution of the study to the body of knowledge in the discipline of business administration.

6.8.1 Contribution on experiences and expectations of service quality

- **Reliability:** the study found that clients have higher expectations of reliability than their experiences of service quality in this dimension reveal ($M = 4.91$, $SD = 0.24$ and $M=1.60$, $SD = 0.48$), $t(383) = 120.58$, $p < 0.001$). This means that clients of short-term insurance companies in South Africa expect dependable services, and that short-term insurance companies are failing to meet their clients' desire for reliability of service quality to be satisfied with the service provided.

- In practical business terms, this means that short-term insurance companies have challenges in performing their services dependably partially because they have not built trust with clients. This may also mean that short-term insurance companies are not ensuring that they are correct in all their details when providing service to their clients. Clients expect service that is correct, precise, right, errorless, valid and specific in addressing their desires. This is currently lacking in the service quality provided by short-term insurance companies. These are practical business issues that short-term insurance companies need to address to meet the high reliability expectations of their clients. If they succeed, then clients' expectations would be met in the actual service quality provided by short-term insurance companies.

- In practical terms, the finding means that short-term insurance companies are failing to provide the service quality that they claim they are providing. Thus, it is difficult for clients to rely on short-term insurance companies as their service providers. It seems

that short-term insurance companies do not appreciate how much clients value reliability of the service quality provided. This may be caused by lack of short-term insurance companies' understanding of what customers value. In the short-term insurance business, it is three times more important to be reliable than to have shiny new equipment or modern employee uniforms. This does not mean that short-term insurance companies' employees should have ragged uniforms and only be reliable but appearance should not overshadow performance. Short-term insurance companies have to do both. However, short-term insurance companies' first and best efforts are better spent making service quality reliable.

- **Assurance:** the study indicates that clients have higher levels of expectations of service quality than experiences ($M = 4.90$, $SD=0.23$) and ($M = 1.79$, $SD = 0.56$), $t(383) = 94.13$, $p < 0.001$). The finding suggests that short-term insurance companies are not meeting clients' desired expertise levels in the service quality providers.
- In the business industry, this means that short-term insurance companies are failing to deliver services promised to their clients. This can be attributed to the failure of short-term insurance companies to empower their employees with the knowledge, awareness, familiarity, and understanding of the short-term insurance services they are providing. In practical business terms, this finding means that short-term insurance companies' employees lack the facts, descriptions, information and skills acquired through learning to meet clients' expectations. This implies that short-term insurance companies' employees lack the capacity for effective performance.
- The finding also indicates that short-term insurance companies' clients have little trust in the service provided by them. Thus, clients have no confidence in the intentions and motives of the short-term insurance companies, which is not good for any business. In any short-term insurance business, when the expectations of clients are not met, they feel that companies are not protecting their best interests. This is a cause for worry in the short-term insurance industry.
- This finding shows that short-term insurance companies are not effectively promoting the quality of love, commitment, friendship and partnership with their clients in spite these being critical for the success of short-term insurance industry. Simply put, short-

term insurance companies seem not to be very clear about what they are doing, in spite of presenting themselves as experts in the service they are offering to their clients. This does not mean that short-term insurance companies do not have expertise, but it is possible that they are not effectively communicating this expertise to their clients. In any business, if a service provider is highly skilled, but clients are not able to see that, it follows that the clients' confidence in the service provider will be low. This can affect their assessment of that provider's service quality, which will also be low. For short-term insurance companies to thrive, it is important for them to raise clients' awareness of their competencies, which is not the case at now in the short-term insurance industry. Thus, higher levels of assurance expectations than experiences among short-term insurance companies' clients mean that companies are not communicating their expertise and competencies before doing their work, and are not displaying short-term insurance industry certifications on badges, patches or buttons worn by employees. The higher expectations of assurance than experiences may also be attributed to the failure of short-term insurance companies to display their certification logos be it on letterheads, emails or reports. In addition, short-term insurance companies may be failing to put certifications into posters, newsletters and handouts to help meet clients' expectations client experiences a level of assurance in ACTION. In business, communicating competencies helps service providers to manage customer expectations. By putting in place all these measures short-term insurance companies can effective influence their service quality assessment beforehand.

- **Tangible:** the study found that clients have higher expectations of tangibility than experiences of service quality ($M = 3.10, SD = 0.23$) and ($M = 4.95, SD = 1.14$), $t(383) = 33.15, p < 0.001$). The findings mean that short-term insurance companies are not meeting clients' desired tangibility of service quality therefore clients are not satisfied with the experience of the service quality provided.
- In practical business terms, though tangibility is arguably the least important dimension in service quality, appearance matters to certain segments of their client base. Having higher tangibility expectations than experiences shows that short-term insurance companies have challenges with the appearances of their facilities. Findings indicate that clients' desires in terms of appearance, equipment, uniforms, marketing materials, and work areas on-site are not meet. For the short-term insurance companies to be

successful they need to have good facilities. However, they must guard against the pitfalls of making everything look appealing, but then falling short on responsiveness or reliability.

- **Empathy:** the study found that clients have higher expectations of empathy than experiences of service quality ($M = 4.91, SD = 0.22$) and ($M = 1.80, SD = 0.47$), $t(383) = 111.34, p < 0.001$). This finding indicates that short-term insurance companies are not able to provide clients with their desired levels of care in service quality, therefore clients are not pleased with the experience of service quality provided.
- In the business world, this finding indicates that clients are not receiving the care they desire. Based on this finding, it is therefore arguable that short-term insurance companies are not performing completely to clients' expectations. This suggests that clients feel that short-term insurance companies' employees do not care about them during service delivery. Short-term insurance companies need to be brave enough to face the fact that clients are disappointed by their service quality. This may mean that short-term insurance companies' employees are not friendly enough or do not ask their clients if there is anything else they could do for them. This sounds simple but is critical for business success in an industry where clients need to feel cared about. It is possible for short-term insurance companies to perform a service fully in other areas but the clients do not feel that their employees care. This is may not necessarily be the short-term insurance companies' employees fault. Employees may genuinely not know how clients judge them. Thus, short-term insurance companies' employees may be feeling overwhelmed, inadequately trained, or disinterested in an area that needs serious attention in the short-term insurance business. This finding is important because there is no business that is successful when clients feel neglected by their service providers.
- **Responsiveness:** the study shows that clients have higher levels of expectations of the responsiveness of service quality than experiences ($M = 4.90, SD=0.23$) and ($M = 1.79, SD = 0.56$), $t(383) = 94.13, p < 0.001$). The finding suggests that short-term insurance companies do not satisfy their clients' desire for prompt service quality.
- In practical business terms, the findings indicate that short-term insurance companies have challenges in responding to their clients promptly. A business cannot be successful

if for example, response times are slow. Short-term insurance companies need to know that in business if companies are chronically slow in getting back to clients, responsiveness of the service provided is more than 1/5th of their service quality assessment. It may be argued that short-term insurance companies may not be doing well with their internal service level agreements in aspects such as returning phone calls or emails and responding on-site. The gap between expectations and experiences is a reliable indicator that important clients feel that short-term insurance companies are not responsive to their requests. Responsiveness of the short-term insurance companies is not just for emergencies, but applies to everyday responses as well. The finding may imply that short-term insurance companies do not have effective call centres that track caller wait times. The attainment of service level agreements or other key performance indicators of responsiveness are imperative to the success of any business.

The section above shows that there is a large discrepancy between clients' expectations and experiences of service quality provided by short-term insurance companies. In particular, clients' expectations of service quality are higher than experiences. Thus, the service that clients want or hope to receive is not what they in fact receive. This results in a gap of lack of fulfilment among clients. Short-term insurance companies should address the gaps between expectations and experiences as they can make the difference between success and failure. It is important for short-term insurance companies to make promises that they can keep and to provide service quality, which is equivalent to the premium clients are contributing. It is therefore important for short-term insurance companies to provide clients the peace of mind they promise by minimising risk during unforeseen circumstances. See Figure 6.1 below summarising the contribution of the study the body of knowledge presented above.

6.8.2 Variable relational benefits

The study found that the relation of all the study variables (reliability, assurance, tangibility, empathy and responsiveness) with each other has positive influence on clients' expectations and experiences of service quality. On the other hand, all study variables except for tangibility, have a positive relationship with each other. The negative relationship of tangibility with other variables can be attributed to the finding that most of the respondents use online service, so they have little experience of tangibility service quality offered by short-term insurance companies. The study shows that in business there is a relationship and interrelationship between the five dimensions of clients' perceptions. These perceptions are based on the actual

service they receive and their expectations that are based on experiences and information received. The relationship represents the determinants or dimensions of service quality in short-term insurance companies.

6.8.3 Gender and service quality dimensions

The study found that gender and service quality experiences strongly correlate. Therefore, both gender groups can be satisfied with service provided by short-term insurance companies if companies take into account the influence of gender on reliability, responsiveness, assurance, tangibility, and empathy on service quality. Gender has an influence on the service quality expectations in areas of tangibility and responsiveness of service quality. This simply means that gender has influence on both experience and expectations but more important on experiences of service quality. The finding implies that gender is the most influential factor of service quality in the short-term insurance industry. In short, the study reveals that gender affects service quality experiences and the relative importance attached to dimensions of service quality. The study also reveals that short-term insurance businesses should take tangibles and responsiveness as critical service quality dimensions for determining the service quality perceptions of both male and female clients. Female clients tended to pay more attention to physical representations, cleanliness and appearance of service quality while males tended to focus more on reliability. The findings of this study may suggest meaningful implications to the short-term insurance businesses, for example developing market segmentation and promotional strategies for managers in the short-term insurance industry. Dividing a market of clients into groups or segments, based on different gender characteristics would improve the short-term insurance business, as the segments would be composed of clients who would respond similarly to certain marketing strategies.

6.8.4 Age and service quality dimensions

The study found that age has influence only experiences of assurance, tangibles and empathy. Therefore, if short-term insurance companies were to offer better quality services in terms of assurance, tangibility and empathy, this would satisfy service quality experiences for clients of different age groups. The study, however, shows that age has no influence on service quality expectations. The finding implies that age only has influence on clients' experiences of service quality. The findings can help short-term insurance managers to understand the differences in the influence of perceived service quality based on individual characteristics such age.

Managers should then be able to plan and prioritise their short-term insurance marketing activities for diverse customer segments.

6.8.5 Income and service quality dimensions

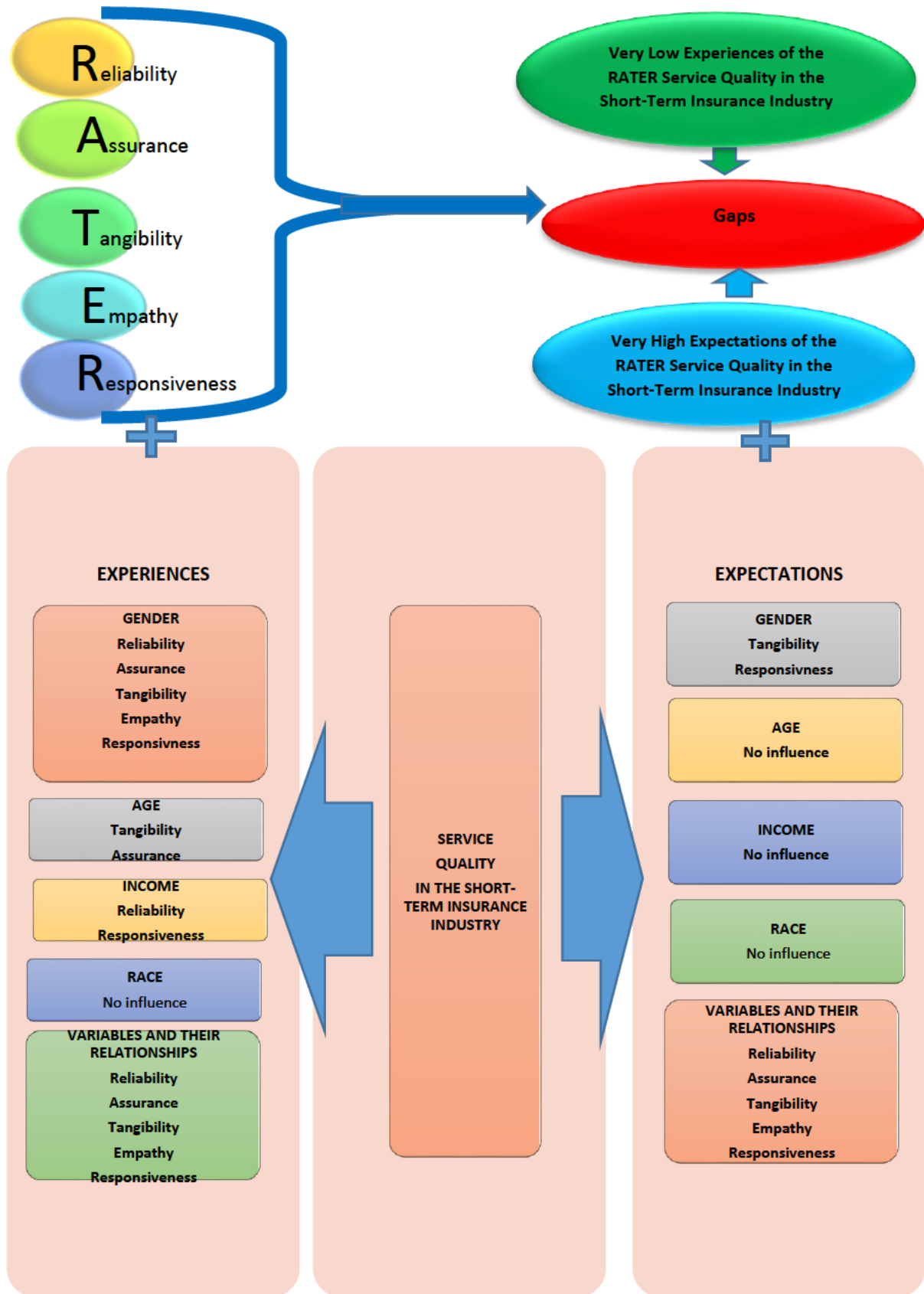
The study found that income has an influence on the experience of the service quality dimensions of reliability and responsiveness. Thus, if short-term insurance companies were to enhance the reliability and responsiveness of their service quality, different income groups would be more satisfied with the experience of service provided by insurance companies. The study also shows that income has no influence on service quality expectations. The finding indicates that income only has influence on clients' experiences of service quality. The results suggest that short-term insurance companies should use income and service quality experiences as segmentation variables when identifying potential short-term insurance target markets. The study also has implications for managing short-term insurance companies' service quality expectations at the point of service delivery, particularly for the reliability and responsiveness dimensions.

6.8.6 Race and service quality dimensions

The study found that race has no influence on either experiences or expectations of service quality dimensions. The finding means that race is the least influential factor of service quality. Thus, the racial similarities in the experience of service quality reflect the intersection of the growing social advantage with the responsiveness of the short-term insurance industry to the various service quality dimensions.

In conclusion, the section above suggests that clients determine service quality based on their expectations and experiences as clients. Figure 6.1 below presents the contribution of the study to the body of knowledge in the discipline of business administration.

Figure 6.1: The contribution of the study to the body of knowledge



Source: Author (2018)

In general, the five dimensions of service quality, in particular the clients' experiences of reliability, assurance, tangibles, empathy and responsiveness, and their expectations of tangibles and responsiveness have a positive influence on service quality in short-term insurance companies. Gender, age and income have an influence on their experiences of service quality. In the same vein, gender has influence on expectations while age, income and race have no influence on expectations of service quality. Therefore, short-term insurance companies can employ the service quality model created in this study to address the gap between clients' experiences and their expectations and can thereby enhance service quality.

6.9 SPECIFIC RECOMMENDATIONS ON EXPECTATIONS AND EXPERIENCES OF SERVICE QUALITY IN THE SHORT TERM INSURANCE INDUSTRY

- **Reliability:** the findings show that clients had higher expectations than experiences of the reliability dimension of service quality. The finding suggests that clients' desires were not met. There is the need for every employee, new or old to attend accredited training and receive documents describing procedures in the short-term insurance industry. New or old employees should also be under the control of managers to help them to improve their service to clients. There is also a need for employees to be employed full-time rather than on contract or as casual workers. This will encourage them to work hard and they will have vested interest in the company as they will qualify for employment benefits. A special programme for employees should be introduced to keep their motivation and skills levels high. Short-term insurance companies need to support reliability of services provided by putting a performance management strategy in place to measure steady performance and compliance with the promises they make to their clients. This may help clients to develop the trust in short-term insurance companies that is currently lacking.
- **Assurance:** the findings show that clients had higher expectations of assurance than experiences of service quality. The finding implies that clients were not satisfied with the quality of service. There is a need to for employees to be empowered and motivated to improve their work, as well as avenues to encourage them to identify possibility ways of improving the processes. Short-term insurance companies need to know that employees have the right to fail, but they have to understand the reasons for their errors and find ways to remove the causes. Managers in particular should help employees to

detect and remove any factors that cause errors. In addition, short-term insurance companies should invest in promoting quality of knowledge, the courtesy of their employees and in developing their aptitude. This will enable employees to promote trust in clients and to provide assurance services that satisfy clients. As long as short-term insurance employees lack skills, credibility and knowledge, their clients will not have confidence and trust in them. This will jeopardise the business of short-term insurance companies.

- **Tangibility:** the study shows that clients had higher expectations of tangibility than experiences of service quality. Short-term insurance companies have waiting rooms, tables, chairs, and toilets in their office spaces. These need to meet the clients' requirements. Short-term insurance companies should invest money in updating their facilities and keeping them in good and clean condition. It is a manager's duty to determine the requirements of clients and update the facilities before clients have a chance to bring the problem to their attention. In other words, short-term insurance companies need to upgrade their tangibles, including office equipment and employees. This is important, as it may make tangibles more appealing to clients and this may eventually influence their expectation and experience levels.
- **Empathy:** the study shows that clients had higher expectations of empathy than experiences of service quality. The finding indicates that clients' desires were not met. There is need for employees to attend training on hospitality so that they not only hear their clients, but also understand what the clients want to say. Employees should apologise for any situation that is not comfortable for clients and try to find ways to resolve it. Employees should be trained to see the things from the clients' point of view. In other words, it is important that short-term insurance companies put programmes in place that will empower employees to offer care and individualised services. Thus, it is correct to argue that, in order for short-term insurance companies to excel in their business, they should cultivate the capacity in their employees to show interest in and to give personal attention to clients, as this is important in influencing expectation and experience levels. There is a need for short-term insurance companies to be accessible and sensitive and to make an effort to have a good understanding of the needs of clients.

- **Responsiveness:** many clients had higher expectations of responsiveness than experiences of service quality. The study suggests that clients' wishes were not met. There is a need for all managers to create blueprints of what they consider to be exceptional client service. There may be some factors on different managers' blueprints that are common to all of them, but some factors may relate only to specific short-term insurance companies. Managers should remember that they are responsible for maintaining high levels of service quality based on their lists. There is also a need to promote a culture, which demands that short-term insurance companies' employees serve clients accurately and swiftly, without being coerced or preoccupied with activities that have nothing to do with their work. Short-term insurance companies should take a step further to ensure that there is a group of personnel actively available in the organisation to help clients and to provide the promised prompt service. The issue of responsiveness should receive attention if short-term insurance companies are to succeed in satisfying clients and to continue to be in the short-term insurance business.
- **Gender, age, income and relationship of variables:** the study found that some demographic variables have, while others had no influence on expectations and experiences of service quality. It is important that short-term insurance companies put programmes in place that will enhance their clients' experiences of service quality focusing on the influence of gender, age and income and the relationship between variables on service quality. In other words, there is need for market segmentation by dividing clients into groups, or segments, based on the demographic characteristics mentioned above. Market segmentation is important, as it will make it easier for short-term insurance companies to personalise their services in a cost effective manner.

6.10 GENERAL RECOMMENDATIONS ON SERVICE QUALITY

- If clients are to continue to do business with short-term insurance companies, there is a need for them to honour the promises they make to their clients. This will ensure that clients' expectations are met and, in turn, will ensure that they engage in business with short-term insurance companies. In other words, there is need to promote a philosophy of faithfulness so that short-term insurance companies keep their promises concerning service results and primary service attributes. Short-term insurance companies not able to keep their promises should be held legally accountable by relevant bodies such as

the South African Insurance Association (SAIA). Practical measures should be put in place so that representative bodies of the short-term insurance industry can institute punitive measures against short-term insurance companies that fail to keep their promises. The current SAIA legal punitive measures need to be revised so that they can easily be effected and applied to short-term insurance companies engaging in unethical operations such as failing to keep their promises.

- Short-term insurance companies should promote a culture of politeness and friendliness to clients. Insurance companies should tap in the culture of ‘*ubuntu*’ that is rich in humaneness, friendliness, hospitality, virtue, kindness and goodness to inform service quality in their organisations. This will help employees to serve clients better and clients will feel comfortable dealing with the organisation, will find it easy to access insurance information and will therefore view insurance companies as experienced and knowledgeable to meet the service expectations of the clients.
- Short-term insurance companies should ensure the timeliness of the services they provide to clients and conduct research to help them understand clients’ needs and wants. It is also vital for companies to pay attention to clients’ everyday problems and issues of safety in their dealings with insurance personnel, as this can help to guarantee better business in the insurance industry.

6.11 RECOMMENDATIONS FOR FUTURE RESEARCH

- The study recommends that future research should investigate the main factors that influence service quality in the short-term insurance industry using qualitative research methodology to generate an in depth understanding.
- Conduct a longitudinal study on the factors that influence clients’ expectation and experience in the short-term insurance industry in South Africa.
- This research should be replicated at national and provincial levels in South Africa. There is also a need to conduct a comparative research of all the provinces to ascertain if there are differences in the expectations and experiences of short-term insurance companies’ clients from different geographic sites.

- This study can be replicated focusing on individual short-term insurance companies. This may allow the collection of more accurate and company- specific information.
- This study can be replicated focusing on both employees and clients of short-term insurance companies. This may allow the collection of organisationally balanced findings.
- Using the same methodological approach, another study can be conducted with long-term insurance companies. Findings from short-term and long-term insurance companies can be compared to ascertain if there is any way that findings from the two insurance industries can benefit each other.

REFERENCE LIST

- AGARWAL, A. and KUMAR, G. (2016) Identifying the need for developing a new Service Quality Model in today's scenario: a review of Service Quality Models. *Arabian Journal of Business Management Review*, 6(2), pp. 193-210.
- AGARWAL, J., MALHOTRA, N.K. and BOLTON, R. (2010) A cross-national and cross-cultural approach to global market segmentation: an application using customers' perceived service quality. *Journal of International Marketing*, 18(3), pp.18-40.
- AHMAD, A. and SUNGIP, Z. (2008) An assessment on service quality in Malaysia insurance industry. *Communications of the International Business Information Management Association*, 1(3), pp.13-26.
- AKANLAGM, J.A. (2011) *Promoting customer satisfaction in the insurance industry in Ghana: a case study of selected insurance companies in the Tamale Metropolis*. Unpublished Masters dissertation (MA), Kwame Nkrumah University of Science and Technology Ghana.
- ANANTH, A., RAMESH, R. and PRABAHARAN, B. (2011) Service quality GAP analysis in private sector banks: a customer perspective. *Internationally Indexed Journal*, 11(1), pp. 245-252.
- ANDERSON, K. and KERR, C. (2002) *Customer relationship management*. New York: McGraw-Hill.
- AWARA, I. (2001) In search of negative customer feedback: the effect of expecting to evaluate on satisfaction evaluations. *Journal of Marketing Research*, 38(2), pp. 170-182.
- AWARA, N. F. and AMAECHI, A. J. (2014) The relationship between customer satisfaction and loyalty: a study of selected eateries in Calabar, Cross River State. *Interdisciplinary Journal of Contemporary Research in Business*, 5(9), pp. 110-125.

- BAE, O. (2012) Relationship marketing and customer loyalty. *Marketing Intelligence and Planning*, 25(1), pp. 98-106.
- BARAN, R.J., GALKA, R.J. and STRUNK, D.P. (2008) *Principles of CRM*. Mason. USA: Thomson South-Western.
- BARNES, J.G. (2006) *Build your customer strategy: a guide to creating profitable customer relationships*. Hoboken: Wiley.
- BATES, K., BATES, H. and JOHNSTON, R. (2003) Linking service to profit: the business case for service excellence. *International Journal of Service Industry Management*, 14(2):173-183.
- BANKS, E. (2004) *Alternative risk transfer: Integrated risk management through insurance re-insurance the capital markets*. John Wiley & Sons Ltd.
- BERNDT, A., DU PLESSIS, L., KLOPPER, H.B., LUBBE, I. and ROBERTS-LOMBARD, M. (2009) *Starting out in marketing*. Roodepoort: Future Vision Business Consultants.
- BERNDT, A. and TAIT, M. (eds) (2012) *Relationship marketing and CRM*. 2nd ed. Lansdowne: Juta.
- BEUKES, J. (2015) *Customer service expectations from South African alcoholic beverage suppliers in urban and rural areas*. Unpublished Thesis (PhD), North-West University.
- BEYTELL. A. (2010) *Customer expectations and satisfaction with fitness facilities in the North West Province*. Unpublished Dissertation (MA), North-West University.
- BEYTELL, A. (2014) Fieldwork education in health contexts: experiences of fourth-year BSW students. *Social Work*, 50(2), pp.170-192.
- BLIGH, P. and TURK, D. (2004) *CRM unplugged: realising CRM's strategic value*. Hoboken: Wiley.

- BOSLAUGH, S. (2013) *Statistics in a nutshell: A desktop quick reference*. Sebastopol: O'Reilly Media Inc.
- BOSHOFF, C. and GRAY, B. (2004) The relationships between service quality, customer satisfaction and buying intentions in the private hospital industry. *South African Journal of Business Management*, 35 (4), pp. 27–37.
- BOTES, J.A. (2008) *Customer loyalty and employee enthusiasm: an eclectic paradigm for strategic sales improvement at MB Silicon Systems*. Unpublished Dissertation (MA), Milpark Business School.
- BRADLEY, N. (2010) *Marketing research: tools and techniques*. 2nd ed. New York: Oxford University Press.
- BRADY, M.K. and CRONIN, J.J. (2001) Some new thoughts on conceptualizing perceived service quality: a hierarchical approach. *Journal of Marketing*, 65, pp. 34-49.
- BRADY, M.K. and CRONIN, J.J. (2001) Some new thoughts on conceptualizing perceived service quality: a hierarchical approach. In JAIN, P. and AGGARWAL, V. (2015) Service quality models: a review. *Journal of Management Research*, 7(2)10, pp.125-136.
- BRADY, M. K. and ROBERTSON, C. J. (2001) Searching for a consensus on the antecedent role of service quality and satisfaction: an exploratory cross-national study. *Journal of Business Research*, 51(1). Available from <http://www.sciencedirect.com/science/article/pii/S0148296399000417>. Accessed on 11/01/2017.
- BRADY, M. K., CRONIN, J. J. and BRAND, R. R. (2002) Performance-only measurement of service quality: a replication and extension. *Journal of Business Research*, 55(1), pp. 17-31.
- BRANNEN, J. P. (2009) Mixed methods for novice researchers: reflections and themes. *International Journal of Multiple Research Approaches*, 3: pp. 8–12.

- BRECKENRIDGE, J., FARQUHARSON, J. and HENDON, R. (2014) The role of business model analysis in the supervision of insurers. *Bank of England Quarterly Bulletin*, 54(1), pp. 49-57.
- BREIGHNER, M., PAYTON, W. and DREWES, J. (2015) *Risk and insurance management manual for libraries*. Chicago: Library Administration and Management Association.
- BRINK, A. and BERNDT, A. (2004) *CRM and customer service*. Lansdowne: Juta.
- BRODERICK, A.J. and VACHIRAPORNPUK, S. (2002) Service quality in internet banking: the importance of customer role. *Marketing Intelligence and Planning*, 20(6), pp. 327-35.
- BRUNER, G.C. and HENSEL, P.J. (2005) *Marketing scales handbook: a compilation of multi-item measures*. Chicago: American Marketing Association.
- BRYMAN, A. (2007) Barriers to integrating quantitative and qualitative research, *Journal of Mixed Methods Research*, 1: pp. 8–22.
- BRYMAN, A. (2012) *Social research methods*. 4th ed. Oxford: Oxford University Press.
- BUCKHAM, D., JASON, W. AND STUART, R. (2010) *The evolution of insurance. executive's guide to solvency II*. Cary, North Carolina: SAS Institute Inc. Available from support.sas.com/publishing. Accessed on 13/12/2016.
- BUTTLE, F. (2004) *CRM, concepts and tools*. Burlington: Elsevier Butterworth-Heinemann.
- BUTTLE, F. (2006) *CRM: concepts and technologies*. 1st ed. London: Butterworth-Heinemann.
- BUTTLE, F. (2006) Insurers can unlock value via CRM. *National Underwriter / Property and Casualty Risk and Benefits Management*, 106(20), pp. 27-28.

- BUTTLE, F. (2009) *CRM: concepts and technologies*. 2nd ed. London: Butterworth-Heinemann.
- CARMAN, J.M. (2010) Customer perceptions of service quality: an assessment of SERVQUAL dimensions. *Journal of Retailing*, 66(1), pp. 33-55.
- CHAN, L.K., HUI, Y.V., LO, H.P., TSE, S.K., TSO, G.K.F. and WU, M.L. (2003) Customer satisfaction index: new practice and findings. *European Journal of Marketing*, 37(5/6), pp. 872-909.
- CHANIOTAKIS, I.E. and LYMPEROPOULOS, C. (2009) Service quality effect on satisfaction and word of mouth in the health care industry. *Managing Service Quality*, 19(2), pp. 229-242.
- CHEN, S. (2012) The customer satisfaction-loyalty relation in an interactive e-service setting: the mediators. *Journal of Retailing and Customer Services*, 19(2), pp. 202-210.
- CHEN, P. and HU, H. (2013) The mediating role of relational benefit between service quality and customer loyalty in airline industry. *Total Quality Management*, 24(9/10), pp. 1084-1095.
- CHRISTOPHER, M., PAYNE, A. and BALLANTYNE, D. (2002) *Relationship marketing: creating stakeholder value*. Oxford: Butterworth-Heinemann.
- CHURCHILL, G.A. and BROWN, T.D. (2004) *Basic marketing research*. Mason: Thomson South-Western College.
- CIRAULO, R.M. and AUMAN, K.S. (2002) Insurers can unlock value via CRM. *National Underwriter / Property and Casualty Risk and Benefits Management*, 106(20), pp. 27-28.
- CORNAH, R. and REEDER, J. (2013) *The law of general average and the York-Antwerp Rules*. 14th ed. London: Sweet and Maxwell Ltd.

- COYLE, J.J., BARDI, E.J. and LANGLEY, C.J. (2003) *The management of business logistics a supply chain perspective*. 7th ed. Mason: Thomson South-Western.
- CRESWELL, J.W. (2013) *Qualitative inquiry and research design: choosing among five approaches*, Thousand Oaks, CA: Sage Publications, Ltd.
- CRESWELL, J.W. (2014) *Research design: qualitative, quantitative and mixed methods approaches*. 4th ed. London: Sage Publications.
- CRESWELL, J.W. and PLANO CLARK, V.L. (2009) *Designing and conducting mixed methods research*. California: Thousand Oaks, Sage.
- CRMinfoline. (2011) *CRM's phenomenal growth: fact or fiction?* <http://www.crminfoline.com/crm-articles/crm-growth.htm> Accessed on 7 Jan 2012.
- CRMinfoline. (2014) *CRM's insurance distribution*. <http://www.crminfoline.com/crm-articles/crm-trends.htm> Accessed on 10 Jan 2017.
- CRMinfoline. (2015) *CRM's types of insurance policies*. <http://www.crminfoline.com/crm-articles/crm-trends.htm> Accessed on 11 July 2017.
- CRONIN J.J. and TAYLOR, S.A. (1992) Measuring service quality: a re-examination and extension. In ADIL, M., MOHAMMAD AL GHASWYNEH, O.F. and ALBKOUR, A.M. (2013) SERVQUAL and SERVPERF: a review of measures in services marketing research. *Global Journal of Management and Business*, 13(6), pp. 47-60.
- DABHOLKAR, P.A., SHEPHERD, C.D. and THORPE, D.I. (2000) A comprehensive framework for service quality: an investigation of critical conceptual and measurement issues through a longitudinal study. In AGARWAL, A. and KUMAR, G. (2016) Identify the need for developing a New Service Quality Model in today's scenario: a review of Service Quality Models. *Arabian Journal of Business Management Review*, 6(2), pp. 193-210.

- DAGGER, T.S., SWEENEY, J.C. and JOHNSON, L.W. (2007) A hierarchical model of health service quality: scale development and investigation of integrated model. *Journal of Service Research*, 10(2), pp. 123-142.
- DATAMONITOR. (2008) *Country analysis report, South Africa*. Johannesburg: Datamonitor.
- DATAMONITOR. (2011a) *Country analysis report, South Africa*, n.p.: Datamonitor.
- DATAMONITOR. (2011b) *South Africa life insurance*, n.p.: Datamonitor.
- DAVIS, C. (2008) *Taking advantage of change*. New York: Life Insurance International.
- DAVIS, K. (2009) *Examining levels of acculturation on Mexican Americans' service expectations and perceptions in dental offices*. Unpublished Thesis (PhD), the Northcentral University.
- DE JAGER, J. and DU PLOOY, T. (2007) Measuring tangibility and assurance as determinants of service quality for public health care in South Africa. *Acta Commercii*, 2(7), pp. 96-111.
- DE MATOS, C.A., VIEIRA, V.A. and VEIGA, R.T. (2012) Behavioural responses to service encounters involving failure and recovery: the influence of contextual factors. *The Service Industries Journal*, 32(14), pp. 2203-2217.
- DE STRICKER, U. (2006) *The customer is always right: building and teaching client relationship tools*. Available from http://www.sirsidynixinstitute.com/seminar_page.php?sid=65. Accessed on 14/10/16.
- DE WEERT, F. (2011) *Bank and insurance capital management*. Chichester: John Wiley & Sons.

- DE WULF, K., ODEKERKEN-SCHRÖDER, G. and IACOBUCCI, D. (2001) Investments in customer relationships: a cross-country and cross-industry exploration. *Journal of Marketing*, 65(4), pp. 33-50.
- DENZIN, N.K. and LINCOLN, Y.S. (2005) Introduction: the discipline and practice of qualitative research. 2nd ed. Thousand Oaks, CA: Sage.
- DIBB, S. and MEADOWS, M. (2004) Relationship marketing and CRM: a financial services case study. *Journal of Strategic Marketing*, 12(2), pp. 111-125.
- DIMITRIADIS, S. and STEVENS, E. (2008) Integrated CRM for service activities: an internal/external gap model. *Managing Service Quality*, 18(5), pp. 496-511.
- DISCOVERY ANNUAL REPORT. (2014) Available from [phx.corporate-ir.net/External File? item...t=1](http://phx.corporate-ir.net/ExternalFile?item...t=1). Accessed on 19/10.2016.
- DITTMAR, H., LONG, K. and MEEK, R. (2004) Buying on the internet: gender differences in online and conventional buying motivations. *Sex Roles*, 50(5/6), pp. 423-444.
- DONALDSON, B. and O'TOOLE, T. (2007) *Strategic market relationships: from strategy to implementation*. 2nd ed. Chichester: Wiley.
- DONLAGIC, S and FAZLIC, S. (2015) Quality assessment in higher education using the SERVQUAL model. *Management*, 20 (1), pp. 39-57.
- DOYLE, C. (2005) *Collins internet-linked dictionary of marketing: marketing defined and explained*. Bishop Briggs: HarperCollins.
- DU, R. Y. and KAMAKURA, W. A. (2012). Quantitative Trendspotting. *Journal of Marketing Research*, 5 (2) pp. 514-536.
- DU PLESSIS, L. (2010) *CRM and its influence on customer loyalty at Liberty Life in South Africa*. Unpublished Masters Dissertation (MA), the University of Johannesburg.

- DUODU, K. and AMANKWAH, T. (2011) *An analysis and assessment of customer satisfaction with service quality in insurance industry in Ghana*. Master Dissertation (MA), Luleå University of Technology.
- DYCHE, J. (2001) *The CRM Handbook: a business guide to CRM*. London: 1st Ed. Boston: Addison-Wesley.
- EDVARDSSON, A. (2005) Guru's View: service quality: beyond cognitive assessment. *Managing Service Quality*, 15(2), pp. 127-131.
- EGAN, J. (2004) *Relationship marketing, exploring relational strategies in marketing*. 2nd ed. Essex: Pearson Education Limited.
- EGAN, J. (2011) *Relationship marketing: exploring relational strategies in marketing*. 4th ed. Harlow: Prentice-Hall.
- EKINCHI, M. (2008) Service quality, customer satisfaction and behavioural intentions: review of literature and conceptual model development. *International Journal of Academic Research*, 4(3), pp. 11-15.
- EKINCI, Y., DAWES, P.L. and MASSEY, G.R. (2008) An extended model of the antecedents and consequences of customer satisfaction for hospitality services. *European Journal of Marketing*, 42(1/2), pp. 35-68.
- EVANS, K.R., KLEINE, R.E., LANDRY, T.D. and CROSBY, L.A. (2000) How first impressions of a customer impact effectiveness in an initial sale encounter. *Journal of the Academy of Marketing Science*, 28(4), pp. 512-526.
- EVANS, M., O'MALLEY, L. and PATTERSON, M. (2004) *Exploring direct and customer relationship marketing*. 2nd ed. London: Thomson.
- EVENSON, R. (2005) *Customer service training 101: quick and easy techniques that get great results*. New York: AMACOM.

- FINANCIAL SERVICES BOARD (FSB). (2008) *Annual Report 2008*. Pretoria: Financial Services Board.
- FINANCIAL SERVICES BOARD (FSB). (2012) *Annual Report 2008*. Pretoria: Financial Services Board.
- FINANCIAL SERVICES BOARD (FSB). (2013) *Annual Report 2008*. Pretoria: Financial Services Board.
- FINANCIAL SERVICES BOARD (FSB). (2014a) *Annual Report 2008*. Pretoria: Financial Services Board.
- FINANCIAL SERVICES BOARD (FSB). (2014b) *Retail Distribution*. Available from: <https://www.fsb.co.za/feedback/Documents/FSB%20Retail%20Distribution%20Review%202014.pdf>. Accessed on 20 Dec 2016.
- FINANCIAL SERVICES BOARD (FSB). (2015) *Retail distribution*. Available from: <https://www.fsb.co.za/Departments/communications/Documents/FSB%20Annual%20Report%202015.pdf>. Accessed on 10 Sept 2016.
- FINANCIAL SERVICES BOARD (FSB). (2016) *Marker brand*. Available from: <https://www.fsb.co.za/Departments/communications/Documents/FSB%20Annual%20Report%202015.pdf>. Accessed on 10 Sept 2017.
- FLINT, D.J., BLOCKER, C.P. and BOUTIN, P.J. (2011) Customer value anticipation, customer satisfaction and loyalty: an empirical examination. *Industrial Marketing Management*, 40(2), pp. 219-230.
- FORNELL, C. (2010) A national customer satisfaction barometer: the Swedish experience. *Journal of Marketing*, 56 (2), pp. 6-21.
- FROST, F. A. and KUMAR, M. (2000) INTSERVQUAL—an internal adaptation of the GAP model in a large service organisation. *Journal of Services Marketing*, 14 (5), pp. 358-377.

- GACHIRI, J. (2015) *CIC expands into Uganda, Malawi with joint ventures*. Nairobi: Business Daily Africa.
- GANESAN-LIM, C., RUSSELL-BENNETT, R. and DAGGER, T. (2008) The impact of service contact type and demographic characteristics on service quality perceptions. *Journal of Services Marketing*, 22(7), pp. 550–561.
- GANIYU, R. A., UCHE, I. I. and ELIZABETH, A. O. (2012) Is customer satisfaction an indicator of customer loyalty? *Australian Journal of Business and Management Research*, 2(7), pp. 14-20.
- GARVIN, D.A. (2008) *Eight Dimensions of Product Quality*. Harvard Business School: Tenner and DeToro, Total Quality Management.
- GAYATHRI, H., VINAYA, M.C. and LAKSHMISHA, K. (2005) A pilot study on the service quality of insurance companies. *Journal of Services Research*, 5(2), pp. 123-138.
- GEORGE, R. (2004) *Marketing of South African tourism*. 2nd ed. Cape Town: Oxford University Press.
- GILBERT, G. R., VELOUTSOU, C., GOODE, M. M. H. and MOUTINHO, L. (2004) Measuring customer satisfaction in the fast food industry: a cross-national approach. *Journal of Services Marketing*, 18(5), pp. 371-383.
- GIL-SAURA, I. and RUIZ-MOLINA, M.E. (2011) Logistics service quality and buyer customer relationships: the moderating role of technology in B2B and B2C contexts. *The Service Industries Journal*, 31(7), pp. 1109-1123.
- GOERTZEN, M. J. (2017) Introduction to Quantitative Research and Data. *Library Technology Reports*. 53 (4) pp. 12–18.
- GOPALAN, S. (2015) Financial liberalization and foreign bank entry in emerging and developing economies: what does the literature tell us? *Journal of International Commerce, Economics and Policy*, 6(2) 6, pp. 25.

- GREENE, J. C. (2006) Towards a methodology of mixed methods social inquiry. *Research in the Schools*, 13(1), pp. 93-100.
- GREENBERG, P. (2004) *CRM at the speed of light: essential customer strategies for the 21st century*. 3rd ed. New York: McGraw-Hill.
- GREENBERG, I. (2005) The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention. *Journal of Marketing*, 69(4), pp. 210-218.
- GREENBERG, P. (2009) *CRM at the speed of light: social CRM 2.0 strategies, tools, and techniques for engaging your customers*. 4th ed. New York: McGraw-Hill.
- GREMLER, D.D. and GWINNER, K.P. (2000) Customer-employee rapport in service relationships. *Journal of Service Research*, 3(1), pp. 82-104.
- GRÖNROOS, C. (2003) *Service management and marketing a CRM approach*. 2nd ed. Hoboken: West Sussex, Wiley.
- GRÖNROOS, C. (2004) The relationship marketing process: communication, interaction, dialogue, value, *Journal of Business & Industrial Marketing*, 19 (2) pp.99-113.
- GRÖNROOS, C. (2007) *Service management and marketing: customer management in service competition*. 3rd ed. Hoboken: Wiley.
- GRÖNROOS, C. (2009) Marketing as promise management: regaining customer management for marketing, *Journal of Business and Industrial Marketing*, 24(5/6), pp. 351–59.
- GRÖNROOS, C. (2010) *Service management and marketing. managing the moments of truth in service competition*. New York: Lexington Books.

- GUESALAGA, R and PITTA, D. (2014) The importance and formalization of service quality dimensions: a comparison of Chile and the USA, *Journal of Customer Marketing*, 31(2), pp. 145-151.
- GUMMESSON, E. (2008) Customer centricity: reality or a wild goose chase? *European Business Review*, 20(4), pp. 315-330.
- GWINNER, K.P., GREMLER, D.D. and BITNER, M.J. 1998. Relational benefits in services industries: the customer's perspective. *Journal of the Academy of Marketing Science*, 26(2), pp. 101-114.
- GWINNER, K.P., GREMLER, D.D. and BITNER, M.J. (2008) Relational benefits in services industries: the customer's perspective. *Journal of the Academy of Marketing Science*, 26(2), pp. 101-114.
- GYASI S. N. and AZUMAH, K.A. (2009) *An assessment and analysis of customer satisfaction with service delivery of mobile telecommunication networks within Ghana*. Unpublished Masters Dissertation (MA), Lawrence Technological University.
- HARRIS, E.K. (2010) *Customer service: a practical approach*. 5th ed. Upper Saddle River: Pearson.
- HARWOOD, T., GARRY, T. and BRODERICK, A. (2008) *Relationship marketing – perspectives, dimensions and context*. London: McGraw-Hill.
- HENNIG-THURAU, T., GWINNER, K.P. and GREMLER, D.D. (2002) Understanding relationship marketing outcomes: an integration of relational benefits and relationship quality. *Journal of Service Research*, 4(3), pp. 230-247.
- HENNIG-THURAU, T., GWINNER, K.P. and GREMLER, D.D. (2010) *Why customers build relationships with companies - and why not*. Berlin, Heidelberg: Springer.
- HERNON, P. and NITECKI, D.A. (2001) Service quality: a concept not fully explored. *Library Trends*, 29(4), pp. 687-708.

- HSU, B. (2016) A review of CRM: successes, advances, pitfalls and futures. *Business Process Management Journal*, 18(3), pp. 400-419.
- HSU, H., HSU, J.S., WANG, S. and CHANG, I. (2016) Exploring the effects of unexpected outcome on satisfaction and continuance intention. *Journal of Electronic Commerce Research*, 17 (3)8, pp. 239-251.
- HUGO, F. and ZONDAGH, P. (2007) *Measuring the insurance gap by reference to the financial impact on South African households of the death or disability of an earner*. Cape Town: Life Offices Association.
- HULLEY, S.B., CUMMINGS, S.R., BROWNER, W.S., GRADY, D.G. and NEWMAN, T.B. (2007) *Designing clinical research*. 2nd ed. Philadelphia, PA: Lippincott Williams and Wilkins.
- HUME, M. and MORT, G.S. (2008) Satisfaction in performing arts: the role of value? *European Journal of Marketing*, 42 (3/4), pp. 311-326.
- INTERNATIONAL MONETARY FUND. (2016) *World Economic Outlook: Subdued Demand: Symptoms and Remedies*. Washington: Publication Services.
- INTERNATIONAL STANDARD ORGANISATION. (2011) *Guidelines for auditing management systems*. 2nd ed. Switzerland: ISO.
- ISAC, F. L. and RUSU, S. (2014) *Theories of customer's satisfaction and the operationalization of the expectation disconfirmation paradigm*, Romania: University of Targu Jiu.
- JAIN, S. K. and GUPTA, G. (2004) Measuring service quality: SERVQUAL vs. SERVPERF scales. *Vikalpa*, 29(2), pp. 25-37.
- JAIN, R., JAIN, S. and DHAR, U. (2007) CUREL: a scale for measuring CRM effectiveness in service sector. *Journal of Services Research*, 7(1), pp. 38-58.
- JOBBER, D. (2010) *Principles and Practice of Marketing*. 6th ed. London: McGraw-Hill.

- JONES, T. and TAYLOR, S.F. (2012) Service loyalty: accounting for social capital. *Journal of Services Marketing*, 26(1), pp. 60-74.
- JUWAHEER, T. D. (2011) Gender bias in hotel guests' perceptions of service quality: an empirical investigation of hotels in Mauritius. *e-Review of Tourism Research*, 9(5), pp. 164-189.
- KANDAMPULLY, J. and SUHARTANTO, D. (2003) Customer loyalty in the hotel industry: the role of customer satisfaction and image. *International Journal of Contemporary Hospitality Management*, 12(6), pp. 346-351.
- KANG, G.D. and JAMES, J. (2004) Service quality dimensions: an examination of Grönroos's service quality model. *Managing Service Quality*, 14(4), pp. 266-77.
- KARATEPE, O.M. (2011) Service quality, customer satisfaction and loyalty: the moderating role of gender. *Journal of Business Economics and Management*, 12(2), pp. 278-300.
- KASPER, H., VAN HELSDINGEN, P. and GABBOTT, M. (2006) *Services marketing management: a strategic perspective*. 2nd ed. Chichester: Wiley.
- KAURA, V. and DATTA, S.K. (2012) Impact of service quality on satisfaction in the Indian banking sector. *The IUP Journal of Marketing Management*, 11(3), pp. 38-47.
- KHARE, A. (2011) Customers' perception and attitude towards service quality in multinational banks in India. *International Journal Services and Operations Management*, (10)2, pp.199-213.
- KHUDRI, M. and SULTANA, S. (2015) Determinants of service quality and impact of service quality and customer characteristics on channel selection. *British Food Journal*, 117(8) (7), pp. 2078-2097.
- KING PRICE ANNUAL REPORT (2016) *Integrated annual report 2016 - Investor Relations*. From http://www.sharedata.co.za/data/013675/pdfs/HOLDSPORT_ar_feb16.pdf. Accessed on 12/12/2017.

KLYNVELD PEAT MARWICK GOERDELE (KPMG) ANNUAL-REPORT (2016) *Expertise and Innovations to drive success.* From <https://home.kpmg.com/content/dam/kpmg/mt/pdf/2017/04/mt-annual-report-2016.pdf>. Accessed on 12/12/2017.

KIM, K.H., KIM, K.S., KIM, D.Y., KIM, J.H. and KANG, S.H. (2008) Brand equity in hospital marketing. *Journal of Business Research*, 61(1), pp. 75-82.

KLEYNHANS, I.C. and ZHOU, P. (2012) Service quality at selected hotels in Pretoria. *South Africa Journal of Business Management*, 6(12)45, pp. 11342-11349.

KLYNVELD PEAT MARWICK GOERDELE (KPMG) (2006) *The South African insurance industry 2006 survey*. Johannesburg: KPMG.

KLYNVELD PEAT MARWICK GOERDELER (KPMG) (2011) *The South African insurance industry 2011 survey*. Johannesburg: KPMG.

KLYNVELD PEAT MARWICK GOERDELER (KPMG) (2012) *The South African insurance industry 2012 survey*. Johannesburg: KPMG.

KLYNVELD PEAT MARWICK GOERDELER (KPMG) (2013) *The South African insurance industry 2013 survey*. Johannesburg: KPMG.

KLYNVELD PEAT MARWICK GOERDELER (KPMG) (2014) *The South African insurance industry 2014 survey*. Johannesburg: KPMG.

KLYNVELD PEAT MARWICK GOERDELER (KPMG) (2015) *Perspectives*. Available from <https://home.kpmg.com/xx/en/home/about/international-annual-review-2015.html>. Accessed on 10 Jan 2017.

KNOX, S., MAKLAN, S., PAYNE, A., PEPPARD, J. and RYALS, L. (2003) *CRM: perspectives from the marketplace*. Oxford: Butterworth-Heinemann.

- KOCK, R., ROODT, G. and VELDSMAN, T.H. (2002) The alignment between effective people management, business strategy and organisational performance in the banking and insurance sector. *South African Journal of Industrial Psychology*, 28(3), pp. 83-91.
- KOTLER, P. and KELLER, K. (2006) *Marketing Management*, 12th ed. New Jersey: Pearson Education Inc.
- KOUTHOURIS, C. and ALEXANDRIS, K. (2005) Can service quality predict customer satisfaction and behavioural intentions in the sport tourism industry? An application of the SERVQUAL model in an outdoors setting. *Journal of Sport Tourism*, 10(2), pp. 101-111.
- KRASNIKOV, A., JAYACHANDRAN, S. and KUMAR, V. (2009) The impact of CRM implementation on cost and profit efficiencies: evidence from the U.S. commercial banking industry. *Journal of Marketing*, 73(7), pp. 61–76.
- KREJCIE, R.V. and MORGAN, D.W. (1970) Determining sample size for research activities. In CRESWELL, J.W (2009) *Research design: qualitative, quantitative, and mixed methods approaches*. 3rd edition. Los Angeles: Sage Publications, Inc.
- KUMAR, V. and REINARTZ, W. (2012) *CRM: concept, strategy, and tools*. Singapore: Springer.
- KUMAR, V. and REINARTZ, W.J. (2006) *CRM: a database approach*. Hoboken: Wiley.
- KURTZ, D.L. (2014) *Contemporary marketing*. 16th ed. Mason: South-Western.
- LADHARI, R. (2007) The effect of consumption emotions on satisfaction and word-of-mouth communications. *Psychology and Marketing*, 24(12), pp. 1085-1108.
- LADHARI, R., PONS, F., BRESSOLLES, G. and ZINS, M. (2011) Culture and personal values: how they influence perceived service quality. *Journal of Business Research*, 64 (9), pp. 951-957.

- LANKTON, S. (2011) *Business research methods*. Singapore: McGraw-Hill.
- LANKTON, N.K. and MCKNIGHT, H.D. (2012) Examining two Expectation Disconfirmation Theory Models: assimilation and asymmetry effects. *Journal of the Association for Information Systems*, 13(2), pp. 88-115.
- LAROCHE, M., UELTSCHY, L.C., ABE, S., CLEVELAND, M. and YANNOPOULOS, P. (2004) Service quality perceptions and customer satisfaction: evaluating the role of culture. *Journal of International Marketing*, 12(3), pp. 58-85.
- LASSAR, W.M., MANOLIS, C. and WINSOR, R.D. (2000) Service quality perspectives and satisfaction in private banking. *Journal of Services Marketing*, 14(3), pp. 244-271.
- LEDDEN, L., KALAFATIS, S.P. and MATHIOUDAKIS, A. (2011) The idiosyncratic behaviour of service quality, value, satisfaction, and intention to recommend in higher education: an empirical examination. *Journal of Marketing Management*, 27(11/12), pp. 1232-1260.
- LEE, G.G. and LIN, H.F. (2005) Customer perceptions of e-service quality in online shopping. *International Journal of Retail and Distribution Management*, 33(2), pp. 161-176.
- LEE, H., LEE, Y. and YOO, D. (2010) The determinants of perceived service quality and its relationship with satisfaction. *Journal of Services Marketing*, 14(3), pp. 217-231.
- LEE, M.C. and HWAN, I.S. (2005) Relationships among service quality, customer satisfaction and profitability in the Taiwanese banking industry. *International Journal of Management*, 22(4), pp. 635-648.
- LEE, Y., CHOI, B., KIM, D.J. and HYUN, S.S. (2014) Relational benefits, their consequences, and customer membership types. *The Service Industries Journal*, 34(3), pp. 230-250.
- LEONARD, F.S. and SASSER, W.E. (2012), The incline of quality, *Harvard Business Review*, 60(5), pp. 163-71.

- LEVENE, M. (2011) *An Atlas of Neonatal Brain Sonography*, View issue, 53 (4), pp. 360
- LEVERIN, A. and LILJANDER, V. (2006) Does relationship marketing improve customer relationship satisfaction and loyalty? *International Journal of Bank Marketing*, 24 (4), pp. 232-251.
- LEWIS, M. and SOURELI, M. (2006) The antecedents of customer loyalty in retail banking. *Journal of Customer Behaviour*, 5, pp. 15-31.
- LIFE OFFICES ASSOCIATION (LOA). (2008) *Annual Review 2007-2008*. Cape Town: Life Offices Association.
- LIMAYEM, M. (2007) How habit limits the predictive power of intention: the case of Information Systems continuance, *MIS Quarterly*, 31(4), pp. 705-737.
- LORENZONI, N. and LEWIS, B.R. (2004) Service recovery in the airline industry: a cross-cultural comparison of the attitudes and behaviours of British and Italian frontline personnel. *Managing Service Quality*, 14(1), pp. 11-25.
- LOVELOCK C. and WIRTZ J. (2007) *Services marketing: people, technology, strategy*, 6th ed. New Jersey: Pearson Prentice Hall.
- LOVELOCK, C.H. and WIRTZ, J. (2011) *Services marketing: people, technology, strategy*, 7th ed. Boston: Pearson.
- MACKAY, M., MOSTERT, P.G. and PETZER, D.J. (2015) *The interrelationship between service quality, relational benefits, customer satisfaction and behavioural intentions in the South African short-term insurance industry*. Potchefstroom: Research Unit for Economic and Management Sciences North-West University.
- MADIBA, G. (2009) *The influence of the elements of the extended marketing mix on customers' intention to purchase at a fast-food retail chain in Johannesburg*. Unpublished Masters dissertation (MA), Johannesburg: University of Johannesburg.

- MALABIE, B. (2009) *Market conditions*. Presentation proceedings of the 7th Lets Talk presentation held in Johannesburg. Conducted by Liberty life. Johannesburg: Liberty Life.
- MALAI, V. AND SPEECE, M. (2005) Cultural impact on the relationship among perceived service quality, brand name value, and customer loyalty. *Journal of International Customer Marketing*, 17(4), pp. 7-40.
- MALHOTRA N. K. and BIRKS D. F. (2007) *Marketing Research: An applied Approach*. 3rd ed. London: Prentice Hall.
- MALHOTRA, N.K. (2007) *Marketing research: an applied orientation*. New Jersey: Pearson Prentice Hall.
- MALHOTRA, N.K., ULGADO, F.M., AGARSAL, J., SHAINESH, G. and WU, L. (2005) Dimensions of service quality in developed and developing economies: multi-country cross-cultural comparisons. *International Marketing Review*, 22(3), pp. 256-78.
- MAKLAN, S., KNOX, S. and RYALS, L. (2007) New trends in innovation and CRM: a challenge for market research. *International Journal of Market Research*, 50(2), pp. 221-240.
- MARKETLINE (2013) *Non-life insurance in South Africa*. London: Nelson Press.
- MARTIN, D., O'NEILL, M., HUBBARD, S. and PALMER, A. (2008) The role of emotion in explaining customer satisfaction and future behavioural intention. *Journal of Services Marketing*, 22(3), pp. 224-236.
- MARTIN-CONSUEGRA, D., MOLINA, A. and ESTEBAN, A. (2006) The customers' perspective on relational benefits in banking activities. *Journal of Financial Services Marketing*, 10(4), pp. 98-108.
- MARTINS, J.H., LOUBSER, M. and VAN WYK, H. (2002) *Marketing research: a South African approach*. Pretoria: University of South Africa.

- MARWA, S.M. (2005) *Exploration of SERVQUAL's efficacy via the diagnosis and improvement of service quality in Kenya's insurance industry*. Unpublished Thesis (PhD), Lancaster University.
- MATTILA, A.S., GRADEY, A.A. and FISK, G.M. (2003) The interplay of gender and affective tone in service encounter satisfaction. *Journal of Service Research*, 6(2), pp. 136-143.
- MATTILA, A.S., CHO, W. and RO, H. (2009) The joint effects of service failure mode, recovery effort, and gender on customers' post-recovery satisfaction. *Journal of Travel and Tourism Marketing*, (26)2, pp. 120-128.
- MATTSSON, J. (2012) A Service Quality Model based on an Ideal Value Standard. *International Journal of Service Industry Management*, 3(3), pp. 18-33.
- MAXWELL, J.A. (2012) *A realist approach for qualitative research*. Los Angeles, CA: Sage.
- MCDANIEL, C. and GATES, R. (2004) *Marketing research essentials*. New Jersey: John Wiley and Sons.
- MCQUITTY, S., FINN, A. and WILEY, J.B. (2000) Systematically varying customer satisfaction and its implications for product choice. *Academy of Marketing Science Review*, 2(10), pp. 1-16.
- MEHDI, B.M. (2007) *Measuring service quality in airline using SERVQUAL Model-(Case of IAA)*. Master's Dissertation (MA) Lawrence Technological University.
- MEHTA, S.C., LOBO, A. and KHONG, H.S. (2002) *MSS, MSA and zone of tolerance as measures of service quality: a study in the life insurance industry*. Queensland: University of Queensland.
- MENON, K. and O'CONNOR, A. (2007) Building customers' affective commitment towards retail banks: The role of CRM in each moment of truth. *Journal of Financial Services Marketing*, 12(12), pp. 157-168.

- MERRIAM, S. (2009) *Qualitative research: guide to design and implementation*. San Francisco: Jossey - Bass.
- MEY, L.P., AKHBAR, A.K. and DAVID YONG, G.F. (2008) Measuring service quality and customer satisfaction in hotels: Malaysian hotels. *Quest for Excellent*, 7 (12), pp. 10-19.
- MIN, S., KHOON, C. C. and TAN, B. L. (2012) Motives, expectations, perceptions and satisfaction of international students pursuing private higher education in Singapore, *International Journal of Marketing Studies*, 4(6) pp. 122-138.
- MIKDASHI, M. (2011) *Neoliberalism's forked tongue*. *Jadaliyya*. Available from 17, 2011, <http://www.jadaliyya.com/pages/index/1606/>. Accessed on 19 Sept 2016.
- MIKDASHI, Z. (2001) *Financial intermediation in the 21st century*. New York: Palgrave Macmillan.
- MILES, M. and HUBERMAN, A.M. (2004) *Qualitative data analysis*. Thousand Oaks, CA: Sage.
- MIN, S., KHOON, C.C., and TAN, B.L. (2012) Motives, expectations, perceptions and satisfaction of international students pursuing higher education in Singapore. *International Journal of Marketing Studies*, 4(6), pp. 122–138.
- MINAMI, C. (2012) Service quality and customer satisfaction. *Journal of Marketing and Distribution*, 14(2)3, pp.1-15.
- MODIKWA, T. (2009) *What are the determinants of service quality in the South African short-term broking industry?* Unpublished Masters Dissertation (MA), University of Cape Town.
- MOKHLIS, S. (2012) The influence of service quality on satisfaction: a gender comparison. *Public Administration Research*, 1(1), pp. 23-40.

- MOLINA, A., MARTÍN-CONSUEGRA, D. and ESTEBAN, A. (2007) Relational benefits and customer satisfaction in retail banking. *International Journal of Bank Marketing*, 25(4), pp. 253-271.
- MORGAN, D.L. (2007) Paradigms lost and pragmatism regained methodological implications of combining qualitative and quantitative methods. *Journal of Mixed Methods Research*, 1 (4), pp. 48-76.
- MORSE, J.M. and NIEHAUS, L. (2009) *Mixed methods design: principles and procedures*. Walnut Creek, CA: Left Coast Press.
- MUTINTA, G. (2014) *PowerPoint Lecture Notes for Research Methodology Course*. Durban: University of KwaZulu-Natal.
- MUTUAL AND FEDERAL ANNUAL REPORT (2013)
Available from http://www.mf.co.za/About-us/General/OM_MF_Report_2013.pdf.
Assessed on 23 Dec 2016.
- NAIK, C.N.K, GANTASALA S.B. and GANTASALA, V.P. (2010) Service quality (SERVQUAL) and its effect on customer satisfaction in retailing, *European Journal of Social Sciences*, 16(2), pp. 231-243.
- NAJAFI, S., SAATI, S. and TAVANA, M. (2015) Data envelopment analysis in service quality evaluation an empirical study. *Journal of Industrial Engineering International*, 11(2), pp. 319-330.
- NELSON, T. (2009) *Measuring service and service culture in the tourism industry*. Unpublished Doctoral Thesis (PhD), the Hong Kong Polytechnic University.
- NEUMAN, L. (2014) *Social research methods: qualitative and quantitative approaches*, 7th ed. London: Pearson.
- NEWMAN, K. (2011) Interrogating SERVQUAL: a critical assessment of service quality measurement in a high street retail bank, *International Journal of Bank Marketing*, 19 (3) pp. 126-39.

- NGUYEN, B. and MUTUM, D.S. (2012) A review of CRM: successes, advances, pitfalls and futures. *Business Process Management Journal*, 18(3), pp. 400-419.
- NIENABER, P.M. and REINECKE, M.F.B. (2009) *Life insurance in South Africa: A compendium*, 1st ed. Durban: LexisNexis.
- OATES, B. J. (2009) *Researching information systems and computing*. London: Sage.
- OJALA, M. (2006) Customer service, information professionals, and library 2.0. *Online*, 30(4), pp. 5.
- OLIVER, R.L. (1997) Satisfaction: a behavioural perspective on the customer. In TSOUKATOS, E. (2007) *Customer behaviour, service quality and the effects of culture: A quantitative analysis in Greek insurance*. Unpublished Thesis (PhD), Lancaster: Lancaster University, Management School.
- OLIVER, R.L. (2010) *Satisfaction: a behavioral perspective on the customer*. 2nd ed. Armonk: M.E. Sharpe.
- OLIVER, R. L. (2015) *Satisfaction, a behavioural perspective on the customer*. 2nd ed. New York: Routledge.
- OLORUNNIWO, F., HSU, M.K. and UDO, G.J. (2006) Service quality, customer satisfaction, and behavioural intentions in the service factory. *Journal of Services Marketing*, 20(1), pp. 59-72.
- OMBUDSMAN FOR SHORT-TERM INSURANCE ANNUAL REPORT (2006) Available from: <http://www.ombud.co.za/res/pdf/OmbudsmanAnnualReport2006.pdf>. Accessed on 10 Jan 2017.
- OMBUDSMAN FOR SHORT-TERM INSURANCE ANNUAL REPORT (2011) Available from: <http://www.osti.co.za/assets/images/files/AnnualReport2011.pdf>. Accessed on 10 Dec 2016.

OMBUDSMAN FOR SHORT-TERM INSURANCE ANNUAL REPORT (2013) Available from: <http://www.ombudsman.sa.gov.au/complaints/complaint-process/>. Accessed on 10 Jan 2017.

OMBUDSMAN FOR SHORT-TERM INSURANCE ANNUAL REPORT (2014) Available from: <http://www.ombud.co.za/res/pdf/OmbudsmanAnnualReport2014.pdf>. Accessed on 10 Jan 2017.

OMBUDSMAN FOR SHORT-TERM INSURANCE ANNUAL REPORT (2016) <http://www.osti.co.za/assets/images/files/Annual%20Report%202016.pdf>. Accessed on 10 Jan 2017.

ONWUEGBUZIE, A.J. and COMBS, J.P (2011) Data analysis in mixed research: a primer *International Journal of Education*, 3(1), pp. 13-29).

OODITH, D. and PARUMASUR, S.B. (2015) Call centre ease of communication in customer service delivery: an asset to managing customers' needs. *Problems and Perspectives in Management*, 13(2), pp. 483-497.

OUYUNG, Y. (2010) A relationship between the financial consultant's service quality and customer trust after financial tsunami. *International Research Journal of Finance and Economics*, Issue 36, pp. 76-86.

PALMER, A. (2011) *Principles of services marketing*, 6th edition. Maidenhead: McGraw-Hill.

PARASURAMAN, A (2005) *New ways of listening to library users: new tools for measuring service quality*. Miami: University of Miami.

PARASURAMAN, A., ZEITHAML, V.A. and BERRY, L.L. (1988) SERVQUAL: A multiple-item scale for measuring customer perceptions of service quality. *Journal of Retailing*, 64 (3), pp. 12-40.

PARASURAMAN, A., BERRY, L.L. and ZEITHAML, V.A. (1994) *Moving forward in service quality research: measuring different levels of customer expectations*,

comparing alternative scales, and examining the performance-behavioural intentions link. London: Nelson.

PARASURAMAN, A., BERRY, L.L. and ZEITHAML, V.A. (2002) Refinement and reassessment of the SERVQUAL scale. *Journal of Retailing*, 67(4), pp. 420-450.

PARSONS, J. (2015) *Insurance implications of crime and security. Security and Crime Prevention in Libraries.* Brookfield: Ashgate.

PATTEN, M. (2017) *Questionnaire research: a practical guide*, 4th ed. London: Routledge.

PAYNE, A. (2006) *Handbook of CRM: achieving excellence in customer management.* Oxford: Butterworth-Heinemann.

PAYNE, A. and FROW, P. (2005) A strategic framework for CRM. *Journal of Marketing*, 69(4), pp.167-176.

PAYNE, A. and FROW, P. (2006) CRM: from strategy to implementation. *Journal of Marketing Management*, 22(1/2), pp. 135-168.

PEELEN, E. (2005) *Customer Relationship Management.* Harlow: Prentice Hall.

PEIGHAMBARI, K. (2007) *Developing and testing a model for explaining customer retention formation. Case of Iranian mobile telecommunication services.* Master's Dissertation (MA), Lawrence Technological University.

PETOUSIS, M. (2008) Raising the bar: service now a key strategy for most organisations. *Fin Week*, 13 (7), pp. 3-5.

PHILIP, G. and HAZLETT, S. A. (1997) The measurement of service quality: a new PCP attributes model. In SHAHIN, A and SAMEA, M. (2010) Developing the models of service quality gaps: a critical discussion. *Business Management and Strategy*, 1(1) E2, pp. 1-11.

- PIZAM, A., SHAPOVAL, V. AND ELLIS, T. (2016) Customer satisfaction and its measurement in hospitality enterprises: a revisit and update. *International Journal of Contemporary Hospitality Management*, 28(1), pp. 2 – 35.
- PLEWA, C., and CONDUIT, J. (eds). (2016) *Making a difference through marketing: a quest for diverse perspectives*. Singapore: Springer.
- PODNAR, K. and JAVERNIK, P. (2012) The effect of word of mouth on customers' attitudes toward products and their purchase probability. *Journal of Promotion Management*, 18(2), pp. 145-168.
- PRICEWATERHOUSECOOPERS (PWC). 2012(a) 2020: *Turning change into opportunity*. Available from <http://www.pwc.com/gx/en/insurance/pdf/insurance-2020-turning-change-into-opportunity.pdf>. Accessed on 11 Nov 2016.
- PRICEWATERHOUSECOOPERS (PWC). 2012(b) *Annual Report (2012)* Available from <https://www.pwc.co.uk/assets/pdf/annual-report-2012.pdf>. Accessed on 11 Nov 2016.
- PRICEWATERHOUSECOOPERS (PWC). (2012c) *Maximising value from today's opportunities*. Pretoria: South Africa.
- PRICEWATERHOUSECOOPERS (PWC). *Annual Report (2013)* Available from <https://www.pwc.co.uk/assets/pdf/annual-report-2013.pdf>. Accessed on 10 Jan 2017.
- PRICEWATERHOUSECOOPERS (PWC). (2014) *Reinsurers brands*. Pretoria: South Africa. Available from <http://www.pwc.com/gx/en/insurance/pdf/insurance-2020-turning-change-into-opportunity.pdf>. Accessed on 11 Nov 2017.
- PRICEWATERHOUSECOOPERS (PWC). (2015) *Shaping our future*. Available from <https://www.pwc.com/gx/en/about-pwc/global-annual-review-2015/campaign-site/pwc-global-annual-review-2015.pdf>. Accessed on 13 Sept 2017.

- PRICEWATERHOUSECOOPERS (PWC). (2016) *Leading in changing times*. Available from <https://www.pwc.co.uk/who-we-are/annual-report/annual-report-2016.html>. Accessed on 17 June 2017.
- QADRI, U.A. (2015) Measuring Service Quality Expectation and Perception Using SERVQUAL: A Gap Analysis, *Business Economics Journal*, 6, pp.162.
- QUESTER, P.G., MCGUIGGAN, R.L., PERRAULT, W.D. and MCCARTHY, E.J. (2004) *Marketing*. Macquarie Park, NSW: McGraw Hill.
- RAAB, G., AJAMI, R.A., GARGEYA, V.B. and GODDARD, G.J. (2008) *CRM: a global perspective*. Hampshire: Goward Publishing Company
- READ, B. (2009) Top tips to build and keep customer loyalty with CRM. *Customer Interaction Solutions*, 27(9), pp. 26-28.
- REINARTZ, W.J. and KUMAR, V. (2003) The impact of customer relationship characteristics on profitable lifetime duration. *Journal of Marketing*, 67(1), pp. 77-99.
- ROBERTS-LOMBARD, M. and DU PLESSIS, J. (2012) CRM in a South African service environment: an exploratory study. *African Journal of Marketing Management*, 4(4), pp.152-165.
- ROBERTS-LOMBARD, M., VAN TONDER, E., PELSER, T.G. and PRINSLOO, J.J. (2014) The relationship between key variables and customer loyalty within the independent financial advisor environment. *The Retail and Marketing Review*, 1(1), pp. 26-42.
- RUST, R.T. and HUANG, M. (2014) *Handbook of service marketing research*. Cheltenham: Edward Elgar Publishing.
- RYALS, L. and KNOX, S. (2004) Cross-functional issues in the implementation of relationship marketing through CRM, *European Management Journal*, 19(5), pp. 534-542.

SOUTH AFRICAN INSURANCE ASSOCIATION. (2016) Metamorphosis. Available from file:///C:/Users/mutinta/Downloads/annual-review-2016%20 (1).pdf. Accessed on 01/12/2017.

SOUTH AFRICAN RESERVE BANK ANNUAL REPORT. (2016) Promoting the economic well-being of South Africans. Available from <http://resbank.onlinereport.co.za/2017/index.html>. Accessed on 01/12/2017.

SAGHIER, E.I. and DEMYANA, N. (2013) *Service quality dimensions and customers' satisfactions of banks in Egypt*. Dubai.

SAATY, T.L. (2008) Decision making with the analytic hierarchy process. *International Journal of Services Sciences*, 1(1), pp.83.

SAATY, T. and VARGAS, L. (2012) *The seven pillars of the analytic hierarchy process models, methods: concepts and applications of the analytic hierarchy process*. Available from http://dx.doi.org/10.1007/978-1-4614-3597-6_2. Accessed on 03 Feb 2017.

SANTAM ANNUAL REPORT (2013) Available from https://www.sanlam.com/Sanlam%20Shared%20Documents/sustainabilityreport2013_investorrelations_yearly_2013.pdf. Accessed on 10 Jan 2017.

SANTOS, J. (2003) E-service quality: a model of virtual service quality dimensions. *Managing Service Quality*, 13(3), pp. 233-246.

SATTARI S. (2007) *Application of Disconfirmation Theory on Customer Satisfaction Determination Model: case of prepaid mobiles in Iran*. Unpublished Master's Dissertation (MA), Lawrence Technological University.

SAUNDERS, A. and CORNETT, M.M. (2011) *Financial Institution Management—A Risk Management Approach*. 7th ed. McGraw Hill Irwin: New York.

- SAUNDERS, M., LEWIS, P. and THORNHILL, A. (2012) *Research methods for business students*, 6th ed. London: Pearson Education Limited.
- SAURINA, C. and COENDERS, G. (2002) Predicting overall service quality: a structural equation modelling approach. In TSOUKATOS, E.K. (2007) *Customer behaviour, service quality and the effects of culture: a quantitative analysis in Greek insurance*. Unpublished Thesis (PhD), Lancaster University.
- SCHACHTER, D. (2006) The true value of customer service. *Information Outlook*, 10(8), pp. 8-9.
- SCHLESINGER, H. and GRAF VON DER SCHULENBURG, M.G.J. (1991) Search costs, switching costs and product heterogeneity in an insurance market. In KRASNIKOV, A., JAYACHANDRAN, S. and KUMAR, V. (2009) The impact of CRM implementation on cost and profit efficiencies: evidence from the U.S. commercial banking industry. *Journal of Marketing*, 73(7), pp. 61-76.
- SEMEJIN, J., VAN RIEL, A. C. R., VAN BIRGELEN, M. J. H. and STREUKENS, S. (2005) E-services and offline fulfillment: how e-loyalty is created. *Managing Service Quality*, 15(2), pp. 182-95.
- SETH, N., DESHMUKH, S.G. and VRAT, P. (2004) Service quality models: a review. *International Journal of Quality and Reliability Management*, 22(9), pp. 913-949.
- SHAHIM, M. (2011) *Structural equation modelling*. New York: Routledge.
- SIDDIQUI, H., MASOOD, KHAND, V. and SHARMA, T.G. (2010) Measuring the customer perceived service quality for life insurance services: an empirical investigation, *International Business Research*, 3(3), pp.171-186.
- SIDDIQUI, M.H. (2010) Measuring the customer perceived service quality for life insurance services: an empirical investigation. *International Business Research*, 3(3), pp. 171-177.

SIMITSEK, P. (2007) *What is Insurance?* Athens: Kaktos Publications.

SIRDESHMUKH D., SINGH J. and SABOL B. (2002) Customer trust, value and loyalty in relational exchanges. *Journal of Marketing*, 66(1), pp. 15-37.

SOHAIL, M. (2003) Service quality in hospitals: more favourable than you might think. *Managing Service Quality: An International Journal*, (13)3, pp.197-206.

SOTERIOU, A. AND STAVRINIDES, Y. (1997) An internal customer service quality data envelopment analysis model for bank branches. In NAJAFI, S., SAATI, S. and TAVANA, M. (2015) Data envelopment analysis in service quality evaluation: an empirical study, *Journal of Industrial Engineering International*, 7(11)3, pp. 319-330.

SOTERIOU, A.C. and STAVRINIDES, Y. (2000) An internal customer service quality data envelope analysis model for bank branches, *International Journal of Bank Marketing*, 18 (5), pp. 246-52.

SOUTH AFRICAN INSURANCE ASSOCIATION (SAIA). (2013) *Annual review*. Pretoria: South Africa.

SOUTH AFRICAN INSURANCE ASSOCIATION. (2014) *Annual review*. Pretoria: South Africa.

SOUTH AFRICAN INSURANCE INDUSTRY SURVEY. (2014) Available from [https://www.kpmg.com/ZA/en/IssuesAndInsights/ArticlesPublications/Financial Services/Documents/2014%20KPMG%20Insurance%20Survey.pdf](https://www.kpmg.com/ZA/en/IssuesAndInsights/ArticlesPublications/FinancialServices/Documents/2014%20KPMG%20Insurance%20Survey.pdf). Accessed on 20 Sept 2016.

SHORT TERM INSURANCE IN SOUTH AFRICA (2016) From https://aon.co.za/assets/docs/publications/short_term_insurance_in_south_africa_2016-17_condensed_version.pdf. Accessed on 01/12/2017.

SPATHIS, C., PETRIDOU, E., and GLAVELI, N. (2004) Managing service quality in banks: customers' gender effects. *Managing Service Quality*, 14(1), pp. 90-102.

- STAFFORD, M. R. (2006) Demographic discriminators of service quality in the banking industry. *Journal of Services Marketing*, 10(4), pp. 6-22.
- STATISTICS SOUTH AFRICA. (2013) *General household survey*. Pretoria: Statistics South Africa.
- STONE, K. (2000) *Customer relationship marketing: get to know your customers and win their loyalty*, 2nd ed. London: Clays Ltd.
- STRACHAN, L. (2010) *Investigating the influence of CRM and its influence on customer loyalty at selected short-term insurance providers in Gauteng*. Unpublished Honours dissertation (Hons), Johannesburg: University of Johannesburg.
- SURESHCHANDAR G.S., RAJENDARAN, C. and KAMALANABHAN, T.J. (2001) Customers' perception of service quality-a critique, *Total Quality Management*, 12(1), pp.111-124.
- TAN, K. C. and KEK, S. W. (2004) Service quality in higher education using an enhanced SERVQUAL approach. *Quality in Higher Education*, 10(1) pp. 17-24.
- TAVAKOL, M., and DENNICK, R. (2011) Making sense of Cronbach's alpha. *International Journal of Medical Education*, 2(2) pp. 53-55.
- TEDDLIE, C. and TASHAKKORI, A. (2006) A general typology of research designs featuring mixed methods. *Research in the Schools*, 13(1) pp. 12-28.
- TEDDLIE, C. and TASHAKKORI, A. (2009) *Foundations of mixed methods research: integrating quantitative and qualitative techniques in the social and behavioral sciences*. Thousand Oaks: Sage.
- TEDDLIE, C. and TASHAKKORI, A. (2012) Common 'core' characteristics of mixed methods research: a review of critical issues and call for greater convergence. *American Behavioral Scientist*, 56(6), pp. 774 788.

- THATCHER, R. (2010) Validity and reliability of quantitative electroencephalography (qEEG). *Journal of Neurotherapy*, 14, pp. 122-152.
- THE ANNUAL GLOBAL CLIMATE and CATASTROPHE REPORT. (2016) *Thought leadership provides clients with Aon Benfield's perspective*. Available from <http://thoughtleadership.aonbenfield.com/Documents/20170117-ab-if-annual-climate-catastrophe-report.pdf>. Accessed on 11/12/2017.
- THOMPSON, M. (2004) *Successful CRM: turning customer loyalty into profitability* Online. Available from www.crmguru.com. Accessed on 10 Jan 2017.
- TOLPA, E. (2012) *Measuring customer expectations of service quality: case airline industry*. Unpublished Masters Dissertation (MA), Aalto University.
- THOYTS, R. (2010) *Insurance theory and practice*. Milton Park, Abingdon, Oxon: Routledge.
- TSOUKATOS, E.K. (2003) The private insurance industry in Greece. *Archives of Economic History*, 15(2), pp.105-122.
- TSOUKATOS, E.K and RAND, G.K. (2007) Cultural influences on service quality and customer satisfaction: evidence from Greek insurance. *Managing Service Quality: An International Journal*, 17 (4), pp.467 – 485.
- TSOUKATOS, E.K, MARWA, S. and RAND, G.K. (2004) Quality Improvement in the Greek and Kenyan Insurance Industries. *Archives of Economic History*, 16(2), pp. 93-116.
- TSOUKATOS, E.K. (2007) *Customer behaviour, service quality and the effects of culture: a quantitative analysis in Greek insurance*. Unpublished Thesis (PhD), Lancaster: Lancaster University, England.
- TWYXCROSS, A. and SHIELDS, L. (2004) Validity and reliability - What's it all about? Part 2: reliability in quantitative studies. *Paediatric Nursing*, 16 (10), p.36.

- VAN DYKE, T.P., PRYBUTOK, V.R. and KAPPELMAN, L.A. (2009) Caution on the use of the SERVQUAL measure to assess the quality of information systems services. *Decision Sciences Journal*, 2(1), pp.34-51.
- VAN HUYSSSTEEN, G. (2014) *The impact of solvency assessment and management on the short-term insurance industry in South Africa*. Pretoria: University of South Africa. Available from <http://hdl.handle.net/10500/18367>. Assessed on 12 Sept 2016.
- VAN RYZIN, G. G. (2004) The measurement of overall citizen satisfaction. *Public Performance and Management Review*, 27(3), pp. 9-28.
- VAN RYZIN, G.G. and IMMERWAHR, S. (2007) importance-performance analysis of Citizen Satisfaction survey. *Public Administration Journal*, 85(1), pp. 7-23.
- VÁZQUEZ-CARRASCO, R. and FOXALL, G.R. (2006) Influence of personality traits on satisfaction, perception of relational benefits, and loyalty in a personal service context. *Journal of Retailing and Customer Services*, 13(3), pp. 205-219.
- VELOUTSOU, C., SAREN, M. and TZOKAS, N. (2002) Relationship marketing what if? *European Journal of Marketing*, 36(4), pp. 433-449.
- VIEK, S.D., BEATTY, S.E. and MORGAN, R.M. (2012) Customer engagement: exploring customer relationships beyond purchase, *The Journal of Marketing Theory and Practice*, 20 (2), pp. 122-146.
- WALSH, G., NORTHINGTON, W.W., HILLE, P. and DOSE, D. (2015) Service employees' willingness to report complaints scale: cross-country application and replication. *Journal of Business Research*, 68 (3), pp. 500-506.
- WANG, Y., LO, H.P. and YANG, Y. (2004) An Integrated Framework for service quality, customer value, satisfaction: evidence from China's telecommunication industry. *Information Systems Frontiers*, 6(4), pp. 325-340.

- WARD, D. and R. ZURBUREGG, R. (2000) Does Insurance Promote Economic Growth? Evidence form OECD Countries, *Journal of Risk and Insurance*, 67(4), pp. 489-506.
- WARFIELD, D. (2010) IS/IT research: a research methodologies review. *Journal of Theoretical and Applied Information Technology*, (2)3, pp. 28-35.
- WELHEISER, J. G. and GWINN, N. E. (2015) *Preparing for the Worst, Planning for the Best*. München: Associated Press.
- WELLS, B.P. and STAFFORD, M.R. (2005) Service quality in the insurance industry: customer perceptions versus regulatory perceptions. *Journal of Insurance Regulation*, 13(4), pp. 462-477.
- WELLS, B. P. and STAFFORD, M. R. (1995) Service quality in the insurance industry: Customer perceptions versus regulatory perceptions. In TSOUKATOS, E. (2007) *Customer behaviour, service quality and the effects of culture: a quantitative analysis in Greek insurance*. Unpublished Thesis (PhD), Lancaster: Lancaster University, Management School, Department of Management Science.
- WETSCH, F. (2006) *Marketing research*. 6th ed. Upper Saddle River: Prentice Hall
- WILLIAMS, C. A., SMITH, M. L. and YOUNG, P. C. (2014) *Risk management and insurance*. 8th ed. Boston: Irwin/McGraw-Hill.
- WILLIS LIMITED ANNUAL REPORT. (2011) Poynting Holding Limited. From <http://www.alarisholdings.com/wp-content/uploads/2017/06/Annual-Integrated-Report-for-30-June-2011.pdf>. Accessed on 01/12/2017.
- WILSON, A., ZEITHAML, V.A., BITNER, M. and GREMLER, D.D. (2012) *Services marketing: integrating customer focus across the firm*. 2nd ed. Maidenhead: McGraw-Hill.
- WONG, A. and SOHAL, A. (2002) An examination of the relationship between trust, commitment and relationship quality. *International Journal of Retail and Distribution*

Management, 30(1), pp. 34-50.

WORLD BANK. (2015). *The World Bank Annual Report 2015*. Washington, DC: World Bank.

XU, Y., GOEDEGEBUURE, R. and VAN DER HEIJDEN, B. (2006) Customer perception, customer satisfaction, and customer loyalty within Chinese securities business: towards a mediation model for predicting customer behaviour. *Journal of Relationship Marketing*, 5(4), pp. 79-104.

YARIMOGLU, E.K. (2014) A Review on Dimensions of Service Quality Models. *Journal of Marketing Management*, 2 (2), pp. 79-93.

YAYLA-KÜLLÜ, H.M., TANSITPONG, P., GNANLET, A., MCDERMOTT, C.M. and DURGEE, J.F. (2015) Employees' national culture and service quality: an integrative review. *Service Science*, (7)1, pp. 11-28.

YEN, C., LIU, L., CHEN, C. and LEE, T. (2014) Customer relational benefits and relationship-marketing outcomes: comparing three transaction types of travel product. *Asia Pacific Journal of Tourism Research*, 20(2), pp. 171-190.

YIN, R. K. (2006) Mixed methods research: are methods genuinely integrated or merely parallel? *Research in the Schools*, 13(1), pp. 41-47.

YIN, R. K. (2009) *Case study research: design and methods*. Los Angeles: Nelson Press.

YUKSEL, A. and YUKSEL, F. (2008) Customer satisfaction: conceptual issues. customer satisfaction: a critical review. *Journal of Hospitality and Tourism Research*, January, 25(2), pp. 107-131.

ZEITHAML, V. A. (2002) Service excellence in electronic channels, *Managing Service Quality* (12:3), pp. 135-138.

- ZEITHAML, V. A., PARASURAMAN, A. and MALHOTRA, A. (2002) *An Empirical Examination of the Service Quality-Value-Loyalty Chain in an Electronic Channel*. North Carolina: University of North Carolina.
- ZEITHAML, V.A., BITNER, M.J. and GREMLER, D.D. (2006) *Services marketing: integrating customer focus across the firm*. 4th ed. New York: McGraw-Hill.
- ZEITHAML, V. A., BITNER, M.J. and GREMLER, D. D. (2009) *Services marketing: integrating customer focus across the firm*. 5th ed. New York: McGraw-Hill.
- ZEITHAML, V.A., BITNER, M.J. and GREMLER, D.D. (2012) *Services marketing: integrating customer focus across the firm*. 6th ed. New York: McGraw-Hill Education companies.
- ZHU, F.X., WYMER, W. and CHEN, I. (2002) IT-based services and service quality in customer banking. *International Journal of Service Industry Management*, 13(1), pp. 69-90.
- ZIKMUND, W.G. and BABIN, B.J. (2007) *Essentials of marketing research*. 3rd ed. Mason: Thomson South-Western.
- ZIKMUND, W.G. and BABIN, B.J. (2012) *Essentials of marketing research*. 4th ed. Independence, KY: Cengage Learning.
- ZIKMUND, W.G., BABIN, B.J., CARR, J.C. and GRIFFIN, M. (2010) *Business research methods*. 9th ed. Ontario: South-Western Cengage Learning.
- ZIKMUND, W.G., MCLEOD, R. and GILBERT, F.W. (2003) *CRM: integrating marketing strategy and information technology*. Hoboken: Wiley.

APPENDIX 1
Gatekeeper's letter



CK No. 2001/045582/23
Vat No. : 4710249220
Fias No.: 19371
Tel/Fax No. : (035) 772 1049
Email: admin@tfs.org.za
22 Addison Road,Empangeni, 3880
PO Box 2432 Empangeni 3880

PERMISSION TO CONDUCT RESEARCH

UKZN Research Dept

To whom it may concern

This letter serves to confirm that Mr Thamsanqa Patrick Mbonambi,
ID no. [REDACTED] has been allowed by the company to conduct research for his
study.

The company is authorised to service the following Short term insurance:-

Santam
Sanlam
Discovery
Old Mutual
Alexander Forbs

Should you require more information, please don't hesitate to contact us for any clarity.

Yours Faithfully

[REDACTED]

Administration Manager

Where service count!

APPENDIX 2
Informed Consent Letter

Informed Consent Letter 3C

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

Dear Respondent,

DBA/PHD Research Project

Researcher: Thamsanqa Mbonambi (0836624985)

Supervisor: Prof Nzimakwe (0829592635)

Co-Supervisor: Dr B Zondi

Research Office: Ms P Ximba 031-2603587

I am Thamsanqa Patrick Mbonambi, a DBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu-Natal. You are invited to participate in a research project entitled *A model for improvement of the Service Quality in the Short-term insurance industry in KwaZulu-Natal*. The proposed study aims to explore service quality provided to clients in the short-term insurance industry within KwaZulu-Natal using the RATER Model as the basis of the investigation. Preliminary literature consulted revealed that the RATER model has been used to conduct studies on the evaluation of service quality such as studies conducted in institutions of higher learning, hotels, health, education sector and others, however, no studies have been conducted to evaluate service quality in the insurance industry.

Through your participation, I hope to understand problems that are affecting insurance clients. The results of the focus group are intended to contribute to the improvement of service quality in the short-term insurance.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequences. There will be no monetary gain achieved from participating in this survey/focus group. Confidentiality and anonymity of records

identifying you as a participant is assured and records will be lodged with the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 15 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Researcher's signature _____

Date _____

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

DBA/ PHD Research Project

Researcher: Thamsanqa Patrick Mbonambi (0836624985)

Supervisor: Prof Nzimakwe ((0829592635)

Co-Supervisor: Dr B Zondi

Research Office: Ms P Ximba 031-2603587

CONSENT

I hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participation in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Do you agree?

DATE

.....

APPENDIX 3 Ethical Clearance



03 December 2015

Mr Thamsanqa Patrick Mbonambi (213572029)
Graduate School of Business & Leadership
Westville Campus

Dear Mr Mbonambi,

Protocol reference number: HSS/1755/015D

Project title: An improvement in Service Quality in the Short Term Insurance Industry in KwaZulu-Natal

Full Approval – Expedited Application

In response to your application received on 02 December 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.



On behalf of Dr Shenuka Singh (Chair)

/ms

Supervisor: Professor TI Nzimakwe and Dr B Zondi
Academic Leader Research: Dr Muhammad Hoque
School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee
Dr Shenuka Singh (Chair)


Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3587/6350/4557 Facsimile: +27 (0) 31 260 4609 Email: ximtap@ukzn.ac.za / sdymann@ukzn.ac.za / mohunp@ukzn.ac.za
Website: www.ukzn.ac.za



100 YEARS OF ACADEMIC EXCELLENCE

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

Student Name: Thamsanqa Mbonambi
Student No.: 213572029
Name of School: Graduate school of Business & Leadership
Proposed Qualification: Doctoral Of Business Administration / Doctor Of Philosophy
Date: 19 October 2015

PROJECT TITLE: An assessment of service quality in the short term insurance industry in KwaZulu-Natal area

Title: Change Title. **Suggested title:** A model for improvement of service quality in the short term insurance industry in KwaZulu-Natal area

Research Design: Reliability and validity not addressed

Panel decision: Approved with minor corrections

Congratulation! Please do the corrections accordingly in the proposal and submit to the ethics committee for approval.

Best regards



Dr. Muhammad Hoque
Academic Leader: Higher Degrees and Research
Graduate School of Business & Leadership
University of KwaZulu-Natal (Westville Campus)
South Africa
Tel: 031 260 8690
E-Mail: Hoque@ukzn.ac.za

University of KwaZulu-Natal

Postal Address: Private Bag X54001,
Durban, 4000, South Africa

Website: www.ukzn.ac.za

Graduate School of Business and Leadership

Physical Address: Room 59, GSB&L Building,
Ground Floor, UKZN Westville Campus, Westville,
Durban, 3630

Tel: +27(0)31 260 2784

Website: www.gsb.ukzn.ac.za

APPENDIX 4
Letter from Editors



7 Woodlands Rd

GLENWOOD
DURBAN
4001
083 415 2531

20 December 2016

Reg. No. 2006/156780/23

T P Mbonambi

EDITING OF PHD THESIS OF THAMSANQA PATRICK MBONAMBI

I have an MA in English from University of Natal (now UKZN) and have been performing editing services through my company for eleven years. My company regularly edits the research dissertations, articles and theses of the School of Nursing, Environmental Studies and various other schools and disciplines at the University of KwaZulu-Natal and other institutions, as well as editing for publishing firms and private individuals on contract.

I hereby confirm that Dennis Schauffer edited the thesis of **Thamsanqa Patrick Mbonambi** titled "AN IMPROVEMENT IN SERVICE QUALITY IN THE SHORT-TERM INSURANCE INDUSTRY IN KWAZULU-NATAL" on behalf of WordWeavers cc and commented on the anomalies he was unable to rectify in the MS Word Track Changes and review mode by insertion of comment balloons prior to returning the document to the author. Corrections were made in respect of grammar, punctuation, spelling, syntax, tense and language usage as well as to sense and flow. An editing guideline and additional comments were provided to assist with corrections.

I trust that the document will prove acceptable in terms of editing criteria.

Yours faithfully

C Eberle

Catherine P. Eberle (MA: University of Natal)

Dr Quraisha Dawood (PhD)
quraishad@gmail.com



This is to confirm that this dissertation entitled:

AN IMPROVEMENT IN SERVICE QUALITY IN THE SHORT-TERM INSURANCE
INDUSTRY IN KWAZULU-NATAL:
A THESIS PRESENTED IN THE GRADUATE SCHOOL OF BUSINESS AND
LEADERSHIP, UNIVERSITY OF KWAZULU-NATAL

Has been edited by: Quraisha Dawood (PhD, Director of Write Well)
21 January 2017

APPENDIX 5
Turnitin Report

**AN IMPROVEMENT IN
SERVICE QUALITY IN THE
SHORT-TERM INSURANCE
INDUSTRY IN KWAZULU-
NATAL**

by Thamsanqa Patrick9 Mbonambi Student No.: 213572029

FILE	THAMI_DBA_FINAL_SUBMISSION_0602201713H.DOCX (3.79M)		
TIME SUBMITTED	06-FEB-2017 02:15PM	WORD COUNT	63558
SUBMISSION ID	767144507	CHARACTER COUNT	378948

AN IMPROVEMENT IN SERVICE QUALITY IN THE SHORT-TERM INSURANCE INDUSTRY IN KWAZULU-NATAL

ORIGINALITY REPORT

% 8	%	% 8	%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	"Annual Meeting of the European Society of Anaesthesiology Munich, Germany, June 9–12, 2007", <i>European Journal of Anaesthesiology</i> , 06/2007 Publication	<% 1
2	Pellissier, René, and J-P. Kruger. "Understanding the use of strategic intelligence as a strategic management tool in the long-term insurance industry in South Africa", <i>SA Journal of Information Management</i> , 2011. Publication	<% 1
3	Mokhlis, Safiek. "The Influence of Service Quality on Satisfaction: A Gender Comparison", <i>Public Administration Research</i> , 2012. Publication	<% 1
4	Fischer, Jens-Hendrik(Wright, Gillian). "The role of customer service in a highly tangible business-to-business market.", University of Bradford, 2013. Publication	<% 1

5	Kennedy, Denise M. Caselli, Richard J. B. "A roadmap for improving healthcare service quality.", <i>Journal of Healthcare Management</i> , Nov-Dec 2011 Issue	<% 1
Publication		
6	Singh, Bushra S. P.. "Using HiEduQual to Assess Student Satisfaction in Selected Higher Educational Institutions in North India", <i>International Research in Education</i> , 2016.	<% 1
Publication		
7	Min, Sein, and Chey Chor Khoon. "Demographic Factors in the Evaluation of Service Quality in Higher Education: A Structural Equation Model (SEM) Approach", <i>International Journal of Marketing Studies</i> , 2014.	<% 1
Publication		
8	Journal of Islamic Marketing, Volume 3, Issue 1 (2012-08-06)	<% 1
Publication		
9	International Journal of Health Care Quality Assurance, Volume 29, Issue 8 (2016)	<% 1
Publication		
10	Yingzi Xu. "Customer Perception, Customer Satisfaction, and Customer Loyalty Within Chinese Securities Business", <i>Journal of Relationship Marketing</i> , 04/04/2007	<% 1
Publication		

11	Robert W. Vivian. "South African Insurance Markets", Huebner International Series on Risk Insurance and Economic Security, 2007 Publication	<% 1
12	7th International Conference on University Learning and Teaching (InCULT 2014) Proceedings, 2016. Publication	<% 1
13	"The Customer is NOT Always Right? Marketing Orientations in a Dynamic Business World", Springer Nature, 2017 Publication	<% 1
14	Marketing Theory and Practice, 1995. Publication	<% 1
15	Lewis, J.P.. "Elite Attitudes on the Centralization of Power in Canadian Political Executives: A Survey of Former Canadian Provincial and Federal Cabinet Ministers, 2000-2010", Canadian Journal of Political Science, 2013. Publication	<% 1
16	T. Hennig-Thurau. "Understanding Relationship Marketing Outcomes: An Integration of Relational Benefits and Relationship Quality", Journal of Service Research, 02/01/2002 Publication	<% 1
17	Journal of Chinese Human Resource	<% 1

Management, Volume 7, Issue 2 (2016)

Publication

-
- | | | |
|-----------|--|------|
| 18 | Al-Qasem , Murad Mohammad. "The Effect of Employee Involvement Practices on Service Quality : A Case Study on Royal Jordanian Airlines = تأثير ممارسات إدماج العاملين في "جودة الخدمة : حالة دراسية على الخطوط الملكية الأردنية", University of Jordan, .
Publication | <% 1 |
| <hr/> | | |
| 19 | Koni, Aida, Khalim Zainal, and Maznah Ibrahim. "An Assessment of the Services Quality of Palestine Higher Education", International Education Studies, 2012.
Publication | <% 1 |
| <hr/> | | |
| 20 | Logistics Information Management, Volume 15, Issue 2 (2006-09-19)
Publication | <% 1 |
| <hr/> | | |
| 21 | International Journal of Pharmaceutical and Healthcare Marketing, Volume 10, Issue 1 (2016)
Publication | <% 1 |
| <hr/> | | |
| 22 | Donlagic, Sabina Fazlic, Samira. "Quality assessment in higher education using the SERVQUAL model/Procjena kvalitete visokog obrazovan", Management: Journal of Contemporary Mana, June 2015 Issue
Publication | <% 1 |
| <hr/> | | |
| 23 | Thomas L. Baker. "Individual differences in perceptions of service failure and recovery: | <% 1 |

the role of race and discriminatory bias",
Journal of the Academy of Marketing
Science, 12/2008

Publication

24 Siddiqui, Masood H, and Tripti Ghosh
Sharma. "MEASURING THE CUSTOMER
PERCEIVED SERVICE QUALITY FOR LIFE
INSURANCE SERVICES: AN EMPIRICAL
INVESTIGATION", International Business
Research, 2010.

Publication

25 . "A critical evaluation of the impact of
customer relationship management on
customer satisfaction with Barclay's bank in
Woolwich.", university degree/business and
administrative studies/management
studies/1, 2016.

Publication

26 "Studies from Massachusetts General
Hospital Have Provided New Information
about Growth Hormone.(Repo", Health &
Medicine Week, Sept 14 2012 Issue

Publication

27 Feng, Li. "The Research of the Property
Service Enterprise's Innovation Based on the
Customer Relationship Management
Theory", 2015 8th International Conference
on Intelligent Computation Technology and
Automation (ICICTA), 2015.

Publication

<% 1

<% 1

<% 1

<% 1

28	Developments in Marketing Science Proceedings of the Academy of Marketing Science, 2016. Publication	<% 1
29	Performance Measurement and Metrics, Volume 13, Issue 3 (2012-11-24) Publication	<% 1
30	International Journal of Health Care Quality Assurance, Volume 18, Issue 7 (2006-09-19) Publication	<% 1
31	Marketing Intelligence & Planning, Volume 30, Issue 4 (2012-07-14) Publication	<% 1
32	International Journal of Health Care Quality Assurance, Volume 24, Issue 5 (2011-06-19) Publication	<% 1
33	Giannakis, Mihalīs, and Nicola Bullivant. "The massification of higher education in the UK: Aspects of service quality", Journal of Further and Higher Education, 2015. Publication	<% 1
34	Nutrition & Food Science, Volume 99, Issue 5 (2006-09-19) Publication	<% 1
35	Saraei, Soudabe, and Amir M. Amini. "A study of service quality in rural ICT renters of Iran by SERVQUAL", Telecommunications Policy, 2012.	<% 1

Publication

36	Palmer. Principles of Services Marketing, 2007-01-12 Publication	<% 1
37	International Journal of Retail & Distribution Management, Volume 42, Issue 6 (2014-09- 16) Publication	<% 1
38	"Advances in Human Factors, Business Management, Training and Education", Springer Nature, 2017 Publication	<% 1
39	International Journal of Quality & Reliability Management, Volume 29, Issue 6 (2012-06- 30) Publication	<% 1
40	Button, D. M., R. Tewksbury, E. E. Mustaine, and B. K. Payne. "Factors Contributing to Perceptions About Policies Regarding the Electronic Monitoring of Sex Offenders: The Role of Demographic Characteristics, Victimization Experiences, and Social Disorganization", International Journal of Offender Therapy and Comparative Criminology, 2011. Publication	<% 1
41	Jannadi, Osama Ahmed, Sadi Assaf, Hamza M. Maghraby, and Hamed A. Al-Saggaf. "Service Quality Gaps Analysis at SCECO-	<% 1

**APPENDIX 6
Questionnaire**

RESEARCH TOPIC

**AN IMPROVEMENT IN SERVICE QUALITY IN THE SHORT-TERM INSURANCE
INDUSTRY IN KWAZULU-NATAL**

The RATER (SERVQUAL) service quality framework asks customers about their expectations and experiences across the five RATER dimensions of quality. The measure of quality is the gap between expectation and experience.

Please complete your responses with specific regard to the concepts of enquiry by placing a TICK in the appropriate box.

**RESPONDENTS MAY WITHDRAW THEIR PARTICIPATION AT ANY TIME,
SHOULD THEY SO WISH**

PARTS OF QUESTIONNAIRE

Part One: Demographic information

Part Two: Concepts of inquiry:

Client EXPERIENCE of the service quality

Part Three: Concepts of inquiry:

Client EXPECTATIONS of the service quality

PART ONE: DEMOGRAPHIC INFORMATION						
<i>Please tick the most appropriate response</i>						
1	Gender of respondent	Male			Female	
2	What is your race group?	Black	Coloured	Indian	White	Other (specify) _____
3	What is your age?	under 26	26-35	36-45	46-55	56+
4	Please indicate your income group	<R10000	R10001-R20000	R20001-R30000	R30001+	

**PART TWO:
CLIENT EXPERIENCE OF THE SERVICE QUALITY**

Indicate your agreement with the following statements regarding your EXPERIENCE with service delivery at this insurance company

SECTION 1: RELIABILITY						
	IN MY EXPERIENCE...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	When a response is promised in a certain time, it does happen					
2	My exact specifications of service quality are followed e.g. sincere interest from staff in solving a problem					
3	Insurance statements are accurate and error-free					
4	Company reports are accurate and error-free					
5	Service is performed right the first time					
6	Levels of service are consistently good					
SECTION 2: ASSURANCE						
	IN MY EXPERIENCE...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Staff provide service without fumbling					
2	Staff are courteous					
3	Materials provided are appropriate					
4	Materials provided are up to date					
5	Staff can use technology quickly					
6	Staff can use technology skilfully					
7	Staff at this organisation have a good reputation					
8	Responses given by staff are accurate					
9	Responses given by staff are consistent					
10	Materials used are easy to understand					
SECTION 3: TANGIBLES						
	IN MY EXPERIENCE...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Facilities are suitable					
2	The technology looks modern					

3	Facilities are neat and presentable					
4	Staff are neat and presentable					
SECTION 4: EMPATHY						
	IN MY EXPERIENCE...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Staff try to determine what my specific objectives are					
2	The level of service is consistent with what I require					
3	The level of service cost is consistent with what I can afford					
4	Staff are polite					
5	Staff show respect					
6	Staff are considerate					
7	Staff are able to clearly explain to me the various options of service available					
8	Staff avoid using technical jargon when speaking to me					
SECTION 5: RESPONSIVENESS						
	IN MY EXPERIENCE...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	When there is a problem staff respond quickly					
2	Staff are willing to answer my questions					
3	It is easy for me to talk to knowledgeable staff when I have a problem					
4	Service access points are conveniently located					
5	Specific times for completing tasks are generally given					

PART THREE:						
CLIENT EXPECTATION OF THE SERVICE QUALITY						
Indicate your agreement with the following statements regarding your EXPECTATIONS of service delivery at this insurance company						
SECTION 1: RELIABILITY						
	I expect ...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Responses to happen when promised					

2	My exact specifications of service quality to be followed e.g. sincere interest from staff to solve problem					
3	Insurance statements to be accurate and error-free					
4	Insurance reports to be accurate and error-free					
5	The service to be performed right the first time					
6	The level of service to be consistently good					
SECTION 2: ASSURANCE						
	I expect ...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Staff to provide service without fumbling					
2	Staff to be courteous					
3	The materials provided to be appropriate					
4	The materials provided to be up to date					
5	Staff to have the knowledge to use technology quickly					
6	Staff to have the knowledge to use technology skilfully					
7	Staff to have a good reputation					
8	The responses given by staff to be accurate					
9	The responses given by staff to be consistent					
10	The materials used to be easily understood					
SECTION 3: TANGIBLES						
	I expect ...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Physical facilities to be suitable					
2	Technology to look modern					
3	Facilities to be neat and presentable					
4	Staff to be neat and presentable					
SECTION 4: EMPATHY						
	I expect ...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Staff to be able to determine my specific objectives					
2	The level of service to be consistent with what I require					
3	The level of service costs to be consistent with what I can afford					

4	Staff to be polite to me					
5	Staff show respect to me					
6	Staff to be considerate to me					
7	Staff to be able to clearly explain to me the various options of service available					
8	The staff to avoid using technical jargon when speaking to me					
SECTION 5: RESPONSIVENESS						
	I expect ...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Staff to be able to respond quickly when solving problems					
2	Staff to be willing to answer my questions					
3	To easily be able to talk to knowledgeable staff when I have a problem					
4	Service access points to be conveniently located					
5	Specific times for completing tasks to be given					
Thank You						