

AN INTEGRATED COMMUNICATION APPROACH TO CLIENT RETENTION IN THE SHORT-TERM INSURANCE INDUSTRY

by

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Submitted in fulfilment of the requirements for the degree
MCom COMMUNICATION MANAGEMENT

in the

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

at the

UNIVERSITY OF PRETORIA

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APRIL 2012

Declaration

I declare that the Masters dissertation, which I hereby submit for the degree MCom (Communication Management) at the University of Pretoria, is my own work and has not been submitted by me for a degree at another university.

Henriëtte Loots

30 April 2012

Acknowledgements

I wish to thank the following individuals:

- My God, Jesus Christ, for giving me the courage and ability to succeed in my goal.
- My supervisor, Prof. Anské Grobler, for believing in me and guiding me every step on this journey. What a privilege to have you as my mentor.
- My amazing husband, Willem. Thank you for your patience and continuous support. Thank you for drawing up study rosters, sacrificing your social life for the last few years and always believing in me. Your love and positivity contributed more than you will ever know.
- My wonderful parents, Philip and Amanda, for finding the resources somewhere to invest in my future and education. This is for you.
- My dear friend Lynn Mason, for always being there when I needed a technical advisor and a friend.
- My friends, who kept asking after my progress. Thanks for understanding my situation and sorry I was not always able to see you when I also really wanted to.
- All the respondents for their willingness to assist and their valuable input.
- Leany Erasmus, for assisting with inter-coder reliability testing. Your help is greatly appreciated.

Abstract

The short-term insurance industry in South Africa is extremely competitive and it is a challenge to retain clients in order to remain profitable. In light of this the intention of this study was to investigate suggestions from the academic fields of marketing management and communication management towards the retention of clients specifically pertaining to the short-term insurance industry.

Each of the academic fields includes relating approaches and theories which are pertinent to the retention of clients. Marketing management deems relationship marketing as most appropriate and likewise, relationship management in the stakeholder theory from communication management was selected. The two concepts that logically followed from this are therefore customer relationship management (CRM) from marketing management and public relations (PR) from communication management.

The purpose of this study was to compare and contrast the suggestions made by marketing and communication management as academic fields towards client retention, in order to investigate the validity of these client retention methods and the possibility of combining their suggested methods. CRM and PR was thus investigated and validated as a possible integrated approach to client retention in the short-term insurance industry in South Africa.

The problem addressed in this study relates to the competitive and challenging nature of the short-term insurance industry and insurance organisations' continuous struggle to keep clients in order to survive. Swart (1998) addressed the issue of high policy lapse ratios and the resulting tremendous strain on the *life insurance industry* and confirmed that the quality of services and the quality of client relationships determines the retention of clients. No in-depth study could be found on whether Swart's (1998) confirmation that the quality of relationships determines client retention also applies to the *short-term insurance industry*.

The main purpose of this research was to suggest an integrated approach from the fields of marketing (CRM) and communication management (PR) and test this integrated approach among short-term insurance *clients* and short-term *insurance organisations* in order to get perspectives from both groups of respondents. The integrated approach was tested among these respondents by means of qualitative in-depth interviews with the aim to determine the effectiveness and relevance of such an integrated approach from the two academic disciplines to retain clients in the extremely competitive and challenging short-term insurance industry.

The findings from the two groups of respondents, namely the short-term insurance clients and short-term insurance organisations, yielded interesting results. On the one hand both groups suggested new concepts as possible client retention tools. It could be argued that this adds to the relevance of the validity of these concepts. On the other hand it was also established that certain concepts, as identified throughout marketing and communication management literature, might not be as relevant to client retention efforts in the short-term insurance industry.

Furthermore the findings also indicated that certain gaps existed between what short-term organisations regard as essential to retain clients and what clients regard necessary for them to stay in the relationship with the organisation. Clear inconsistencies were evident and may explain why so many client retention strategies are unsuccessful. Based on these findings a conceptual integrated framework for the implementation of client retention strategies relevant to the short-term insurance industry was presented.

The study intends to contribute in three ways. Firstly, by contributing to the theoretical body of knowledge through the development of an integrated framework towards client retention in the short-term insurance industry. Secondly, from a practical perspective where findings can assist marketing and PR practitioners to retain clients more effectively. Finally, it is anticipated that the study has added to the theoretical knowledge by presenting a qualitative dimension by means of in-depth interviews whereby possible new concepts (not included in current marketing and communication management

literature) relating to the retention of clients are identified. These possible new concepts may not only assist organisations to increase the success of retention efforts but also enrich the theoretical body of knowledge.

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CHAPTER 1

Orientation and motivation

1.1 INTRODUCTION

The sole purpose of any business is profitability. Clare (2007:18) supports this argument by stating that the first priority of any business is profitability, but more importantly, further states that the second-most important priority for any organisation is customer acquisition and customer retention. The achievement of success in services organisations, such as the insurance industry, is ultimately measured in terms of growth and profitability (Heskett, Sasser & Schlesinger, 1997:XV). Reichheld, Murkey and Hopton (2000:135) also state that profitability is important, not only as an end in itself, but also because it allows companies to improve value and provide incentives to customers, employees and investors.

Anton (1995:2) suggests that the business of business is getting and keeping customers. Knox, Maklan, Payne, Peppard and Ryals (2003:6) reason that attracting the right customers and the ability to retain these customers is extremely important for business success. Moodley (2007:24) points out that when considering aspects such as increased competition, globalisation and stronger regulations, client retention strategies are vital factors of profitability. These business principles also apply to short-term insurance organisations which are part of the context of this study

It is clear that the success and profitability of any business depends on the ability of the business to retain clients. It seems reasonable to make the deduction that in order for an organisation to be profitable (i.e. successful) attention should be given to client retention strategies. Reichheld *et al.* (2000:135) validated this statement through research. They studied the link between profits and client retention and suggested that a seemingly insignificant increase in client retention rates resulted in significant increases in profitability.

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Their studies included an array of different industries and it was established that a 5% point move in positive client retention consistently resulted in 25 – 100% profit swings. With these remarkable results in mind, any business should strongly consider increasing client retention attempts as it clearly relates with the ultimate goal of profitability. Since client retention has such a strong influence on profitability it is beneficial to understand what exactly client retention entails. More importantly, how businesses should approach the retention of its existing clients.

In order to retain customers, it is important for organisations to understand customers' needs, especially their relationship needs, better than the competitors do (Zineldin, 2006:432). According to Buttle (2006:143), a 'need' implies an insufficiency of something and by understanding the needs of customers an organisation is in a better position to serve these customers and to keep them as customers for as long as possible.

To retain customers, companies have to have a stronger focus on managing and measuring customer relationships (Anton, 1995:2). Corner and Hinton (2002:239); Ward and Dagger (2007:282) and Zineldin (2005:341), voice similar opinions and state that organisations with stronger and deeper client relationships (i.e. quality relationships) have a better chance of retaining clients effectively and have a more significant impact on customer retention and customer loyalty. It is evident that relationships are thus a crucial factor for effectively retaining clients.

Anton (1995:3) concludes that in an era of product likeness, where the market fails to perceive any major differences between products and organisations, and where any product advantages today are copied by the competition tomorrow, quality customer relationship management is the only aspect that can offer an organisation a true competitive advantage. This situation is particularly relevant in the insurance industry.

It can be stated without fear of contradiction that the development and maintenance of long-term relationships with clients (i.e. retained clients) build

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profitable companies and is critical for business performance (Moodley, 2007:24; Ward & Dagger, 2007:281). It is evident that relationships are the crucial element in retaining clients, but the mere existence of relationships might not be sufficient. The true value of relationships in terms of client retention is embedded in the development and most importantly, the management of client relationships. Sanchez and Sanchez (2005:307) confirm this point of view by stating that during recent years it has been realised that a valuable asset to any firm is the development of customer relationships.

Ward and Dagger (2007:282) mention that the duration of relationships has a positive effect on relationship strength and that long-term relationships are associated with positive outcomes. If the true value of relationships is grounded in the long-term management thereof, organisations should continuously strive toward managing these relationships more effectively.

It is, therefore, clear that the development and the management of quality relationships determine client retention, which ultimately influences organisational profitability. Quality relationships ought to be a sought after asset in any organisation, but if quality relationships were that easy to achieve, all organisations would be successful and profitable.

Organisations striving toward more effective client retention practices and ultimately profitability, should establish how quality relationships are developed and how it should be managed. In order to determine how quality relationships are established and managed in the short-term insurance industry, this study will rely on the academic fields of marketing management and communication management for answers.

Both the academic fields of marketing management and communication management suggest approaches to effectively establish, build and most importantly maintain quality relationships (i.e. effectively manage quality relationships which will determine client retention). These academic perspectives are discussed in the following sections.

1.2 DIFFERENT PERSPECTIVES TO CLIENT RETENTION

The following sections explain the academic perspectives of marketing management and communication management towards client retention.

1.2.1 The marketing management perspective: CRM

The focus of companies has shifted from a solely transactional focus toward developing and maintaining relationships with stakeholders and thus having a more relational focus (Strydom, 1999:20), hence the concept of relationship marketing was born. Relationship marketing focuses on relationship management with all the stakeholder groups involved with an organisation (Grönroos, 2000:9; Strydom, 1999:20; Van der Walt, Strydom, Marx & Jooste, 1997:29). Stakeholder is the collective term used to describe any group or individual who is influenced by the organisation and *vice versa* (Steyn & Puth, 2000:4-5). Stakeholders can, for example, be clients or customers, shareholders or investors, suppliers, employees, local communities, unions, governments, activist groups and the media (De Bussy & Ewing, 1997:222; Steyn & Puth, 2000:193). The terms 'stakeholders' and 'publics' are regarded as synonymous (De Bussy & Ewing, 1997:224).

It is from the business process of relationship marketing that the concept of customer relationship management (CRM) originated (Bull, 2003:593; Gummesson, 2004:137; Payne, 2006:6). CRM emphasises that the effective management of customer relationships will lead to customer retention, which influences company profitability - as has been discussed previously. While relationship marketing focuses on the management of relationships with all stakeholders, CRM focuses only on one specific stakeholder, namely the customer (Grönroos, 2000:9). It is important to point out that customers are only one specific stakeholder group and, for the purpose of this study, relationships with this specific group (i.e. customers) will be investigated.

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It is a well-established practice in the financial services industry to use the term 'client' when referring to 'financial customers', therefore the term client is used throughout this study to be in line with the context (i.e. short-term insurance industry). The term 'CRM' (customer relationship management) will not change to 'client relationship management', as CRM is a specific concept and function, and regardless of whether the term 'client' or 'customer' is used the function remains exactly the same.

In order to retain clients, the discipline of marketing management suggests a more relational approach in the form of relationship marketing. Relationship marketing is the suggested solution for managing relationships with all the stakeholders of an organisation. As the objective is to focus on the retention of clients, the field of marketing management suggests CRM as method for effectively managing quality relationships with clients exclusively. The perspective of marketing management, with specific focus on a relationship marketing approach to retain clients in the short-term insurance industry is further discussed in Chapter 2. A scale to measure the effectiveness of CRM is also presented in the same chapter.

The academic discipline of communication management also suggests methods of achieving increased client retentions and forms the topic in the next section.

1.2.2 The communication management perspective: PR

Grunig and Huang (2000:28) mention that public relations (PR) as a function increases organisational effectiveness by building relationships with strategic stakeholders. PR, in essence, is the management of relationships with stakeholders, through the management of communication. PR accepts relationships as valuable in their own right and most importantly crucial to wealth creation in an organisation (Phillips, 2006:212).

Skinner and Von Essen (1999:4) suggest that PR is the management of strategic relationships with all the internal and external stakeholders of an

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organisation. It is important to note that PR also focuses on all stakeholders involved in an organisation, similar to relationship marketing as discussed in the previous section. The current study specifically investigates client retention and therefore relationships with clients only.

Where the field of marketing management suggests CRM as the key to effectively manage relationships to retain more clients, the field of communication management suggests PR to attain the same goal. The concept of PR flows from the field of communication management and is the function that manages communication between an organisation and its publics (for the purpose of this study, also only clients), to build and manage relationships (Ströh, 2005:111). Bruning and Ledingham (2000:159) summarise by stating that the primary purpose of PR is to manage relationships and communication is the vehicle that organisations utilise to initiate, develop, maintain and repair mutually beneficial relationships.

The field of communication management also refers to the stakeholder theory as a guideline to establishing relationships with customers. According to Furneaux (2010:2) the stakeholder theory argues that every valid person or group who takes part in the activities of an organisation, do so to obtain certain benefits, but the priority of the interests of all stakeholders is not always obvious. The stakeholder theory offers a framework for investigating the relation between organisational performance and the practice of stakeholder management (Furneaux, 2010:2). De Bussy and Ewing (1997:223) are of the opinion that organisations have become more concerned with meeting of stakeholder expectations based on the notion that the quality of relationships with stakeholders determines financial performance.

As stated before, even though organisations have various strategic stakeholders, only clients (as a specific strategic stakeholder group) are the focus of research in the current study. Only relationships with, and the retention of clients, (the term used to refer to 'customers' in the financial services industry) will be investigated. Communication management and the

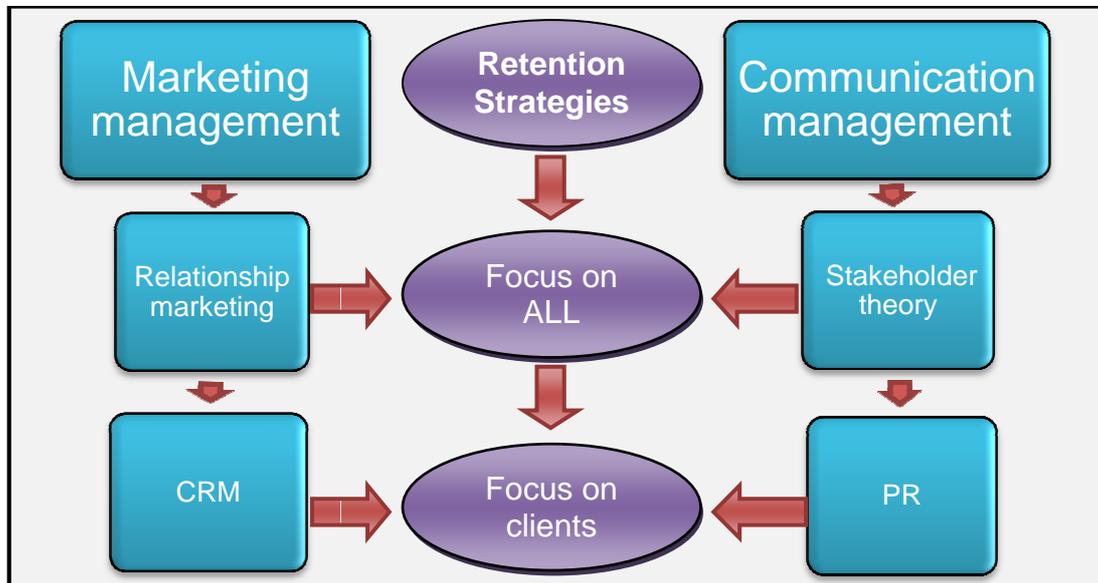
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stakeholder theory are discussed in greater detail in Chapter 3. Grunig and Huang's (2000:34) model of relationships, which is used to measure the outcomes of relationships, will also be introduced in the same chapter.

In conclusion, it is evident that both academic disciplines suggest strategies for client retention: marketing management proposes CRM, which resulted from the concept of relationship marketing, and communication management proposes the utilisation of PR strategies as part of the stakeholder theory.

This interesting overlap is visually represented in Figure 1.1.

Figure 1.1: Retention strategies of marketing and communication management



Source: Own conceptualisation.

The following section will attempt to compare the suggestions from the two separate academic disciplines toward finding solutions in terms of more efficient client retention strategies.

1.3 AN INTEGRATED APPROACH

Although marketing management suggests CRM and communication management suggests PR to achieve the same objective of increased client retention, both disciplines agree that relationships with clients should be established and nurtured in order to successfully retain them, which in the

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end, will lead to organisational profitability and survival. The important issue at hand is that although the two disciplines suggest different concepts or strategies in essence the methods suggested are very similar.

Hynes (2005:21) suggests that marketing and communication management should be seen as equals in contributing to a company's bottom line. In fact, Kitchen (1993:15) states that there are numerous overlaps and commonalities between the two fields. He suggested the comparison of the two disciplines to evaluate, contrast and ultimately provide reasons why the possible integration or combination of the two fields might be beneficial if not essential. Holm (2006:23) argues that professionals and academics alike neglected to consider the approach of integration as an approach toward reaching a competitive strategic position for organisations.

The purpose of the current study is therefore to compare and contrast the suggestions made by both marketing and communication management toward client retention in order to investigate the validity of these client retention methods in the short-term insurance industry. Stated differently: CRM (from the marketing management perspective) and PR (from the communication management perspective), will be investigated and validated as a possible integrated approach to client retention in the short-term insurance industry in South Africa.

In support of this argument thus far, three studies are of particular importance, namely that of Ewing (1996); Swart (1998) and Niemann (2005).

Ewing (1996) investigated the quality of relationships in particular by determining the respective antecedents and consequences of relationships. He found that a paradigm shift occurred within businesses from being 'service quality oriented' toward the notion of relationship marketing where businesses become more 'relationship quality oriented'. Swart (1998:191), in turn, researched client retention in the life insurance industry and confirmed conclusively that client retention will become a matter of crucial importance to the profitability, growth and ultimate survival of companies in the insurance

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industry. Service quality and the quality of client relationships were identified as crucial determinants of client retention. It was established previously that stakeholder or client relationships and the management thereof were crucial for client retention, but the quality of these relationships were not further investigated. Therefore, the research conducted by Ewing (1996) and Swart (1998), amongst others, took the debate on client retention a step further by providing evidence that the quality of the relationships determines client retention. In essence: the quality of relationships will ultimately determine the success of client retention initiatives.

The third study, on which the current research strongly relies, was conducted by Niemann (2005). Niemann (2005:27) suggests the integration of marketing and communication efforts such as CRM and PR as their integration consequently leads to more effective relationship building and more specifically, effective client retention.

1.4 CLIENT RETENTION IN THE SHORT-TERM INSURANCE INDUSTRY

Prospective clients in the short-term insurance industry can obtain insurance policies from insurance brokers, also known as insurance intermediaries, as well as from direct insurers. This study is relevant to both these groups and will refer collectively to them as short-term insurance organisations. The short-term insurance industry is discussed in greater detail in Chapter 4. The purposes of this discussion is to provide background information to the problem statement in the next section and it is therefore important to point out that both insurance brokers and direct insurance companies compete for the same clients, while, at the same time they try to retain their existing clients.

A prominent problem in the short-term insurance industry is that many clients, for reasons known and more often unknown, are not being retained. Insurance brokers and direct insurers alike will refer to this occurrence as 'clients falling of the books'. This problem causes a tremendous strain on the survival of brokerages and insurance companies alike.

Jacks (2008:1) states that due to poor economic circumstances insurers have seen an upsurge in lapsed (i.e. unpaid) and cancelled policies. Specifically short-term insurers are experiencing an increase in unpaid premiums and it is argued that when people struggle financially they tend to cut back on short-term insurance cover (Jacks, 2008:1).

The concept of churning, whereby clients replace existing policies with cheaper alternatives, adds to the problem (Benetton, 2009:1). Due of the competitive nature of the insurance industry, clients are continuously under attack from other insurers offering lower premiums. Clients are less loyal and will not hesitate to switch insurers (King, Smallman & Van Weegen, 1997:60). In general, insurance clients are less loyal and will not hesitate to switch insurers if there are better services, prices (i.e. churning) or products available elsewhere, regardless of the economic conditions (King *et al.*, 1997:60), which makes the industry extremely competitive.

1.5 PROBLEM STATEMENT

The short-term insurance industry in particular is a cut-throat, complex and competitive industry (Ndubisi, Wah & Ndubisi, 2007:223). In short: it is a challenge to retain clients in the short-term insurance industry.

As pointed out earlier in this chapter, the first priority of any business is profitability (Clare, 2007:18). Organisations in the short-term insurance industry are no different, and profitability is the ultimate objective for these organisations. It was also stated earlier, that by retaining clients for longer, companies increase their profitability (Reichheld *et al.*, 2000:135). The ability to establish long-term client relationships in the short-term insurance industry will always remain one of the most important indicators of success in this very competitive industry (Joseph, Stone & Anderson, 2003:84). Ndubisi *et al.* (2007:223) agree and state that in order to achieve success in such a technology driven, complex and competitive market of today, client relationships need to be established to gain privileged information about clients and thereby better understand their needs to serve them satisfactorily.

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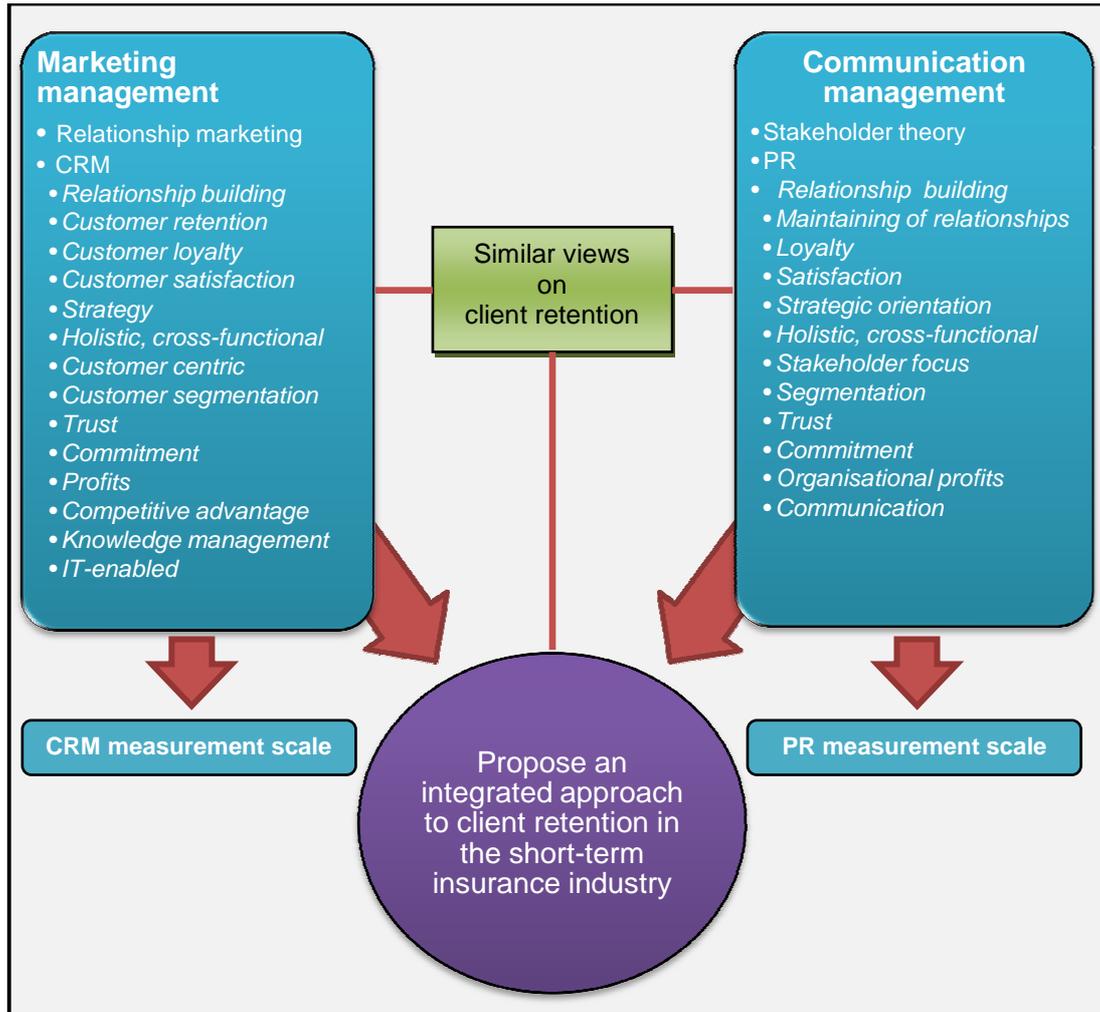
Swart (1998:4) addressed the issue of high policy lapse ratios and the resulting tremendous strain on the life insurance industry and confirmed that the quality of services and the quality of client relationships determines the retention of clients.

Although widespread academic research has emphasised the value and importance of managing relationships with clients (Corner & Hinton, 2002:239; Kotorov, 2003:567; Rowley, 2004:152), much less research has explored the management and maintenance of client relationships within the insurance context with the emphasis on client retention.

Ewing (1996:188) and Swart (1998:138) (from a marketing oriented perspective) and Grunig and Huang (2000:34) (from a communication oriented perspective) suggest ways to measure the quality of relationships, no recent research could be found on how the two perspectives of CRM (from a relationship marketing perspective) and PR (from a stakeholder management perspective) could be integrated in order to find suggestions on how to retain clients in this competitive industry.

Based on the commonalities and the measuring scales found in the literature review from the fields of marketing management and communication management, and the findings of Ewing (1996:208-221), Swart (1998:178-191) and Niemann (2005:267-277) an integrated approach to client retention in the short-term insurance industry should be investigated. This statement is illustrated in Figure 1.2 (p. 12).

Figure 1.2: Proposed integration of CRM and PR



Source: Own conceptualisation.

1.6 GENERAL RESEARCH AIM

To *develop* an integrated communication framework to effectively retain clients in the short-term insurance industry.

1.7 RESEARCH OBJECTIVES

The following specific research objectives emanate from the general research aim:

1. To *determine* the perspectives from the disciplines of marketing management and communication management toward client retention.

2. To *compare* the perspectives from the disciplines of marketing management and communication management toward client retention.
3. To *integrate* these perspectives toward client retention from the two disciplines of marketing management and communication management, *developing* an integrated approach specific to the short-term insurance industry.
4. To *test* the integrated approach towards client retentions in the short-term insurance industry among current short-term insurance *clients*, in order to determine the effectiveness of client retentions if the integrated approach is implemented in a short-term insurance organisation.
5. To *test* the integrated approach towards client retentions in the short-term insurance industry among short-term *insurance organisations*, in order to determine the effectiveness thereof on client retentions if implemented in a short-term insurance organisation.
6. To *present* an integrated communication framework for the implementation of client retention strategies specific to the short-term insurance industry.
7. To make *recommendations* to both the short-term insurance industry and the academic fields of marketing and communication management, in terms of an integrated approach towards client retention based on the findings of this study.

1.8 RESEARCH METHODOLOGY

The research methodology is based on a qualitative research paradigm consisting of three phases. Phase I is a literature review on the academic fields of marketing and communication management, as well as a discussion on the integration of the two fields to retain clients in the short-term insurance industry. Phase I will therefore address the first three research objectives. Based on the literature review in Phase I, and particularly the integrated communication approach towards client retention as suggested in Chapter 4, an interview schedule will be developed and tested by means of in-depth interviews amongst short-term insurance *clients* in Phase II.

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Phase II will therefore address the fourth research objective. Phase III will aim to test the suggested integrated approach as suggested in Chapter 4 among short-term *insurance organisations* (i.e. insurance brokers and/or direct insurers) to give further validity to the findings, thus addressing the fifth research objective.

The combined results and conclusions of Phases I, II and III will address the last two research objectives. The sixth research objective will attempt to present an integrated communication framework for the implementation of client retention strategies specific to the short-term insurance industry. The last research objective aims to make recommendations to both the short-term insurance industry and the academic fields of marketing and communication management in terms of an integrated approach towards client retention based on the findings of this study.

1.8.1 Sampling

The target population in Phase II consisted of short-term insurance clients. This included any type of short-term insurance (i.e. motor and household, as well as commercial insurance). The target population for Phase III included representatives of short-term insurance organisations, which include brokerages and direct insurers. Probability sampling was utilised, which is based on the concept of random selection. The target sample size to meet the objectives of the research was 7 participants for Phase II and 2 participants for Phase III.

1.8.2 Data collection

In-depth, face-to-face interviews by means of an interview schedule were selected as data collection method for Phase II and Phase III. A semi-structured interview schedule was selected as it allows room to explore new topics and constructs by posing probing questions that might not have been

initially included in the interview schedule. Interviews on average took up to one hour depending on the richness of data obtained.

1.8.3 Data analysis

The sample size of 7 respondents for Phase II, and 2 respondents for Phase III, delivered adequate raw data to formulate a clear idea of the position of the respondents. The raw data was analysed by using qualitative content analysis. Qualitative contents analysis involves coding raw data based on units of meaning followed by categorising those codes which will result in specific themes (Henning, 2004:105). Themes then assist with a holistic picture and interpreting the data.

1.9 CONCEPTUALISATION AND META-THEORETICAL FRAMEWORK

In order to address the general research aim and research objectives the study was conceptualised in the following manner and set against the meta-theoretical approach as discussed in the next sections.

1.9.1 Conceptualisation

The grand theory of this study is the general systems theory. It has already been established that in order for insurance brokers (also known as intermediaries) and direct insurers to survive and be profitable in a cut-throat, complex and competitive short-term insurance industry, it is of essence to retain stakeholders, more specifically clients, through managing relationships with these stakeholders.

Companies in the insurance industry should function within a world view of relationship management where communication is used to build and sustain long-term relations between and organisation and its internal and external stakeholders. Based on this argument, two theoretical domains, namely the

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field of marketing management and the field of communication management, were identified to assist in addressing the general research aim as well as the specific research objectives which followed from the research aim.

Each of the academic fields includes relating approaches, theories and measuring scales which are pertinent to retaining clients in the short-term insurance industry. In marketing management the relationship marketing was deemed as most appropriate and likewise, relationship management in the stakeholder theory from communication management was selected.

The two concepts that logically follow from this would then be CRM from marketing management and PR from communication management. Chapter 2 and 3 are specifically dedicated to in-depth discussions of CRM and PR. The constructs under each of these two concepts are displayed in Table 1.1 (p. 17) which also serves as a summary of the conceptualisation and meta-theoretical domains specific to this study.

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Table 1.1: Central theoretical argument

GENERAL RESEARCH AIM	<i>To develop an integrated approach for retaining clients in the short-term insurance industry.</i>	
CONCEPTUALISATION		
GRAND THEORY	General systems theory	
WORLD VIEW	<i>Communication is used in the management of relationships to build and sustain long-term relations between and organisation and its internal and external stakeholders.</i>	
ACADEMIC FIELDS	Marketing management	Communication management
APPROACHES/ THEORIES	<ul style="list-style-type: none"> Relationship marketing 	<ul style="list-style-type: none"> Relationship management in Stakeholder theory
CONCEPTS	<ul style="list-style-type: none"> Customer Relations Management (CRM) 	<ul style="list-style-type: none"> Public relations (PR)
CONSTRUCTS	<ul style="list-style-type: none"> Relationship building Customer retention Customer loyalty Customer satisfaction Strategy Holistic and cross-functional business approach Customer centric Customer segmentation Customer trust Commitment Profits Competitive advantage Knowledge management IT-enabled 	<ul style="list-style-type: none"> Relationship building Maintaining relationships Loyalty Satisfaction Strategic orientation Holistic, cross-functional approach Stakeholder focus Segmentation of stakeholders Relational trust Mutual commitment Profitability Communication
<p style="background-color: #00bcd4; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Similar constructs – combine to increase strength and eliminate weaknesses</p>		
CONCEPTS	Integrated marketing communication (IMC)	Integrated communication (IC)
<p style="background-color: #9c27b0; color: white; padding: 10px; border-radius: 15px; display: inline-block;">An integrated approach toward client retention</p>		

Each of the tenets in Table 1.1 needs further exploration.

1.9.2 Grand theory

In order to grasp the conceptualisation of this study, it is important to discuss the grand theory which forms the basis of this study. Edwards (2006:144) defines theory to comprise a set of propositions or ideas used to explain phenomena. The systems theory was regarded as the grand theory relevant to this study. The aim of this section is not to discuss the systems theory in detail, but to focus on the influence of the systems theory on the theoretical domains of marketing management and communication management.

The systems theory was identified as the grand theory as it realises that the organisation is dependent on various systems within its holistic environment and the way in which these systems interact will determine the strength of the relationships and thus the success of retention attempts. A system can be described as a set of interdependent parts and illustrates the systems perspective that mutual dependent relationships are established and maintained between an organisation and its publics (Cutlip, Center, Broom & Du Plessis, 2002:15). Newsom, Van Slyke Turk and Kruckeberg (2007:119) agree and state that the systems theory embraces an organisation and all of its stakeholders. All parts of the system are interrelated and function as an organised whole that is greater than the sum of its parts. This implies that the organisation as a whole consists of interconnected subparts and the performance of any single subpart will affect the performance of the entire system (Grunig, Grunig & Ehling, 1992:72).

Hung (2005:395) argues that in order to survive, organisations acquire certain resources which are normally controlled by other parties, thus the organisation has to interact with these parties. Based on this argument the value of the academic field of communication management, and even more importantly stakeholder management as part of stakeholder theory, lies in the ability to help organisations build strong relationships with their internal and external stakeholders and minimise the possibility of conflicts and crises. This is based on the statement that organisations and its stakeholders are interdependent and because of interdependence there are certain consequences to each

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other that need to be managed continuously by the organisation (Hung, 2005:396). Grunig *et al.* (1992:69) support this statement and mention that managing the interdependence with all stakeholders by building and maintaining relationships is the substance of PR and contributes to the success or failure of the organisation. This argument refers directly to the systems theory which is in essence what the PR is based on.

The same principle applies to the academic field of marketing management and the stakeholder approach of customer relation management (CRM). The organisation and its customers are interdependent on each other and the organisation has to manage relationships with customers in order to be profitable and ultimately survive. Again, this statement refers directly to the systems theory. This study takes a systems theory approach toward investigating marketing and communication management to develop an integrated approach toward client retention in the short-term insurance industry.

1.9.3 Academic fields

The academic fields are, as has been explained, rooted in the systems theory within a world view that communication is used in the management of relationships to build and sustain long-term relations between and organisation and its internal and external stakeholders. Relationship management therefore determines client retention. Based on this worldview the focus is on relationship management with units or systems within an organisation. For the purpose of this study these units will specifically include an organisation's stakeholders and ultimately the customers of an organisation. The two theoretical domains are further discussed in Chapter 2 (marketing management) and Chapter 3 (communication management).

CRM serves as the concept within the relationship marketing approach within the academic discipline of marketing management in the same way as PR is used as a concept in this instance in the stakeholder theory in the academic

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discipline of communication management. Relationship marketing has the purpose of maintaining long-term relationships between the organisation and all its stakeholders (Strydom, 1999:20). Relationship management in stakeholder theory suggests that stakeholders are affected by an organisation and in turn affect the functioning and success of the organisation (Zsolnai, 2006:39). Since stakeholders can affect organisation performance (i.e. profitability), organisation must seek to manage those stakeholders in order to maximise profits (Berman, Wicks, Kotha & Jones, 1999:491).

The stakeholder theory draws on analytical mechanisms from the systems theory, namely the interdependence and integration of publics making up the system (Mainardes, Alves & Raposo, 2011:231). The systems theory and stakeholder theory both focus on the suggestion that organisations are open systems where interdependent relationships exist with stakeholders, and these relationships have to be managed strategically for the mutual benefit of both parties.

To conclude the circle, both relationship marketing and relationship management as part of the stakeholder theory refer directly to the world view of this study which is that relationship management determines client retention and relationships between organisations and stakeholders are defined and shaped by communication. This in turn refers back to the grand theory (i.e. systems theory) which suggests that an organisation consists of interdependent parts held together by relationships.

1.10 DEFINITION OF KEY TERMS

The definitions and descriptions of the above-mentioned concepts will be discussed in the following sections.

1.10.1 Relationship marketing

Relationship marketing came into existence due to a paradigm shift in the field of marketing. Organisations use to be transaction oriented and focused on a singular transaction with little regard for the customer of where the business came from (Grönroos, 2000:21). Organisations realised that by having a more relational focus, customers may make repeat purchases and be willing to enter into a long-term relationship, with loyalty as the aim (Gummesson, 2000:11). Hence, the focus moved from transactional (with no regard to the customer or the repeat purchase) to relational (create long-term relationships to establish loyalty and repeat purchases) which marked the birth of relationship management.

As stated by Grönroos (2000:9) and Strydom (1999:20) the purpose of relationship marketing is to maintain long-term relationships between the organisation and all stakeholders involved with the organisation. Relationship marketing is regarded as a business process (Bull, 2003:593) which includes all marketing activities and focuses on establishing, developing and the maintaining relationships with stakeholders (Hunt, Arnett & Madhavaram, 2006:73). Thus, relationship marketing is a business process used by organisations to manage relationships with all stakeholders from a marketing perspective.

1.10.2 Relationship management

Relationships are increasingly regarded as an organisational asset and the value of relationships can be increased by effective relationship management (Phillips, 2006:220). Organisations and stakeholders are interdependent; hence organisations are influenced by their stakeholders every day. The organisation can manage this interdependence by managing relationships (Grunig, Grunig & Dozier, 2006:33) within perspective of the stakeholder theory.

Grunig *et al.* (1992:69) suggest that an organisation should invest in good relationships (through effective relationship management), as good relationships mean more opportunity for the organisation to reach objectives and be profitable. Bad relationships will not allow for this.

1.10.3 Integrated marketing communication (IMC)

To discuss integrated marketing communication it is important to first understand the concept of integrated marketing (IM). Integrated marketing uses the most appropriate media and marketing techniques to improve the precision and effectiveness of marketing campaigns (Linton & Morley, 1995:1). To achieve the most success with a marketing campaign, various different marketing techniques (for example: advertising, direct marketing, telemarketing to name a few) which are most suitable for researching the marketing objectives are integrated. Integrated marketing is rooted purely in the marketing field with no influence from the field of communication management.

Ehlers (2002:122) states that integrated marketing communication (IMC) concentrates on integrating various communication elements in order to provide added value to the client. Communication elements are thus combined with the marketing techniques related to IM to create the concept of IMC. Well-defined IMC efforts have the potential to enhance an organisation's products in the minds of their customers (Grove, Carlson & Dorsch, 2002:395).

1.10.4 Integrated communication (IC)

The concept of integrated communication flows from IMC. Niemann (2005:77) states that IC retains some of the characteristics of IMC, but is defined as a discipline in its own right.

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Integrated communication is defined by Niemann (2005:30) as a strategic management process utilised by organisations to control and influence all messages to stakeholders. This process serves to encourage purposeful, data-driven dialogue in order to create and maintain long-term, profitable relationships with these stakeholders. Niemann (2005:29) is of the opinion that IC follows IMC and should be viewed as an extension of IMC.

Constructs relating to the above-mentioned concepts will be defined and discussed in Chapters 2, 3 and 4 of this study.

1.11 ASSUMPTIONS

Throughout this study the following assumptions are made:

- The quality of relationships will influence all short-term insurance clients to remain in the relationship or not.
- All short-term clients are interested in engaging in a mutually beneficial relationship with the organisation.
- In order to explore the effects of quality relationships on short-term insurance clients, qualitative research will be the most appropriate means.
- The data collected from respondents by means of interviews, are a realistic and a reliable representation of the 'real world'.
- The sample obtained by means of the sampling method, accurately represents the entire target population.

1.12 DELIMITATIONS OF RESEARCH

A delimitation of this study is that clients may not always refer to the relationship with the broker or insurer alone when deciding on a product. Other factors like cost, convenience and speed of the transaction may also have an influence on the willingness to enter into a relationship. Marketing and communication management literature suggest that in order to retain

clients, relationships must be established, but factors like cost may influence a client to be less loyal regardless of the strength of the relationship.

1.13 DEMARCATION OF CHAPTERS

This study consists of eight chapters. Chapters 2 to 4 cover the theoretical component of this study (Phase I). Chapters 5 and 6 focus on the research methodology and results (Phases II and III). Chapter 7 presents a conceptual integrated framework for implementing client retention strategies in the short-term insurance industry, whereas Chapter 8 provides the conclusion and recommendations. Table 1.2 provides a summary of the demarcation and the content of each chapter.

Table 1.2: Demarcation of chapters

CHAPTER	CONTENT
CHAPTER 2: The marketing management perspective: CRM	Chapter 2 focuses on customer relationship management (CRM). Marketing management and relationship marketing are explored. The various elements of CRM are investigated, together with the concept of relationship management. The chapter also presents Sin, Tse and Yim's (2005:1266) scale to measure the effectiveness of CRM.
CHAPTER 3: The communication management perspectives: PR	Chapter 3 explores communication management, starting with public relations. Communication and the effect of relationships as well as relationship management are also investigated. The chapter further focuses on the importance of measuring relationships, and Grunig and Huang's (2000:34) model of relationships is presented and discussed.
CHAPTER 4: An integrated approach toward client retention in the short-term insurance industry	This chapter elaborates on integrated marketing (IM), integrated marketing communication (IMC) and integrated communication (IC). This chapter also takes a closer look at Niemann's (2005:244) integrated communication model and discusses the importance of integrating CRM and PR in order to retain clients more successfully.
CHAPTER 5: Research design and methodology	Chapter 5 will discuss the methodology used, the research methods, sampling design and also the method of data analysis.

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CHAPTER	CONTENT
CHAPTER 6: Research results	The results are reported, discussed and analysed.
CHAPTER 7: An integrated communication framework to client retention	Chapter 7 presents a conceptual integrated framework for implementing client retention strategies in the short-term insurance industry.
CHAPTER 8: Conclusion and recommendations	Chapter 8 draws a final conclusion with regard to the research objectives and the findings. The chapter also comments on the limitations of the study and makes recommendations for future research.

CHAPTER 2
The marketing management perspective: CRM

2.1 INTRODUCTION

Researchers (in Lindgreen, 2004:160) agree that every day more companies increase their focus on attracting, developing and retaining business relationships. The importance of retaining customers is clearly significant and the field of marketing management has distinctive views on the retention of customers. These views developed as the field of marketing management evolved. The purpose of this chapter is to get an in-depth understanding of the approaches suggested by the discipline of marketing management toward retaining business relationships and thus retaining clients.

Awareness of the importance of relationships with customers was introduced by the concept of relationship marketing. Relationship marketing resulted from the field of marketing as a marketing approach (Gummesson, 2000:3) and a business process (Gummesson, 2004:137) and focused on all the stakeholders involved with the organisation. Corner and Hinton (2002:239) state that the increased concern among companies to manage relationships with clients specifically, led to the birth of the concept of customer relationships management (CRM). Grönroos (2000:9) agrees and states that CRM originated from relationship marketing, but instead of focusing on all stakeholders, CRM only focuses on customers. This chapter explores the concept of CRM which originated from relationship marketing and is rooted in the discipline of marketing management.

Against this background, marketing, relationship marketing and customer relationship management (CRM) will be explored further.

2.2 MARKETING MANAGEMENT

In its most basic form marketing started out as a trade transaction between two parties where both parties have to agree on what their needs were and if the value that was offered was fair in relation to what they were offering (Van der Walt *et al.*, 1997:4). Over the years marketing developed from a trade transaction process into a holistic and specialised function that should be present in any profit-seeking company (Van der Walt *et al.*, 1997:17). According to Stokes (2002:1-4) marketing is, in essence, both a management philosophy and a function in a company. As a function in a company, marketing is seen as a series of activities such as advertising, product development, selling and market research. Marketing is also seen as a philosophy that requires a company to concentrate on the needs of its customers and their satisfaction.

According to Strydom (1999:2), it would be wrong to think of marketing as only advertising and selling. Marketing is commonly seen as the function that defines what customers want (needs) and directs the resources of the business to meet those needs, making the central focus of marketing the satisfaction of customers' requirements (Strydom, 1999:2).

Traditionally marketing consists of four core elements which are known as the '4Ps' of marketing as introduced by McCarthy in 1964 (Rafiq & Ahmed, 1995:4). These elements are product, price, promotion and place and when added together it is known as a marketing mix. Rafiq and Ahmed (1995:4) argue that the marketing mix concept is one of the core concepts of marketing theory and that the essence of the marketing mix concept is that marketing management uses the elements to influence customers. The marketing mix is, thus, vitally important when marketing strategies are formulated. These elements (4Ps) are used interdependent and together they contribute to the value and need of the product for the consumer.

Rafiq and Ahmed (1995:5) argue that the '4Ps' have been subjected to much criticism. This follows the argument by industries where a buyer-seller

Marketing management perspective: CRM

relationship is of essence, since the '4Ps' do not cater for relationship building. These industries emphasise the importance of building relationships in marketing rather than manipulating the market through the marketing mix (Rafiq & Ahmed, 1995:5). Grönroos (1997:322) agrees and mentions that the evolving recognition of the importance of customer retention and customer relationship economics among global companies reinforces the change in mainstream marketing. Therefore, the '4Ps' are inadequate for services marketing, where buyer-seller relationships are involved. In order to cater for the services environment two authors, Booms and Bitner, added an additional '3Ps' to the marketing mix in 1981 (Rafiq & Ahmed, 1995:5).

The additional '3Ps' included people (customers and employees), physical evidence (the environment in which the service is delivered and the tangible good facilitating the service) and processes (the flow of activities by which the service is acquired). Grönroos (1997:322) confirms the paradigm shift within the concept of the marketing mix and argues that relationship building and management or what has been labelled as relationship marketing, is one of the leading new approaches to marketing. Andersen (2001:167) mentions that literature on relational marketing suggests a shift from the 'standard approach' of the marketing mix toward customers, and uses this as a stepping stone to justify a relational approach.

Until recently, the field of marketing management was transaction oriented and only concerned with the function needed to execute a sale (i.e. transaction) (Grönroos, 2000:12). Strydom (1999:20) confirms that the objective and the end result of the marketing process was the sale. Since the 1970s a new marketing approach has emerged based on interactions between a company and its stakeholders (Grönroos, 2000:21). Ewing (1996:2) mentions that a transactional marketing orientation existed until a strong interest in customer behaviour emerged in the 1960s. This new interest led to directional changes in marketing theory and practice and was considered by many as a paradigm shift. Ewing (1996:2) argues that this 'paradigm shift' is represented by the turn to relationship management.

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As the discipline of marketing management developed throughout the years, the value of the customer became apparent and crucial to business success and profitability. Marketing now had to adapt to this new element and had to determine innovative ways of dealing with these customers as business success depended on it. Organisations realised that the concern had to be with the relationship between the organisation and customers. Zineldin (2006:431) supports this argument and suggests that the development of relationships deliver value to a company beyond the value provided by the core product or service.

With this in mind the focus shifted from a transactional focus (i.e. the sales or transaction only) to a relational focus where the development and maintenance of relationships are of the essence (Strydom, 1999:2). To get a clearer understanding of the mentioned paradigm shift, Table 2.1 indicates the distinct differences between a transactional focus and relational focus.

Table 2.1: Differences between a transactional focus and a relational focus

TRANSACTIONAL FOCUS	RELATIONSHIP FOCUS
• Focus on single sale	• Focus on customer retention
• Orientation on product features	• Orientation on product benefits
• Short-term relationship	• Long-term relationship
• Little emphasis on customer service	• High emphasis on customer service
• Little customer commitment	• High customer commitment
• Moderate customer contact	• High customer contact
• Quality is primarily a concern of production	• Quality is the concern of all

Source: Strydom (1999:21).

Transactional marketing does not see a purchase by a customer as a forecast for probability of repeat purchases, but a singular transaction or exchange (Grönroos, 2000:21; Hunt *et al.*, 2006:72). In this scenario, a customer may repeatedly use the same supplier, but without feeling committed or wanting to go into a closer relationship (Gummesson, 2000:11). It is evident thus far that the emphasis moved from a transaction focus to a relationship focus, consequently the concept of relationship marketing was born (Strydom, 1999:20; Ewing, 1996:2).

2.3 RELATIONSHIP MARKETING

As a logical consequence of relationship management, relationship marketing therefore offers a paradigm shift in marketing and is becoming a general marketing approach (Gummesson, 2000:3). The focus is shifting from the activity of attracting customers to activities which concern having customers and taking care of them (Ravald & Grönroos, 1996:19). Strydom (1999:21) defines relationship marketing to involve the establishing, maintaining, enhancing and commercialising of customer relationships so that the objectives of the parties concerned are met through mutual exchange and fulfilment of promises.

Bull (2003:593) refers to relationship marketing as a business process and according to Hunt *et al.* (2006:73) relationship marketing includes all marketing activities focussed on establishing, developing and maintaining relationships. It can be deducted that relationship marketing is a marketing approach flowing from a paradigm shift in marketing, which is used as a business process by organisations to manage relationships with stakeholders.

In confirmation of the above statement several researchers mention that the purpose of relationship marketing is not to secure a sale, but to maintain long-term relationships between all stakeholders involved with an organisation, which includes government, the public, suppliers, employees and current customers, as well as potential customers (Grönroos, 2000:9, Strydom, 1999:20; Van der Walt *et al.*, 1997:29). Gummesson (2000:11) supports this view by stating that relationship marketing emphasises loyalty, especially customer loyalty, and the aim is contact with a prospect that will hopefully turn into a customer making repeat purchases and entering into a long-term relationship. According to Ward and Dagger (2007:281) the development and maintenance of long-term relationships is crucial to business performance since the success of an organisation is often determined by the capability to maintain and grow a loyal customer base.

Marketing management perspective: CRM

It is essential at this stage to keep in mind that the purpose of this chapter is to understand approaches from the marketing management perspective toward client retention and how these approaches developed. Swart (1998:8) argues that relationship marketing has customer retention as one of its main objectives. This means that relationship marketing is one of the approaches suggested by marketing management to retain customers.

Relationship marketing entails relationships with all stakeholders involved with an organisation, but when organisations realised the value of specifically customers the approach of relationship marketing was geared toward focusing on customers only. Ndubisi *et al.* (2007:223) agree and state that relational marketing gets an organisation close enough to the customer in order to sense their needs and create and deliver value that will make them stay with the organisation. Relationship marketing geared toward focusing on only customers, lead to the development of the dominating marketing perspective of customer relationship management (CRM) (Grönroos, 2000:8). Bull (2003:593) substantiates that CRM is geared toward enabling organisations to establish a customer focus.

2.4 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Researchers (Bull, 2003:593; Gummesson, 2004:137; Payne, 2006:6) are in agreement that CRM originated from relationship marketing, which emphasises that the effective management of customer relationships will lead to customer retention which, in turn, influences company profitability. Although there are no specific dates marking the introduction of CRM into the marketplace, the concept of relationship management was already an important factor in services provided to customers by the mid 1980's (Crosby, 2002:271).

The broad aim of any CRM strategy is to create, develop and maintain profitable relationships with customers (Buttle, 2006:39). According to Ryals (2005:256), research has shown that CRM delivers better firm performance, through effective management of these customer relationships.

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It is evident that CRM is a tailor-made solution for the retention of clients and that it originated from relationship marketing which is rooted in the discipline of marketing management. CRM is clearly suggested as approach to retain clients and is therefore explored further.

2.4.1 Defining CRM

CRM is a complex concept which is evident from the vast amount of different definitions available in literature. Some of these definitions can be viewed in Table 2.2.

Table 2.2: Defining CRM

AUTHOR(S)	DEFINITION
Payne (2006:4)	"CRM is a business approach that seeks to create, develop and enhance business relationships with carefully targeted customers in order to improve customer value and corporate profitability and thereby maximise shareholder value".
Chen and Popovich (2003:672)	"CRM is an integrated approach to managing relationships by focusing on customer retention and relationship development".
Buttle (2006:34)	"CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high-quality customer data and enabled IT".
Corner and Hinton (2002:239)	"CRM is concerned with the relationship of the organisation with its sources of revenue – its customers".
Sanchez and Sanchez (2005:308)	"CRM is the strategic process of shaping the interactions between a company and its customer with the goal of maximising current and lifetime value of customers for the company as well as maximising satisfaction for customers".
Lindgreen (2004:160)	"CRM can conveniently be viewed as that part of relationship marketing that is concerned with managing customer relationships".

From the above definitions it is clear that CRM is a strategic process aimed at creating and maintaining mutual beneficial relationships with customers. It is

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also apparent that CRM plays an integral role in the success and profitability of organisations. The following section investigates the importance of CRM in an organisation.

2.4.2 Importance of CRM

CRM is critical to corporate success, especially in any competitive environment (Anton, 1995:2). At the core of this customer-centric orientation exists the absolute need for developing and establishing long-term relationships with customers, with the aim at improving services to customers and also increasing satisfaction (Stefanou, Sarmaniotis & Stafyla, 2003:617). Fernekees (2006:2) adds that the goal of CRM encompasses finding, getting and retaining customers. This confirms that essentially CRM is the approach suggested by the field of marketing management to successfully retain clients.

CRM strategies aim to offer customers a value added service by sharing data with them and this will in turn allow a company to gather important data from the same customers. Knowledge management and supportive IT systems are used to gather and utilise data about customers. This data can then be used to improve a company's products, services and image which create a righteous circle of improvement (Anon., 2002:19). According to Crosby (2002:271), there are certain factors that drive the interest and importance of CRM. These include:

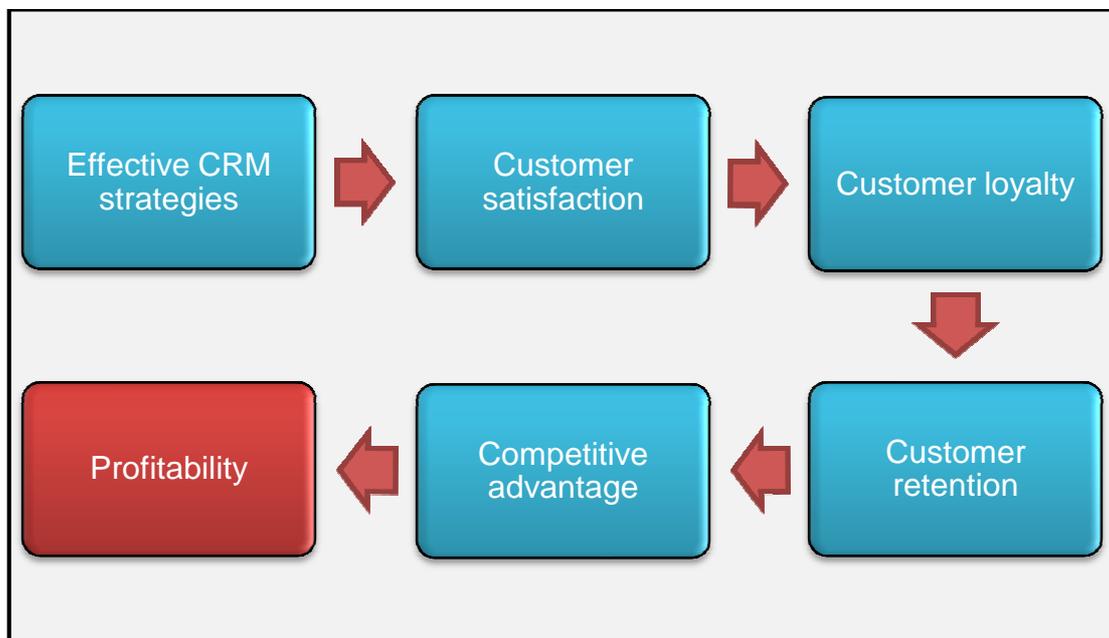
- advances in information technology and data warehousing,
- increased sophistication of customers,
- intense competition,
- a high level of market dynamics, and
- disintermediation.

No two customers are alike, none are unique either. These common threads enable a company to communicate segmented value propositions effectively. Once the customer is attracted to the company, the opportunity arises to

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customise the relationship with that specific individual (Crosby, 2002:272). Heinrich (2005:710) argues that establishing, maintaining and enhancing customer relationships (by utilising CRM) leads to customer satisfaction, loyalty and retention. Retaining clients are vital and the argument that the cost of obtaining a new customer is higher than the cost of retaining an existing customer shows yet another reason for client retention (Chen & Popovich, 2003:681; Zineldin, 2006:433; Payne, 2006:6). Figure 2.1 is a visual deduction of the arguments presented above.

Figure 2.1: Visual deduction of effective CRM strategies



Source: Own conceptualisation.

It is thus essential to implement CRM programmes not only to gain a competitive advantage but also for overall company profitability. Based on all the arguments presented the importance of CRM is summarised in Table 2.3.

Table 2.3: Importance of CRM

THE IMPORTANCE OF CRM
• CRM is critical to corporate success and profitability.
• CRM aims at increasing customer satisfaction.
• CRM allows a company to gather information from clients in order to serve them better.
• CRM is important because it helps an organisation with advances in IT and data warehousing.

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THE IMPORTANCE OF CRM
• CRM is important during times when clients are more sophisticated.
• CRM is necessary during times of increased competition.
• CRM is vital when a high level of market dynamics is experienced.
• CRM assists in addressing clients' unique needs.
• CRM is necessary to built mutual beneficial relationships with clients.
• CRM can secure client loyalty.
• CRM is vital when attracting new customers.
• CRM is essential for client retention.
• CRM can increase sales per client
• CRM helps to reduce costs through improvements in business processes.

Source: Own conceptualisation.

Anon. (2002:20) suggests certain key reasons why an organisation would want to implement CRM strategies:

- To attract new customers,
- to reduce costs through improvements in business processes,
- to increase sales per customer, and
- to improve relationships with customers and thus improving customer loyalty.

The importance of CRM implementation in any organisation is unmistakable. CRM programmes are vital for the successful retention of clients, but researchers (Kotorov, 2003:567; Ryals, 2005:252) warn against the dangers of failed implementation of CRM programmes.

2.4.3 Dangers of failed CRM implementation

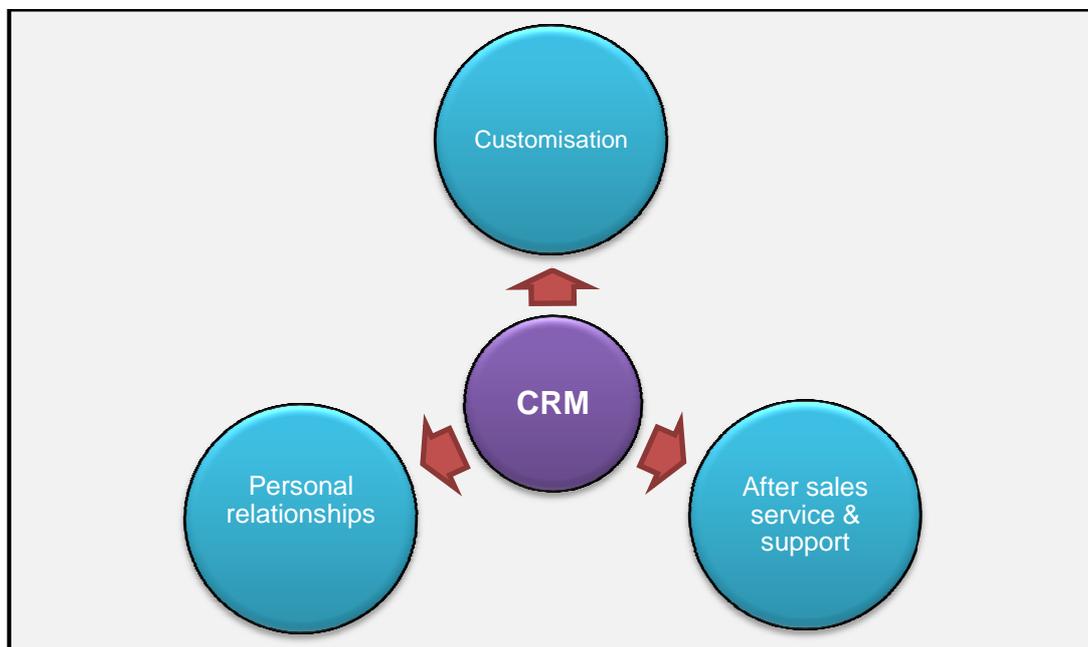
In companies' haste to implement CRM strategies, many are discovering that it can be extremely difficult and costly to implement these strategies in practice. The implementation of a CRM strategy will require a company to examine its operations, systems and culture in order to achieve a single view of the customer (Anon., 2003:22). In 2001 the CRM project failure rate was estimated between 55% and 75% (Kotorov, 2003:567). Ryals (2005:252) comments that failed implementation of CRM strategies may actually harm

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customer relations. Successful implementation of CRM strategies is therefore extremely important as failure of CRM projects will defeat the purpose of CRM as a whole.

Effective CRM entails knowing exactly what customers want and according to Galbreath and Rogers (1999:163) there are three key areas an organisation can focus on in order to achieve just that (i.e. effective CRM). These three key areas are reflected in Figure 2.2.

Figure 2.2: Three distinct areas of focus for effective CRM



Source: Galbreath and Rogers (1999:164).

- *Customisation:*
Customers want products or services that would either meet or surpass their individual expectations. The key is in addressing each individual's unique needs, in producing services or products tailor made to the needs and wants of the customer buying them.
- *Personal relationships:*
A crucial human longing for personal relationships exists in everyone. In order to build customer relationships, companies have to pay attention to the customers by listening to them and also initiating feedback to

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improve these relationships. Trust that forms between a company and its customers is based on close, personalised relationships between the two parties and confidence that both parties are working toward a mutually beneficial relationship.

- *After sales service/support:*

Most customers will leave a company purely because of the company's neglect to provide after sale support to the customer. Customer loyalty can be secured by supporting customers long after the initial sales.

It is thus clear that successful CRM programmes provide for the uniqueness of customers, trust between the organisation and the customer through building relationships and customer loyalty due to support from the organisation. In order to achieve CRM success as discussed above, organisations must especially prepare internally for the implementation of CRM programmes.

Anon. (2003:22) argues that the successful implementation of a CRM strategy should include certain key organisational factors which are:

- senior management commitment and involvement,
- development of a strategic plan in order to co-ordinate multiple actions, and
- both short-term and long-term aims and objectives should be set.

This means that CRM programmes should be strategic in nature, included in the objectives of the organisation and headed by senior management of the organisation. In conclusion, the successful implementation of CRM programmes is imperative to organisational success. At the same time failed CRM programmes can influence relationship management with customers and ultimately client retention negatively.

According to Buttle (2006:34), CRM integrates certain core attributes. These attributes or prominent aspects are found throughout CRM literature and is discussed in the following section.

2.4.4 Elements of CRM

Throughout CRM literature there are certain apparent fundamental aspects that are mentioned continuously. These fundamentals can be seen as the building blocks of CRM and are discussed as the elements of CRM. These fundamental elements are essentially what CRM consists of and it is important to identify these elements to better understand the concept of CRM.

2.4.4.1 Relationship building

In essence the purpose of CRM is to create, build and maintain profitable relationships with customers (Buttle, 2006:39). One-on-one customer relationships are the most significant asset for any company and in any competitive business environment these customer relationships are crucial for corporate success (Anton, 1995:1; Payne, 2006:12). Rowley (2004:154) makes a similar statement and argues that relationships are a means to an end, the end being a successful business. It is therefore vital for organisations to develop long-term relationships, as close relationships with customers can last throughout continuous changes in the marketplace (Zineldin, 1999:720). With this in mind, all transactions with customers must be looked at as relationship building opportunities (Anton, 1995:4).

Relationships are created on the formation and delivery of superior customer value on an on-going basis (Payne, 2006:15). The ideal is optimising customer value by identifying the most profitable customers and by creating, building and maintaining relationships with these customers (Payne, 2006:12). Relationship building is a core element of CRM and in essence what CRM strives to achieve.

2.4.4.2 Customer retention

The ultimate goal of CRM is finding, getting and retaining customers (Fernekees, 2006:2). Payne (2006:9) voices a similar opinion by stating that

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the goal of CRM is to maximise customer retention. Customer retention can be defined as the strategic objective of striving to maintain long-term relationships with customers (Buttle, 2006:298). To maintain a relationship means to retain a customer (i.e. the customer stays in the relationship). Lindgreen (2004:160) supports this view by arguing that the success of an organisation is often determined by the capability to maintain and grow a loyal customer base.

According to Buttle (2006:17) the effective management of customer retention creates two key benefits:

- companies better understand customers' requirements, which place companies in a position to satisfy customers' needs, and
- the company's marketing costs are reduced.

In order to retain customers, companies have to have a stronger focus on managing and measuring customer relationships (Anton, 1995:2). Ngai (2005:582) argues that in order to obtain better customer retention and ultimately profitability, organisations must focus on improving relationships with customers through CRM.

2.4.4.3 Customer loyalty

According to Zineldin (2006:432), a significant element of CRM is managing customer loyalty and customer retention. Crosby (2002:273) refers to loyalty as a strong emotional attachment to a firm that is manifested in customer behaviours like staying with a company, recommending a company and buying additional products or services. Loyalty to an organisation can thus lead to the customer staying with the organisation (i.e. customer retention) which is the aim of CRM.

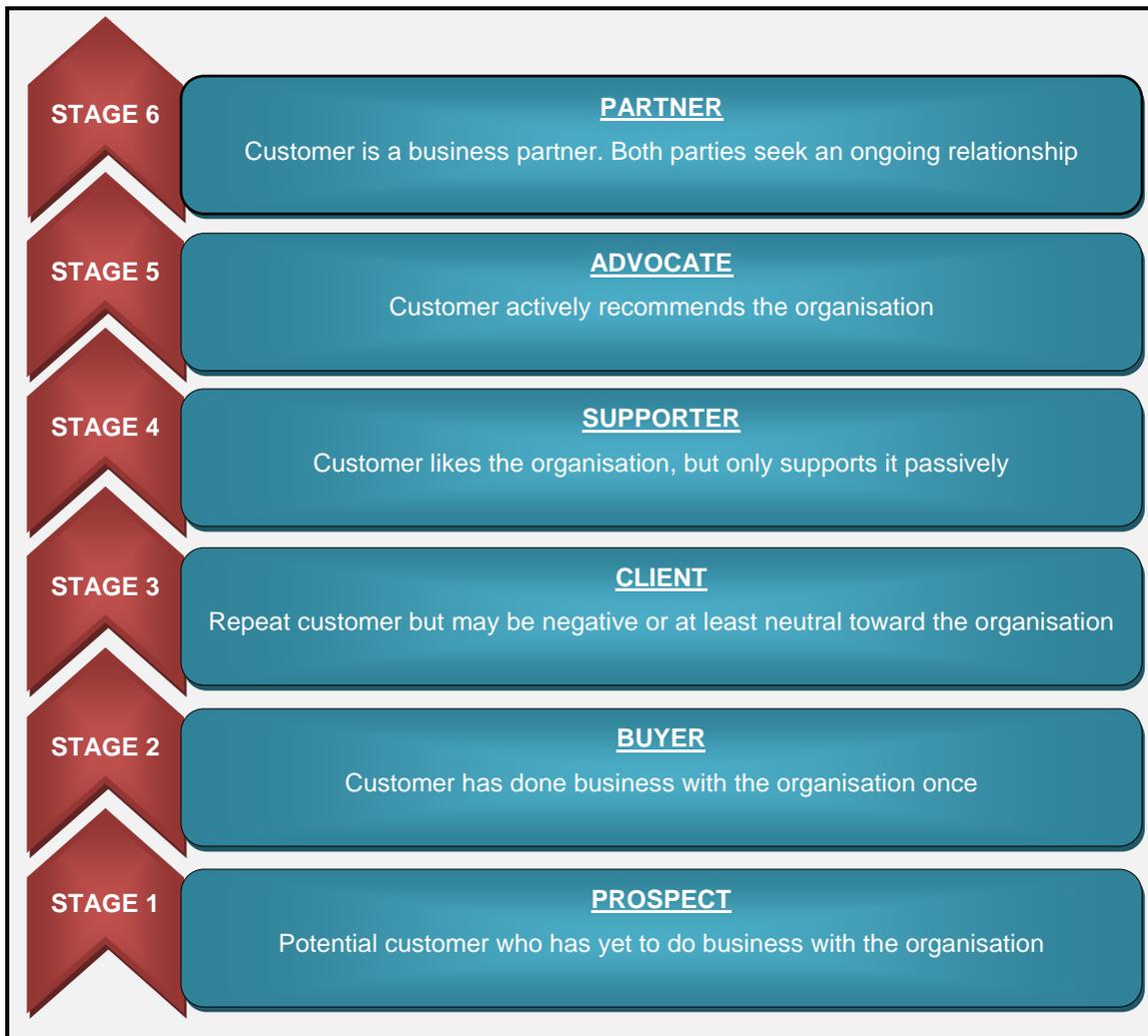
Customers expect companies to predict their needs, offer service accordingly and at levels higher than their expectations. In return, customers are loyal to the organisation (Chen & Popovich, 2003:681) which, as established earlier,

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can lead to the customer remaining a customer of the organisation by choice (i.e. client retention).

Figure 2.3 refers to the customer ladder of loyalty and identifies the stages of loyalty development where the last stage is a stage of total loyalty (i.e. partnership).

Figure 2.3: Customer ladder of loyalty



Source: Payne (2006:112).

Customer loyalty is dependent on how well the product and/or service measures up to the customer’s expectations of quality (Zineldin, 2006:432), and CRM applications help companies to create and maintain customer loyalty (Chen & Popovich, 2003:673).

2.4.4.4 Customer satisfaction

Anton (1995:23) defines customer satisfaction as a state of mind in which a customer's needs, wants, and expectations throughout the product/service life have been met or exceeded, resulting in repurchase and loyalty. Satisfaction is about meeting a customer's minimum requirements and customers are looking for the right level of quality in relation to what they are paying (Crosby, 2002:273). According to Zineldin (1999:720), customer satisfaction and the preservation of the customer relationship, depend on how well a service or product measures up to the standard of quality originally set by the customer.

According to Stefanou *et al.* (2003:618), customer satisfaction and the quality of service offered to the customers are deemed as extremely important in building trustworthy customer relationships, and also in retaining a competitive advantage. Zineldin (1999:721) is of the opinion that customers who are satisfied will return to the organisation that treated them better than competitors if they need to repurchase the same product or service in the future. An organisation satisfying its customers will find those customers returning or staying with the particular organisation.

According to Anton (1995:24), customer satisfaction has certain profound benefits:

- satisfied customers will repurchase products and services from the organisation they are satisfied with;
- satisfied customers will recommend the products and services of the organisation they are satisfied with, to other probable customers, which potentially may lead to increased sales; and
- satisfied customers will generate a positive word of mouth.

Customer satisfaction can clearly be very beneficial for organisational profitability. It is thus important for organisations, particularly in competitive industries and during poor economic circumstances, to better understand

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customer satisfaction, and what contributes toward a customer being satisfied or dissatisfied (Crosby, 2002:273).

According to Crosby (2002:273), a highly dissatisfied customer will almost definitely end a relationship, whereas a highly satisfied customer does not always foresee a definite retention. Anton (1995:2) argues that high customer satisfaction is closely linked to profits, cost savings and market share. Table 2.4 indicates the value of customer satisfaction for an organisation.

Table 2.4: Value of satisfied customers

DISSATISFIED CUSTOMERS	SATISFIED CUSTOMERS
Only 4% of dissatisfied customers complain.	Retaining customers cost one-fifth to one-sixth less.
Over 90% of unhappy customers won't be back.	Satisfied customers are willing to pay more.
Each dissatisfied customer tells nine different people.	Each happy customer tells five people about good service.

Source: Anton (1995:25).

Chen and Popovich (2003:673) argue that in order to boost customer satisfaction, customer relationships must be managed effectively and efficiently. This is in line with the aim of CRM which is to manage relationships with customers.

2.4.4.5 Strategic function of CRM

It is vital for companies to develop formal CRM strategies which incorporate the needs, behaviours and motivations of customers in order to create powerful and meaningful relationships with these customers (Knox *et al.*, 2003:12; Payne, 2006:40). The CRM strategy must be aligned with the overall business strategy in order to obtain a competitive advantage (Knox *et al.*, 2003:22).

CRM can consequently be viewed as a set of all-inclusive strategies used to manage relationships by integrating several processes within an organisation

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(Bull, 2003:600; Ngai, 2005:585). Anon. (2002:20) goes further to state that CRM should be an organisation-wide initiative that has to be strategic in nature. Nelson (2005:3) argues that it is important to keep in mind that CRM is not a technology but a business strategy and that basic CRM strategies will include extending the depth and breadth of customer relationships and creating customer satisfaction and loyalty.

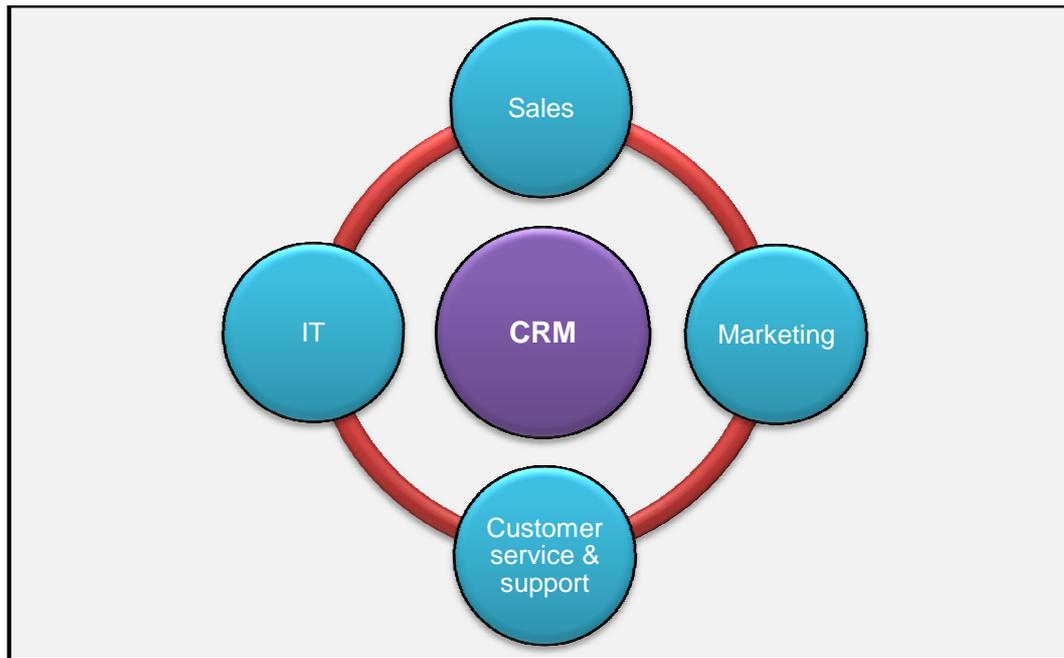
2.4.4.6 A holistic and cross-functional business approach

As stated by Anon. (2002:20) CRM should be an organisation-wide initiative. Effective CRM requires cross-functional integration of all the employees, operations and processes within a company, and all these business functions must be led from the top in order to effectively build beneficial relationships (Chen & Popovich, 2003:673; Knox *et al.*, 2003:19). A truly holistic and cross-functional business approach is thus needed for the optimal effectiveness of CRM.

A holistic and cross-functional business approach means the integration of functions across the organisation. This also includes the integration of internal operational processes within the organisation which make considerable contributions to effective CRM. According to Ngai (2005:585), the internal operational processes which can contribute to effective CRM when integrated include marketing, sales, information technology (IT) and customer service and support (Ngai, 2005:585). Figure 2.4 (p. 44) illustrates the integration of these internal operational business processes (i.e. functions).

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Figure 2.4: Business processes to be integrated in CRM practices



Source: Ngai (2005:584).

- *CRM:*
This is at the core and all the other business functions have to be integrated in order to achieve effective CRM.
- *Marketing:*
CRM originated from marketing and relationship marketing, therefore marketing and CRM are inseparable.
- *Sales:*
The sales function entails direct contact and interaction with customers, which constitutes CRM.
- *Customer service and support:*
The key to building and maintaining relationships is excellent customer service and support.
- *Information technology (IT):*
IT is used to enable almost all CRM processes and plays a key role in CRM development and implementation. Another significant function of IT is to convert customer data into useful information, and since customer

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information and customer knowledge are very considerable company assets, it has to be managed using IT.

Most businesses are overwhelmed by information coming from across all the different business functions. The ultimate focus of CRM should be to turn the information gathered from these business functions into intelligent business knowledge in order for the company to efficiently and effectively manage and nurture customer relationships (Galbreath & Rogers, 1999:162). The holistic and cross-functional approach (CRM organisation) is also identified as one of the four components indicated to measure CRM by Sin, Tse and Yim (2005:1268).

2.4.4.7 Customer centric

CRM originated from relationship marketing, and instead of focusing on all stakeholders, CRM only focuses on the customer (Grönroos, 2000:9). CRM can therefore be regarded as having a customer centric focus. According to Knox *et al.* (2003:5) successful firms focus their attention on understanding and fulfilling the needs of customers by obtaining knowledge about customers' motivations and behaviours. Companies have to become customer centric, and provide solutions based on the individual problems of customers (Knox *et al.*, 2003:6).

Over the years organisations allowed customers to lose their uniqueness by treating those customers as just another policy number, instead of a unique individual client. As a result companies lost track of the individual needs of customers. Today companies are re-establishing their connections with customers in order to create long-term loyalty (Chen & Popovich, 2003:672). By using a customer centric approach the focus is on key customers. Nelson (2005:3) reminds to be mindful that being customer centric is an on-going process. The authors Sin *et al.* (2005:1265) identified 'key customer focus' as one of the components to measure CRM and its impact on business performance.

2.4.4.8 Customer segmentation

According to Knox *et al.* (2003:23), the aim of CRM is to strategically build effective relationships, and in order to do that the segmentation of a customer base is a necessity. It is essential for businesses to focus on market segments and to provide each segment of customers with targeted communication and offers (i.e. excellent product and service) (Buttle, 2006:6). By dividing customers into segments, companies can decide which customers to focus on, since customers are different and relationships with them should be managed differently (Knox *et al.*, 2003:23).

2.4.4.9 Customer trust

Trust is decisive for the continuity of a relationship (Sharma & Patterson, 1999:156). CRM practitioner, Buttle (2006:15), argues that the development of trust in a relationship is an investment with a long-term pay-off. CRM should aim to develop trust between an organisation and its publics, because when trust exists, both parties are willing to make investments in the relationship (Buttle, 2006:15; Crosby, 2002:276). Trust implies reliance on or confidence in a process or person and is the key to long-term business and personal relationships (Sharma & Patterson, 1999:156).

2.4.4.10 Commitment

From a CRM point of view commitment is essential for effective long-term relationships. It arises from trust and motivates customers and organisations to preserve investments made in the relationship (Buttle, 2006:15). Commitment is thus vital to a relationship between an organisation and its customers (in the case of CRM). Sharma and Patterson (1999:152) agree and state that relationship commitment has been viewed as critical in relationships and considered to be essential for successful long-term relationships. An organisation needs to demonstrate to the customer that it has the ability to

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provide for the customer's current and future needs in a superior way by forming a committed relationship (Futrell, 2003:364).

2.4.4.11 Profits

It is evident that CRM aims to increase the profitability of a company's customer portfolio through effective and efficient customer relations (Bull, 2003:596; Buttle, 2006:39; Payne, 2006:5).

Every organisation asks this question: Does relationship management pay? Gummesson (2000:7) believes that relationship marketing offers a means to improved customer retention and also long-term relationships with vendors, competitors, suppliers, the media, government and other stakeholders. Gummesson (2000:7) also argues that if used correctly and with the necessary amount of skill, relationship management will lead to improved revenue, reduced costs and a superior financial performance.

2.4.4.12 Competitive advantage

In competitive markets customers fail to see any differences between products and even companies, especially in times of world-wide economic recession. As a result Anton (1995:3) suggests that CRM is the only concept that can provide a competitive advantage and place a company head and shoulders above the rest. Zineldin (2005:329) agrees by stating that a competitive advantage provides a customer with superior value compared to competitive offerings.

Zineldin (2006:430) argues that every organisation has to build and protect its competitive position. Two elements of CRM previously discussed assist in the development of competitive advantages and include creating customer loyalty (Zineldin, 2006:430) and customer satisfaction Zineldin (1999:719). Zineldin (1999:720) argues that competitiveness is dependent on customer satisfaction, which in turn is dependent on a mixture of responsiveness of

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customers' needs and opinions, constant improvements of services and products and continuous innovation and improvement of customer relationships.

In this extremely competitive era, high quality products and services are minimum pre-requisites only to compete in the market. As a result quality is no longer a deciding factor in differentiating one company from another. In order for a company to competitively differentiate itself, the focus should be on factors such as paying attention to customers, proactive service delivery, customer support and ultimately effective relationship management (Galbreath & Rogers, 1999:165). Kotorov (2003:567) states that the successful implementations of CRM projects have created a massive competitive advantage for companies, making the implementation of CRM by rival companies an absolute necessity.

2.4.4.13 Knowledge management

Anon. (2002:19) states that the idea behind implementing CRM strategies is not only better service delivery through data sharing with customers, but also allowing the company to gather data from the customers. To build good relationships with customers it is necessary to serve each customer in his preferred way, therefore require the management of 'customer knowledge' (Gerbert, Geib, Kolbe & Brenner, 2003:107). Companies can utilise information gathered to improve products, services and the company image (Anon., 2002:19). Ngai (2005:588) states that knowledge management is a very significant company asset.

Futrell (2003:126) suggests three important reasons to be knowledgeable when dealing with customers which include increased self-confidence, building the customer's confidence in the company and to build relationships. Knowledge management is a vital element of CRM, so much so that Sin *et al.*, (2005:1269) identifies it as a component relevant to the measurement of CRM.

2.4.4.14 IT-enabled

Anton (1995:4) argues that service may be the only factor distinguishing a company in a competitive environment. Consequently Anton (1995:4) suggests that companies capitalise on information technology since it can assist in serving customers better. A company's ability to effectively utilise information regarding its customers depends on the existence of an effective and supportive information technology (IT) system (Payne, 2006:15). According to Chan (2005:32), IT is a key enabler of CRM as it combines IT systems and strategy in order to satisfy and serve customers more effectively and efficiently. IT is used to enable almost all CRM processes and plays a key role in CRM development and implementation (Ngai, 2005:585).

From the arguments above it is evident that IT, and more specifically technology, plays an important role in the effectiveness of CRM. Sin *et al.* (2005:1269) identifies technology-based CRM (IT-enabled CRM) as another one of the four components which measures the impact of CRM processes. The four components measuring the impact of CRM Processes are discussed in the following section.

2.5 MEASURING THE EFFECTIVENESS OF CRM

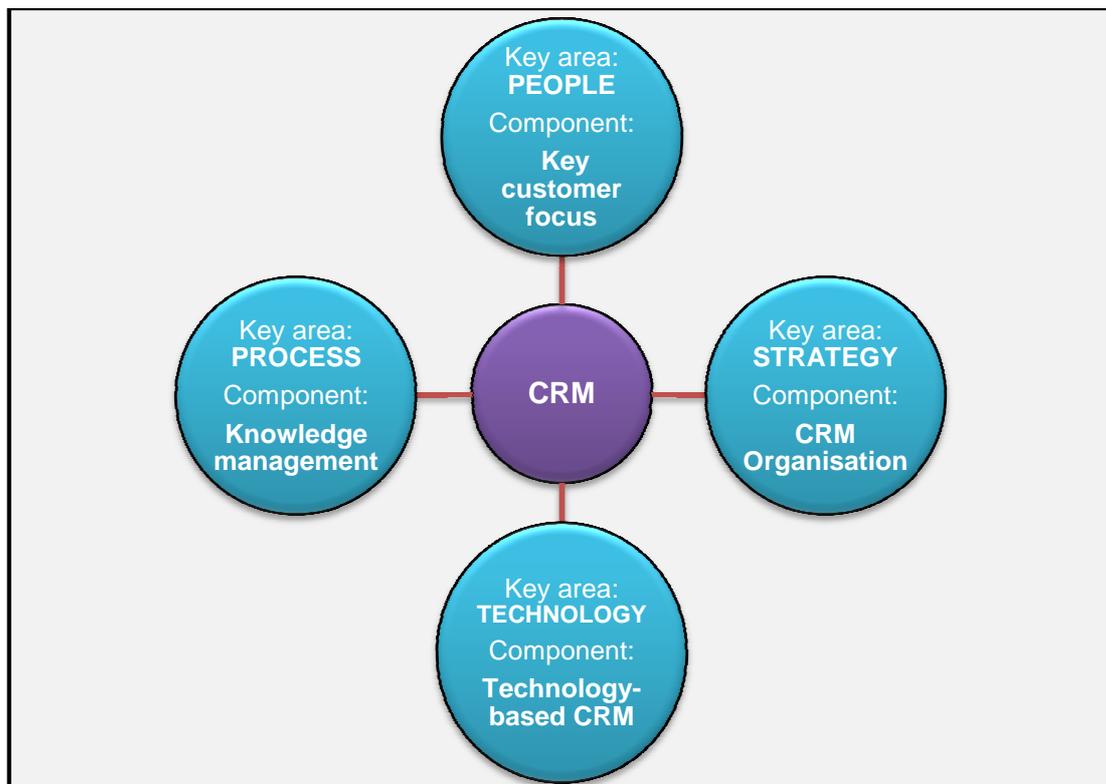
CRM is an emerging approach in marketing but will stay underdeveloped until its key elements have been identified (Sin *et al.*, 2005:1265). The goal of this section is to address the measurement of CRM and its impact on business performance. This section relies heavily on a study done by Sin, Tse and Yim (2005).

Sin *et al.*, (2005:1266) identified four components of CRM based on relevant literature. These components are: key customer focus, CRM organisation, knowledge management, and technology-based CRM. The identification of the four components correlates with the idea that successful CRM can be predicted based on four key areas: strategy, people, technology and processes. The four components (key customer focus, CRM organisation,

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knowledge management, and technology-based CRM) based on the four key areas (strategy, people, technology and processes) have to be implemented in order for CRM to be successful (Sin *et al.*, 2004:1266). The significance of successful CRM practices cannot be highlighted enough, as it is argued that successful CRM practices lead to profitability (Payne, 2006:5) and a competitive advantage (Anton, 1995:3). Figure 2.5 illustrates the four components and four key areas essential for successful CRM practices.

Figure 2.5: Four components and four key areas of CRM



Source: Sin *et al.* (2005:1266-1267).

These four components, four key areas and fundamental elements of CRM as identified earlier in this study are discussed and explored further.

2.5.1 Key customer focus

The key area linked to this specific component of CRM is people. The key facets of this dimension include customer centric marketing, key customer

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lifetime value identification, personalisation and interactive co-creation marketing.

2.5.1.1 Customer centric marketing

By selecting individual customers who are strategically significant to a company, these customers can be better understood and served, which according to Sin *et al.* (2005:1267) is crucial to the development of relationships. Customer centric marketing relates to the CRM elements of customer segmentation and customer centricism. As mentioned by Knox *et al.* (2003:23), during segmentation customers are divided into segments. Companies can then decide which segments to focus on in an according manner, since customers are different and their relationships should be managed differently (Knox *et al.*, 2003:23).

2.5.1.2 Key customer lifetime value

Lifetime value measures a customer's profit generation for the company and can be defined as the present value of all net profits earned in a relationship with a customer (i.e. future profits are discounted back to today's present value) (Buttle, 2006:127). CRM entails that when deciding whether to build a relationship with a customer, companies first assess the lifetime value of a customer (Sin *et al.*, 2005:1267). This facet is linked to the CRM elements of relationship building and customer retention. As explained the idea is to build relationships with customers and extend the lifetime value as far as possible (customer retention).

2.5.1.3 Personalisation

Sin *et al.* (2005:1268) argue that because of the diversity in the needs of customers the ability to predict customers behaviours are less accurate, companies should strive in the direction of adjusting their communication efforts toward tailor marketing to individual customers. Buttle (2006:26) argues

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that personalisation is when a company comes to understand the specific preferences and expectations of a customer. CRM enables companies to tailor offers and communication to individual customers. The content, timing and communication channels can be based on a customer's specific preferences (Buttle, 2006:254).

The component of personalisation links to the CRM elements of customer satisfaction. Satisfaction is about understanding and meeting the needs of customers (Crosby, 2002:273), while personalisation equally forces a company to focus on the needs of individual customers and practice marketing on specific customers through mass customisation (Sin *et al.*, 2005:1268).

2.5.1.4 Interactive co-creation marketing

Interactive co-creation marketing is the collaboration, cooperation and communication between a company and its customer which aims to customise solutions, create relationship value for both parties and enhance customer loyalty (Sin *et al.*, 2005:1268). It can be deduced that both the company and its customers decide together on solutions. This component links to customer loyalty since the aim of interactive co-creation marketing is to create mutually beneficial relationships and to improve customer loyalty.

In summary, Table 2.5 indicates the integration of the CRM component of key customer focus, the key area of people and relevant CRM elements as identified earlier in this study. The CRM components and CRM elements relevant to this table are followed by its specific section number for reference purposes.

Table 2.5: Integration: CRM component of key customer focus and CRM elements

Key area: PEOPLE	
CRM COMPONENT: <i>Key customer focus</i>	CRM ELEMENTS
<ul style="list-style-type: none"> • Customer centric marketing (2.5.1.1) 	<ul style="list-style-type: none"> • Customer segmentation (2.4.4.8) • Customer centric (2.4.4.7)

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Key area: PEOPLE	
CRM COMPONENT: <i>Key customer focus</i>	CRM ELEMENTS
<ul style="list-style-type: none"> • Key customer lifetime value (2.5.1.2) 	<ul style="list-style-type: none"> • Relationship building (2.4.4.1) • Customer retention (2.4.4.2)
<ul style="list-style-type: none"> • Personalisation (2.5.1.3) 	<ul style="list-style-type: none"> • Customer satisfaction (2.4.4.4) • Customer trust (2.4.4.9) • Commitment (2.4.4.10)
<ul style="list-style-type: none"> • Interactive co-creation marketing (2.5.1.4) 	<ul style="list-style-type: none"> • Customer loyalty (2.4.4.3)
 <ul style="list-style-type: none"> • Competitive advantage (2.4.4.12) • Profits (2.4.4.11) 	

2.5.2 CRM organisation

According to Sin *et al.* (2005:1268) the most important considerations to successfully organise a company around CRM include the organisational structures, organisation-wide commitment of resources and the support of human resources management. CRM organisation as a component to measure CRM is linked to the CRM elements of a holistic and cross-functional approach and the strategic function of CRM.

All of these concepts strive toward including all employees, processes and operations in an organisation in order to create effective CRM processes. The key facets of the CRM organisation components include organisational structure, organisation-wide commitment of resources and human resource management.

2.5.2.1 Organisational structure

CRM requires that the whole company works together in reaching the universal goal of establishing and maintaining excellent relationships (Sin *et al.*, 2005:1268). This entails that the organisational structures should be designed in such a way as to effectively optimize customer relationships (Sin *et al.*, 2005:1268). Chen and Popovich (2003:678) argue that by integrating

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internal organisational structures and processes, significant contributions are made toward CRM.

2.5.2.2 Organisation-wide commitment of resources

Organisation-wide commitment of resources should follow on the design of organisational structures and entails that all functions in an organisation should be integrated (Sin *et al.*, 2005:1268). All the different functions in an organisation (i.e. sales, marketing, human resources, finance, customer relations, IT etc.) should work together by utilising their commitment, time and resources toward satisfying customers. This component links to the CRM element of a holistic cross-functional approach.

2.5.2.3 Human resources management

Service-mindedness and a commitment toward customers' well-being have to be encrypted in the minds of employees. This can be done through internal marketing where human resources and marketing overlaps. Internal marketing processes include training, education, internal communication, reward systems and employee involvement (Sin *et al.*, 2005:1268).

Summing up, Table 2.6 indicates the integration of the CRM component of CRM organisation, the key area of strategy and relevant CRM elements as identified earlier in this study. The CRM components and CRM elements relevant to this table are followed by its specific section number for reference purposes.

Table 2.6: Integration: CRM component of CRM organisation and CRM elements

Key area: STRATEGY	
CRM COMPONENT: <i>CRM organisation</i>	CRM ELEMENTS
• Organisational structure (2.5.2.1)	• Strategic function of CRM (2.4.4.5)
• Organisation-wide commitment of resources (2.5.2.2)	• A holistic and cross-functional business approach (2.4.4.6)
• Human resources management (2.5.2.3)	• A holistic and cross-functional business approach (2.4.4.6)

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Key area: STRATEGY	
CRM COMPONENT: CRM organisation	CRM ELEMENTS
<ul style="list-style-type: none"> • Competitive advantage (2.4.4.12) • Profits (2.4.4.11) 	

2.5.3 Knowledge management

From a CRM point of view, knowledge can be viewed as what has been learned from experience and from analysing consumer data (Sin *et al.*, 2005:1269). Zineldin (2006:432) argues that an effective customer data base allows a company to understand customers needs, especially their relationship needs, better than the competitors. This means that by mining customer data and analysing the data, a company has more knowledge about its customers than what competitors have. Knowledge management is also an element of CRM.

The key facets of knowledge management include knowledge learning and generation, knowledge dissemination and sharing, as well as knowledge responsiveness.

2.5.3.1 Knowledge learning and generation

According to Stefanou *et al.* (2003:618) knowledge about customers is a necessity for CRM success. Customer data, needs and preferences are captured through two-way communication with customers and also through interactive feedback systems (Sin *et al.*, 2005:1269). By gathering customer data and analysing the data, organisations can utilise the customer information and integrate it into organisational strategies (Sin *et al.*, 2005:1269).

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2.5.3.2 Knowledge dissemination and sharing

Organisations have to develop and implement procedures to effectively share customer knowledge with all the different departments in an organisation (Sin *et al.*, 2005:1269). Shared customer knowledge can facilitate combined efforts by different departments.

2.5.3.3 Knowledge responsiveness

Knowledge responsiveness is the facet where all the knowledge gained from customer information is utilised and incorporated into services and products. This means that services and products will be customised to consumers' specific needs, and companies can respond better to customer demands and enhance service quality which will ultimately lead to stronger long-term relationships with these customers (Sin *et al.*, 2005:1269).

In summary, Table 2.7 indicates the integration of the CRM component of knowledge management, the key area of processes and relevant CRM elements as identified earlier in this study. The CRM components and CRM elements relevant to this table are followed by its specific section number for reference purposes.

Table 2.7: Integration: CRM component of knowledge management and CRM elements

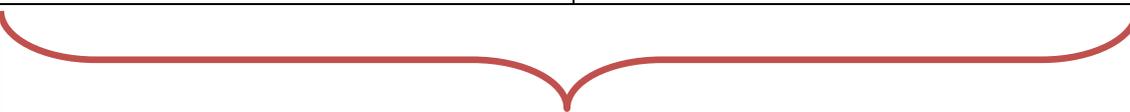
Key area: PROCESSES	
CRM COMPONENT: <i>Knowledge management</i>	CRM ELEMENTS
<ul style="list-style-type: none"> • Knowledge learning and generation (2.5.3.1) 	<ul style="list-style-type: none"> • Knowledge management (2.4.4.13)
<ul style="list-style-type: none"> • Knowledge dissemination and sharing (2.5.3.2) 	
<ul style="list-style-type: none"> • Knowledge responsiveness (2.5.3.3) 	
<ul style="list-style-type: none"> • Competitive advantage (2.4.4.12) • Profits (2.4.4.11) 	

2.5.4 Technology-based CRM

Technology, including CRM software systems, data mining, data warehousing to name a few, enable organisations to provide greater customisation, quality and pricing to customers (Sin *et al.*, 2005:1269). Technology-based CRM also assist employees of the organisation to serve customers more efficiently (Sin *et al.*, 2005:1270). Sin *et al.* (2005:1270) also mention that many customer-centric activities would be very difficult and less effective without the appropriate technology. Technology-based CRM is similar to the CRM element of IT. Both these concepts view the use of IT systems as a necessity as it converts data into useable information and knowledge which is a significant company asset (Ngai, 2005:588).

In summary, Table 2.8 indicates the integration of the CRM component of technology-based CRM, the key area of technology and relevant CRM elements as identified earlier in this study. The CRM components and CRM elements relevant to this table are followed by its specific section number for reference purposes.

Table 2.8: Integration: CRM component of technology-based CRM and CRM elements

Key area: TECHNOLOGY	
CRM COMPONENT: <i>Technology-based CRM</i>	CRM ELEMENTS
<ul style="list-style-type: none"> Technology based CRM (2.5.4) 	<ul style="list-style-type: none"> IT-enabled (2.4.4.14)
 <ul style="list-style-type: none"> Competitive advantage (2.4.4.12) Profits (2.4.4.11) 	

2.6 CONCLUSION

There is an increasing concern among companies to manage relationships with clients to encourage client retention. In this chapter the field of marketing management was explored to search for the suggested approaches to best manage relationships and retain clients. From the field of marketing,

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relationship marketing developed and is directed toward the establishment, development and maintenance of relational exchanges (Hunt *et al.*, 2006:72).

Relationship marketing focuses on managing relationships with all stakeholders an organisation may have, but for the purpose of this study the client is the only relevant stakeholder. Literature reveals that the concept of CRM originated from relationship marketing and only focuses on customers. CRM not only focuses specifically on customers, but most importantly focuses on customer retention.

CRM is thus the field of marketing management's solution to client retention. Certain dominant elements are repeated continuously throughout CRM literature and these elements are identified and analysed. In a study done by Sin *et al.* (2005:1265) the measurement of CRM and its impact on business is addressed. Based on four key areas (strategy, people, technology and processes) successful CRM can be predicted. All of the identified elements of CRM resort under the four key areas of successful CRM. It can be concluded that the success of CRM and ultimately client retention can be predicted by incorporating the elements of CRM as identified in this study.

The perspective of marketing management with regards to client retention was established, which leaves the perspectives from the field of communication management. The next chapter attempts to explore the discipline of communication management in order to establish the proposed approach toward client retention. Communication management will be explored in roughly a similar structure as marketing management (Chapter 2).

CHAPTER 3

The communication management perspective: PR

3.1 INTRODUCTION

While Chapter 2 explored the field of marketing management, relationship marketing and CRM with the aim to determine the suggested approaches toward client retentions, this chapter explores communication, public relations and the stakeholder theory which are all rooted in the discipline of communication management. Similar to Chapter 2, the purpose of this chapter is to obtain an in-depth understanding of the suggested approaches of the discipline of communication management toward the retention of clients.

The field of communication management has clear proposals toward managing relationships, which leads to customer retentions and ultimately organisational profitability. Researchers agree that in order to develop and maintain relationships (i.e. customer retention), relationships have to be managed (Ledingham, 2003:181; Ströh, 2005:111). In order to manage relationships effectively the field of communication management suggests views from the stakeholder theory and the function of public relations (PR).

The function responsible for managing relationships by managing communication with stakeholders is PR. PR is supported by the stakeholder theory with regards stakeholder relationship management. Bruning and Ledingham (2000:170) affirm the relevance of PR and mention that the function of PR increases the effective management of relationships and the amount of customers retained. It is important to note that PR and the stakeholder theory focus on all the stakeholders involved with the organisation, but for the purpose of this study only one stakeholder, the customer, will be focused on.

Communication management, PR and the stakeholder theory are analysed in order to determine which core aspects form the building blocks of these concepts.

3.2 COMMUNICATION MANAGEMENT

Edwards (2006:145) argues that communication theories began by focusing on persuasion as the outcome of communication. Communication outcomes required an active receiver to absorb and respond to the message thus allowing them to be persuaded through an effective channel. However, more recently organisations started taking into account other outcomes, such as informing individuals or reinforcing ideas and behaviours (Edwards, 2006:145).

Due to numerous social, political and ethical issues influencing organisational performance, organisations are beginning to recognise the necessity of incorporating an awareness of public affairs into its daily management (Dolphin & Fan, 2000:100). It is deducted that public affairs and publics alike have the potential to influence the organisation negatively if not communicated to correctly and accurately. Hence, Dolphin and Fan (2000:99) suggest that over the past decade corporate communication has been recognised as one of the most valued strategic tools. Corporate communication evolved from a strategic persuasion tool to a strategic tool aimed at achieving harmony with publics. De Bussy and Ewing (1997:222) are in agreement with these statements and suggest that organisations rely on various stakeholders in order to achieve its goals. Failure to achieve harmony with stakeholders may lead organisations to have less autonomy and control over its operations (Heath, 1994:253).

The management of relationships with stakeholders, through the management of communication introduced the concept of public relations (PR). The function of PR is consequently responsible for managing communication between an organisation and its customers in order to develop and maintain these relationships (Ströh, 2005:111). It is thus clear that the concept of PR flows from the field of communication management and is in essence responsible for managing communication. Bruning and Ledingham (2000:159) summarise by stating that the primary purpose of PR is to manage

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relationships and communication is the vehicle that organisations utilise to initiate, develop, maintain and repair mutually beneficial relationships.

It is clear that harmony with stakeholders is vital for organisational profitability and survival. Steyn and Puth (2000:188) therefore suggest building and maintaining effective relationships with stakeholders as it can contribute to a successful and competitive organisation. Phillips (2006:212) argues that relationships are valuable and organisations have to focus their attention on the effective protection and management of these relationships. Many organisations are concerned with organisational performance in meeting stakeholder goals, supporting the notion that the quality of relationships with stakeholders drives financial performance (De Bussy & Ewing, 1997:223). It is evident that relationships with stakeholders are essential, but Luhmann (1981:122) argues that without communication there can be no human relations.

Broom, Casey and Ritchey (2000:5) suggest that in order to maintain mutually beneficial relationships between an organisation and its various publics, communication linkages have to be established and maintained. Steyn and Puth (2000:188) have a similar point of view and state that relationships are the natural result of communication.

Heath (1994:254) further suggests that communication and strategic planning can assist the efforts of an organisation to build harmony with stakeholders, who hold different opinions which can affect the way in which the organisation operates. Heath (1994:3) also suggests that in addition to using communication to influence publics, publics are affected by communication in how they perceive themselves, the expectations they have regarding work and rewards, and their opinion of the organisation. Hochhauser (2005:30) suggests that customers (or any publics) have become more empowered than ever before and expect immediate, relevant communication. Communication should thus be conducted in such way as to reflect 21st century realities. Corporate communication has become a vital and competitive weapon and

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organisations can gain and sustain competitive advantages from communicating successfully with key stakeholders (Dolphin & Fan, 2000:100).

Communication is the process of transferring meaning and in a business setting the effectiveness of the communication process can be the difference between success and failure or profit and loss (Gibson & Hodgetts, 1990:7). Steinberg (1997:13) defines communication as a transactional process of exchanging messages and negotiating meaning to establish and maintain relationships. Dozier (1984:85) agrees with Steinberg's definition that communication can assist in maintaining relationships, but Dozier also suggests that communication is a strategic management function which can ultimately affect the outcomes of the organisations' goals and objectives.

It is clear that communication has a vital influence on building and nourishing relationships, therefore it is crucial for communication to be as effective and efficient as possible. Cutlip, Center and Broom (1994) suggest seven guidelines (the seven Cs) for effective communication, as the effectiveness of communication can influence the state of a relationship.

- *Credibility:*

Communication entails a climate of belief. The receiver (stakeholders) of the communication must have confidence in the sender (organisation) and a high regard for the competence of the organisation, thus believing the organisation is credible.
- *Context:*

Communication efforts must be in line with the realities of the environment. The context of communication efforts must provide for participation. Effective communication requires a supportive environment.
- *Content:*

The message (communication) must have meaning for the receiver (stakeholder) and be relevant to the receiver's situation. People in general select those items of information that offers them the greatest rewards, thus the content of communication will determine the audience.

- *Clarity:*
Communication must be in laymen's terms. Words or messages must have the same meaning for the sender and the receiver and complex issues must be put in simple terms.
- *Continuity and consistency:*
Communication is an ongoing process and requires repetition to achieve penetration. Repetition of communication should always be consistent.
- *Channels:*
Channels used and respected by the receiver (stakeholders) should be used to communicate with them. Although different channels of communication have different effects and are used to communicate with different target audiences, it is important to keep in mind that stakeholders associate certain values with certain channels.
- *Capability of the audience:*
Communication is most effective when it requires the least amount of effort on the recipients' side. This includes factors like availability of recipients, habits, reading abilities and their knowledge.

In summary, communication thus initiates and assists to maintain and manage relationships. Regardless of a company's size, communication is a vital link in holding any organisation together, communication and an organisation can thus be seen as interdependent (Rosenblatt, Cheatham & Watt, 1982:6).

Stakeholders are at the core of communication management and PR, therefore a clear understanding of the stakeholder concept is vital before PR is discussed in the following sections.

3.3 THE STAKEHOLDER THEORY

Stakeholders are groups and/or individuals whose behaviour can have consequences for the performance of the organisation. At the same time the organisation's behaviour and decisions have consequences for the

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stakeholders (Steyn & Puth, 2000:187; Wheeler & Sillanpää, 1998:203). These stakeholders differ from organisation and situation and normally include customers/clients, end users, shareholders/investors, employees, suppliers, governments, pressure groups, local communities and the media (Gable & Shireman, 2004:1).

During the 1980s the stakeholder concept emerged with the idea to take into consideration the interests of all individual or groups who can affect, or be affected by the organisation (Steyn & Puth, 2000:187). Berman *et al.* (1999:491) suggest that organisations must actively seek to understand and manage stakeholders, since those stakeholders can affect organisational performance (i.e. profitability). Managing stakeholders proactively, can assist organisations in maximising profits (Berman *et al.*, 1999:491).

Numerous business leaders and academics are eager to grasp the stakeholder concept and apply it to the strategic management of organisations (De Bussy & Ewing, 1997:223). The importance of the stakeholder concept in business, politics and society seems beyond doubt making the stakeholder theory extremely relevant (De Bussy & Ewing, 1997:223).

The stakeholder theory suggests that the environment of any organisation consists of a variety of stakeholder groups who have certain interests (stakes) in the performance of the organisation, which might be either positive or negative (Gable & Shireman, 2004:5; Steyn & Puth, 2000:187; Zsolnai, 2006:39). Grunig *et al.* (2006:33) state that an effective organisation is partly determined by identifying key stakeholders, as the idea is to incorporate the values of strategic stakeholders into the goals of the organisation in order for the organisation to attain the goals of most value to key stakeholders. Wheeler and Sillanpää (1998:203) agree with the statement and suggest that stakeholders have to be included in an organisation's strategies by means of two basic principles. Firstly, by aligning the values of the organisations with those of the stakeholders and by encouraging dialogue-based empowered relationships. Secondly, by doing this the commitment exists to listen and respond to stakeholder's needs and beliefs.

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Mainardes *et al.* (2011:231) suggest that the stakeholder theory correlates with the systems theory as both theories emphasise the interdependence and integration of publics making up the system. This has been pointed out in the conceptualisation of this study in Chapter 1. The systems theory and stakeholder theory both focus on the suggestion that organisations are open systems where interdependent relationships exist with stakeholders, and these relationships have to be managed strategically for the mutual benefit of both parties.

In order to strategically manage mutually beneficial relationships the function of PR which flows from the field of communication management is suggested. PR is a strategic tool responsible for managing communication between an organisation and its customers in order to develop and maintain those mutually beneficial relationships (Ströh, 2005:111).

3.4 PUBLIC RELATIONS (PR)

The roots of PR can be traced back to the late 1800s (Ledingham & Bruning, 2000a:xi). PR, as it is known today, originated in the United States and the history of PR in America has to a large extent determined its history in the rest of the world (Skinner & Von Essen, 1999:21). It resulted initially as a tool used in power struggles in America, but plays a vastly different role in present-day society. PR in South Africa only came into being after World War II when the Government of 1937 established the first PR function to spread official information on behalf of a newly founded Information Bureau (Skinner & Von Essen, 1999:23).

Grunig *et al.* (2006:22) suggest that PR research began in the 1950s and 1960s as a result of mass communication research and was regarded primarily as an activity to influence the media. Researchers soon realised that influencing the media is not the solution to every PR problem and that PR should rather be used as a process in which organisations must communicate with publics in different ways for different situations (Grunig *et al.*, 2006:23). To this day, PR is still regarded by many practitioners as mostly publicity and

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media relations, however, many others have changed their perspective and view PR as the part of the strategic management function through which organisations interact with its publics before and after management decisions are made (Grunig *et al.*, 2006:23).

PR was traditionally viewed as mainly a communication activity, but Ledingham and Bruning (1998:55) suggest that the view of PR as relationship management represents a conceptual change. These authors argue that PR as relationship management is conceptualised as a management function that utilises communication strategically. Ledingham (2003:183) argues that it is difficult to overstate the importance of the relational concept to PR. Therefore, it is important to better understand the relational concept in order to grasp the essence of PR.

3.4.1 The nature of relationships

Phillips (2006:214) suggests that relationships are unique and have certain consequences for certain parties involved in the relationship and can to an extent influence parties involved. Although relationships can assist in managing interdependence between an organisation and its environment, it is vital to note that relationships have the capability to both limit and/or enhance an organisation's position within its specific environment (Grunig *et al.*, 2006:33). It is therefore vital to focus on the value of relationships and the need to protect and manage those relationships effectively (Phillips, 2006:212).

The actual relationship (i.e. the building and maintenance thereof) between an organisation and its publics have for a long time been regarded to be the substance of PR activities (Edwards, 2006:156; Grunig *et al.*, 1992:69). Jo, Hon and Brunner (2004:14) agree and state that the contribution of PR lies in the value of relationship quality between the organisation and its publics. These authors also suggest that supportive behaviours from stakeholders are likely to result when organisations and publics have a positive relationship (i.e. quality relationship). Grunig *et al.* (1992:69) voice a similar opinion and state

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that good relationships increase the effectiveness of organisations because the organisation is allowed more freedom and autonomy than with bad relationships. These statements link with the study by Swart (1998:191) as discussed in Chapter 1 where he identified the quality of relationships as a determinant of client retention. It can thus be deduced that PR contributes toward quality relationships which determine whether a client will remain in a relationship or not, making PR a critical factor for client retention.

3.4.2 Defining PR

According to Skinner and Von Essen (1994:4) PR helps to define mutually beneficial relationships between an organisation and its key stakeholders. PR is easily confused for advertising, sales promotions, propaganda and publicity and therefore a clear understanding of this complex concept is essential. Table 3.1 presents some of the definitions available in PR literature.

Table 3.1: Definitions of PR

AUTHOR(S)	DEFINITION
Grunig and Hunt (1984)	These authors describe PR as the management of communication between an organisation and its publics.
Definition adopted by the Public Relations Institute of Southern Africa (PRISA). Skinner and Von Essen (1999:4)	"PR is the management, through communication, of perceptions and strategic relationships between an organisation and its internal and external stakeholders".
Cutlip, Center and Broom (1994:6)	"PR is the management function that establishes and maintains mutually beneficial relationships between an organisation and its publics on whom its success and failure depends".
Ströh (2005:111)	"PR is the function that manages communication between an organisation and its publics".

From the above definitions it is clear that PR is the function responsible for managing relationships between an organisation and its strategic publics by utilising effective communication.

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Skinner and Von Essen (1999:6) go further to state that PR exhibits certain characteristics:

- *PR is dynamic.*

The PR process continuously and constantly changes, consequently this process also has to adjust and adapt in order to most effectively maintain current relationships and establish new relationships.

- *PR is analytical:*

PR requires a process of analysing situations and the factors influencing the situation. It also entails evaluating the progress of any actions including corrective actions.

- *PR is planned:*

PR requires goals to be set and priorities to be determined based on specific problems or situations which should be within the determined budget in time constraints.

- *PR implies action:*

In order to cope with the ever changing needs and demands of stakeholders, PR requires continuous action in the form of execution of planned strategies and the implementation of alternative strategies. PR should be proactive.

- *PR requires evaluation:*

PR performance is evaluated in terms of the goals achieved.

- *PR demands adjustment:*

PR strategies should always be flexible in order to adjust to alterations of goals because of the ever changing demands and needs of stakeholders.

All of these characteristics can be summarised as follows: analysed opinions and trends, process these to determine their possible effect on the organisation, plan and execute a course of action aimed at ensuring the survival of the organisation, while staying in the borders of social well-being and responsible behaviour.

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It can be argued that the value of PR as a contributing factor toward organisational effectiveness and survival cannot be overstated (Grunig *et al.*, 1992:70). These authors ask the question of how organisations can benefit from PR and how PR can contribute to the bottom-line of an organisation. The answer lies in their reasoning that only excellent PR would contribute to bottom-line organisational effectiveness.

3.4.3 The value of PR

In summary, it is clear that PR establishes mutual understanding between an organisation and its stakeholders. This mutual understanding then forms the basis of a sound relationship based on open two-way communication. A sound relationship based on two-way communication enables the organisation to use feedback from stakeholders and utilise it in such a way as to influence the stakeholder's opinion, judgement and behaviour, while keeping the mutual benefit of both parties in mind. In this argument lies the value of PR.

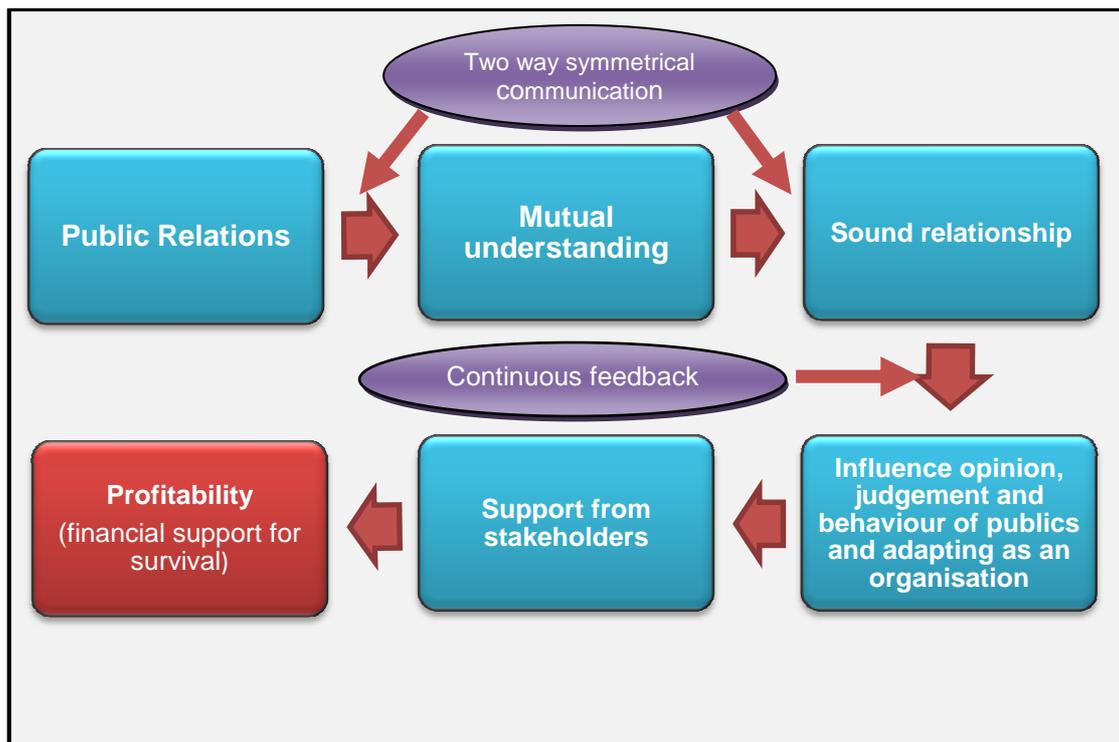
Edwards (2006:146) mentions that the objective of PR is to develop and execute strategies and tactics that will benefit the organisation in any given context. The idea is to influence the stakeholders' opinion and behaviour in such a way as to retain the support of the stakeholder as the organisation is dependent on the financial support of the various stakeholders in order to survive. This is known as asymmetrical communication as the organisation uses feedback from the stakeholders to attempt to change their opinions and behaviours without attempting to make any changes on the organisation's side.

PR was initially rooted in persuasive communication where the aim was to generate an agreement between the organisation and its stakeholders by changing their way of thinking to align with the organisation's way of thinking (Edwards, 2006:147). It is important to keep in mind that the core function of PR should be steered toward focusing on building, nurturing and maintaining relationships and the focus should, thus, steer away from manipulating the opinions of stakeholders (Ledingham & Bruning, 2000b:56). Thus,

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relationships should be based on two-way symmetrical communication where the organisation is also willing to adapt in order to create mutually beneficial relationships. Grunig and Huang (2000:28) suggest that relationships are likely to improve in the long-term if organisations and publics understand one another, agree with one another and behave in complementary ways. Figure 3.1 is a visual deduction of the above arguments.

Figure 3.1: Fundamental summary of PR



Source: Own conceptualisation

According to Grunig *et al.* (2006:30), the question of the value of PR has been a great concern to communication professionals for many years because of the belief that PR is an intangible management function in comparison with other management functions in which case the value can be described, measured and evaluated. These authors mention that PR researchers have therefore aimed toward developing measures that would establish the fact that PR is effective and adds value.

Grunig *et al.* (2006:31) therefore suggest that in order to determine the value PR holds, the value of communication should first be determined, and

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according to Luhmann (1981:122) no human relations are possible without communication. Grunig *et al.* (2006:31) identified four levels to indicate the value of communication:

- *Program level:*

Communication programmes like media relations, community relations or customer relations are only successful when it affects the attitudes and behaviours of both the publics and the organisation as a whole. Effective communication programmes may or may not add value to the organisation as many of these programmes are operated independently from organisational goals.

- *Functional level:*

The PR function as a whole can be audited by comparing it to the PR function in other organisations or with theoretical principles. This is also known as theoretical or practical benchmarking. It is likely that PR departments that meet the evaluation criteria at the functional level should develop communication programmes that will meet objectives better than PR functions that do not meet these criteria.

- *Organisational level:*

In order to prove that PR has value to an organisation it is necessary to confirm that effective communication programmes and functions contribute to organisational effectiveness.

- *Societal level:*

Organisations affect other organisations, individuals and publics in society and often have an impact on various groups beyond its own bottom-line. Organisations cannot be effective without being socially responsible, therefore it can be said that PR has value when it contributes to the social responsibility of the organisation.

It is also of essence to understand what contributes to the effectiveness of an organisation in order to determine the value that PR can add to the organisation. Grunig *et al.* (2006:33) identify certain perspectives to explain an effective organisation, these are systems, goal-attainment, strategic

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constituencies and competing values, but also mention that organisational effectiveness is determined, in part, by identifying key publics. This is derived from the statement that different organisations with different strategic constituencies in their environments will have different goals and their effectiveness will thus be defined in different ways.

Grunig *et al.* (2006:33) further argue that PR is the function responsible for building high-quality relationships with different strategic publics. The proper outcome of PR, according to Center and Jackson (1995:2) is public relationships, thus an organisation with effective public relations practice will accomplish positive public relationships. The value of PR is embedded in the value of the relationships between the organisation and its publics in both the internal and external environments of the organisation (Grunig *et al.*, 2006:35). PR contributes this value at the organisational and societal levels through excellent practice at the functional and program levels. Thus, PR programs are effective and add value when objectives to help build successful relationships with strategic publics are accomplished.

Phillips (2006:212) mentions that it can be accepted that relationships are both valuable and essential for wealth creation. Grunig *et al.* (2006:35) also add that the most current approach to establish the value of PR as an intangible asset is that of relational wealth. It is argued by some PR scholars that while public relations helps the organisation to build successful relationships with key stakeholders, this function also assist the organisation in saving costs resulting from litigations, regulations, legislations, activist pressure groups, consumer boycotts and loss of revenue resulting from bad relationships (Jo *et al.*, 2004:15).

It is deemed impossible to determine the monetary value PR contributes to an organisation through relationships created (Grunig *et al.*, 2006:35) for the following reasons:

- Relationships can determine and influence behaviours of publics, but they do not determine behaviour alone. The behaviours of publics are

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also affected by other factors such as competition, economic environment and performance.

- Relationships save money by preventing costly issues, crises, regulation, litigation and bad publicity. If the presence of PR prohibited anything from happening, it is impossible to determine the saving in costs or effect on brand awareness if that event never occurred.
- The return on relationships is delayed as organisations spend money on relationships for years to prevent events or behaviours (boycotts, litigations, crises etc.), that might happen in future.
- The return on relationships is usually lumpy. Effective relationships with some stakeholders may result in the continuous generation of revenue, but often the return comes all at once (for example when bad publicity, litigations, crises or strikes have been avoided, or when sponsors donates years after the relationship started). These factors make it difficult to determine what the delayed returns would have been in monetary terms invested every year.

Grunig *et al.* (2006:36) did, however, identify a method to transform non-monetary values, such as the benefit of a good relationship, into monetary values. This method is called the compensating variation and the idea behind the method is to ask people how much they are willing to pay to have something. In the case of PR, PR managers would be asked how much PR is worth to them, in either monetary or non-monetary terms. During their research Grunig *et al.* (2006:37) determined that top management and PR practitioners alike agreed that PR returns considerably more than it costs and even more than a typical department in the organisation. These findings are soft measures, but prove nonetheless that excellent PR contributes more value than less excellent PR.

Grunig *et al.* (2006:55) concluded that in essence the value that PR adds to the effectiveness of the organisation (i.e. organisational wealth or profits) is rooted in the relationships that organisations develop and maintain with its publics. If the true value of PR is encapsulated in the actual relationships with

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key publics, the dimensions or elements of which these relationships consists of, should be identified in order to better grasp PR's value to an organisation and ultimately its profits.

3.4.4 Elements of PR and the stakeholder theory

In Chapter 2, elements of which CRM is comprised were identified and discussed in order to get a better understanding of the concept of CRM and its suggestions towards the retention of clients. Similar to Chapter 2, all the fundamental elements relating to PR and the stakeholder theory as mentioned throughout communication management literature, are identified in this section. These fundamental elements are in essence what PR and the stakeholder theory consists of and are identified and analysed to better understand these concepts.

3.4.4.1 Building of relationships

Building relationships is the substance of PR (Grunig *et al.*, 1992:69). In essence PR is the function that establishes (i.e. build) and maintains mutually beneficial relationships (Cutlip *et al.*, 1994:2). According to Ledingham (2003:181), the presence of effective PR in an organisation will achieve positive relationships. Grunig (1992:6) agrees that PR contributes to the effectiveness of an organisation by building long-term relationships with strategic stakeholders. It is clear that PR in its fundamental nature is responsible for building long-term mutually beneficial relationships with strategic stakeholders.

Hung (2005:395) argues that in order to survive, organisations must acquire certain resources which are normally controlled by other parties, thus, the organisation must interact with these parties. Organisations have relationships with outside stakeholders, whether they want such relationships or not (Grunig *et al.*, 1992:68). Based on this argument the value of PR is reflected in its ability to help organisations build strong relationships with its external

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stakeholders and minimise the possibility of conflicts and crises. By investing in good relationships, organisations are more effective because they have more freedom to achieve missions and objectives – bad relationships would not allow for this (Grunig *et al.*, 1992:69). Relationship building is the essence of PR, and the importance and value of these relationships are unmistakable.

3.4.4.2 Maintaining relationships

The familiar definition of PR by Cutlip *et al.* (1994:2) state that PR it is the management function that not only establishes mutually beneficial relationships, but also maintains relationships between an organisation and the stakeholders on which it depends. Various authors (Broom *et al.*, 2000:3; Edwards, 2006:156; Ehling, 1992:622) agree in stating that the objective of PR is the building, improvement and maintenance of relationships. Maintaining relationships entail the continuous nourishing of these relationships, with the intention to let the relationship last for as long as possible. This will influence the specific stakeholder to remain in the relationship, thus retaining the stakeholder. PR consequently increases the effectiveness of relationship management by maximising the amount of existing customers retained (Bruning & Ledingham, 2000:170).

Ledingham and Bruning (2000b:62) developed a survey instrument based on the suggestion that the presence of certain relationship dimensions (openness, trust, commitment, involvement and investment) can make a difference in which stakeholders would stay with the organisation, and which ones are undecided or will leave if offered a better option elsewhere. The results of the survey reported that when a managed communication program based on the relationship dimensions are followed, the amount of customers who indicated that they would want to stay with the specific organisation increased by 10% (Ledingham & Bruning, 2000b:62).

Thus, by managing communication programmes through PR, the perceptions of the organisation-stakeholders relationship can be influenced to impact the behaviour of the stakeholder in such a way that the stakeholder will stay with

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the organisation (Ledingham & Bruning, 2000b:65). Edwards (2006:156) states that PR strategies and tactics should always be assessed in terms of their effect on the relationships with stakeholders and not the benefits for the organisation, thus indicating the importance of preserving the relationship (i.e. retaining the stakeholder through the relationship). Ledingham (2003:181) shares this point of view by stating that the function of PR balances the interests of the organisation and the different publics by maintaining mutually beneficial relationships.

From the arguments above it can be deduced that the function of PR is essential in the maintenance of relationships. In order to retain clients, relationships have to be maintained and nourished, and this is at the heart of PR.

3.4.4.3 Loyalty

PR influences the way organisational-public relationships are initiated, developed and maintained, which may ultimately lead to loyalty of strategic publics toward the organisation (Bruning & Ledingham, 2000:163). Ledingham and Bruning, (2000b:66) affirm this statement by arguing that communication programs should be constructed in a way that supports publics which will imply creating loyalty toward the organisation among these publics.

3.4.4.4 Satisfaction

Bruning and Ledingham (2000:169) argue that relationships have a strong influence on customers' behaviour and perceptions of satisfaction. Therefore, PR practitioners should develop PR programmes based on the relationship dimensions of trust, openness, involvement, investment and commitment. Jo *et al.* (2004:17) suggest that satisfaction is an overall measurement of relationship quality and represents the extent to which one party feels favourable to another.

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Hung (2007:462) also adds that a favourable feeling would result from the reinforcement of one's positive expectations of the relationship. Jo *et al.* (2004:17) further explain that both parties are satisfied when the benefits of the relationship exceed the expectations. Satisfaction increases when rewards are received and decreases when costs are incurred through the relationship (Jo *et al.*, 2004:17). According to Grunig and Huang (2000:47), satisfaction with a relationship is a vital characteristic indicating the quality of a relationship.

3.4.4.5 Strategic orientation

Ledingham (2003:182) accentuates that the function of PR needs to be familiar with strategic planning. PR must be implemented in a strategic manner in order to achieve organisational goals (Edwards, 2006:150). Ledingham and Bruning (2000b:55) suggest that PR is a management function which is practiced through a process of strategic planning. Ledingham and Bruning (2000b:65) also suggest that role of communication through PR plays a strategic role in the achievement of relational goals.

Edwards (2006:146) argues that the main objective of PR is the development and execution of strategies and tactics which will benefit the organisation in any given context. Hung (2007:470) states that CEOs who recognise the strategic value of PR in an organisation, would agree that PR fulfils a more strategic function than just the distribution of messages. Steyn (2007:139) is of the opinion that PR, in its strategic role, can assist the organisation to adapt to its societal and stakeholder environment, by feeding intelligence on strategic stakeholders into the organisation's strategy formulation process.

3.4.4.6 Holistic cross-functional approach

Grunig *et al.* (1992:70) suggest holistic attempts of integration between the PR department and the rest of the organisation. These authors support holistic efforts when integrating the meso-level of the PR departments and the

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macro-level of the organisation. In addition, Newsom *et al.* (2007:119) mention that PR influences organisational culture by aligning organisational missions and values through the practices and behaviours of its employees.

Thus, an understanding of the internal organisational landscape as a whole should be the core of any PR campaign (Phillips, 2006:223). The excellence theory of Grunig *et al.* (2006:24) links with this element and suggests that diversity in the PR department and throughout the organisation is important.

3.4.4.7 Stakeholder focus

Grunig *et al.* (2006:24) suggest, based on their Excellence Theory that PR is a unique management function that helps organisations to interact with the social and political components of its environment (i.e. all publics relevant to the organisation). The organisation operates within a specific environment which consists of various publics and some are more strategic than others. As organisations are not autonomous in their environments, they need relationships with the publics that help set organisational goals, define what the organisation does and affect the success of strategic decisions and behaviours. In agreement with this statement De Bussy and Ewing (1997:222) also add that organisations rely on wide range of stakeholder groups in order to achieve its organisational goals.

PR has long been defined in terms of relationships between the organisation and its key stakeholders or strategic publics (De Bussy & Ewing, 1997:223). PR is the management of strategic relationships between an organisation and all its internal and external stakeholders (Skinner & Von Essen, 1994:4). It is clear that PR focuses on all the stakeholders of an organisation and not only on its customers as is the case with CRM.

The discipline of PR suggests the stakeholder theory as a tool to establish relationships with key stakeholders to reach organisational goals. According to Furneaux (2010:2) the stakeholder theory indicated that every valid person or group who takes part in the activities of an organisation do so to obtain

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benefits. The priority of the interests of all stakeholders is not always obvious. He also mentions that the stakeholder theory offers a framework for investigating the relation between organisational performance and the practice of stakeholder management.

Numerous business leaders and academics are eager to grasp the stakeholder concept and to apply it to the strategic management of organisations, as the importance of the stakeholder concept on all levels of an organisation seems beyond doubt (De Bussy & Ewing, 1997:223). Organisations are more concerned about meeting stakeholder goals based on the notion that the quality of relationships with stakeholders determines financial performance. Grunig *et al.* (2006:33) add that an effective organisation is partly determined by identifying key stakeholders, as the idea is to incorporate the values of strategic stakeholders into the goals of the organisation in order for the organisation to attain the goals of most value to key stakeholders.

3.4.4.8 Segmentation of stakeholders

By segmenting stakeholders, the organisation can identify strategic publics who are critical to its success and survival, and whose opposition or support can threaten the organisational goals or assist with attaining those (Grunig & Huang, 2000:31). Many organisations are implementing key account management by nominating preferred publics and introducing relationship management schemes (Zolkiewski & Turnbull, 2002:575). Strategic publics are thus those publics with which the organisation needs to have a relationship (Grunig & Huang, 2000:30). PR makes organisations more effective by building relationships with strategic publics (Grunig & Huang, 2000:30).

The idea behind segmenting stakeholders is to divide target audiences into specific groups in order to utilise tailor-made communication practices which will communicate activities or messages more effectively (Edwards, 2006:150). PR practitioners segment stakeholders in order to communicate

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more efficiently to specific stakeholder groups. Basic segmentation is 'active' versus 'passive' stakeholders (Edwards, 2006:150). The challenge for PR practitioners is to know which message will trigger which reaction among stakeholder segments. Having this knowledge can assist a PR practitioner in using the right communications at the right time (Edwards, 2006:150).

Relationships with some publics should be reconsidered as those publics might be difficult to satisfy, too demanding or not willing to pay fair economic prices. Zolkiewski and Turnbull (2002:576) suggest using relationship and network portfolio analysis to identify key relationships (i.e. segmentation) with different publics. By doing this an organisation can allocate resources to the effective and efficient management of its key publics, while still maintaining other relationships based on the analysis, and within context, of the organisation's overall strategy and resources.

3.4.4.9 Relational trust

Grunig and Huang (2000:44) describe trust as having confidence in another party and the willingness to open up to the other party. According to Ledingham and Bruning (1998:57), trust refers to a feeling that the parties involved in the relationships can rely on each other and a relationship will flourish when both parties can be trusted to act in a manner that supports the relationship. Hon and Brunner (2001:227) suggest that the feeling of trust toward an organisation can be tied directly to a consumer's perception of the relationships with the company. Bruning and Ledingham (2000:169) also suggest that trust is the cornerstone on which business relationships are built.

Business relationships that are managed effectively will build trust between the parties involved and will ultimately maximise the potential for mutual benefit (Bruning & Ledingham, 2000:170). According to Grunig and Huang (2000:47), trust in a relationship, and between the parties involved in the relationship is a critical characteristic indicating the quality of a relationship. Ledingham and Bruning (1998:57) have a similar opinion and suggest that trust is a crucial dimension of the relationship between an organisation and its

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stakeholders. The presence of trust in a relationship can be the difference between stakeholders staying with the organisation or leaving the organisation.

3.4.4.10 Mutual commitment

Ledingham and Bruning (1998:57) argue that the presence of commitment in a relationship, as a dimension of relationships, will determine the success of the specific relationship. Commitment involves the decision to continue a relationship (i.e. client retention) and it suggests that successful relationships involve the facing of relational difficulties together. These authors also argue that a relationship will flourish when both parties are willing to make a commitment to the relationship.

Hung (2007:462) is of the opinion that commitment is how much each party involved in the relationship believes and feels that the relationship is worth putting forth an effort to maintain and promote. According to Grunig and Huang (2000:47) commitment to a relationship, like trust, is a critical characteristic indicating the quality of a relationship.

3.4.4.11 Profitability

PR accepts relationships as valuable in their own right and most importantly crucial to wealth creation for an organisation (Phillips, 2006:212). Grunig *et al.* (1992:86) argue that poor relationships can cost an organisation a great deal. They also mention that although good relationships may not necessarily generate profit for the organisation, it has the potential to do so through satisfied customers. Nonetheless, the authors do agree that good relationships established through excellent PR practices do contribute to the bottom-line behaviours of stakeholders which can be measured in monetary values.

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As mentioned earlier in this chapter, Grunig *et al.* (2006:36) identified a method to transform non-monetary values, such as the benefit of a good relationship, into monetary values. During their research Grunig *et al.* (2006:37) established that PR returns are considerably more than it costs. Although these findings are soft measures, it proves nonetheless that excellent PR contributes more value than less excellent PR.

Bruning and Ledingham (2000:170) agree and state that PR programmes focused on effectively managing relationships with stakeholders in order to ensure maximum benefit for both the organisation and stakeholders, can influence stakeholder perceptions positively, which will influence the flow of revenue for the organisation.

Ehling (1992:617) suggests that the economics of PR focuses on the link between benefits and costs when implementing a PR program. The notion is that benefits attained through PR programs should exceed or at least equal its costs, thus, making PR initiatives profitable. If the costs exceed the benefits, the PR program should either be cancelled or altered in order to allow benefits to exceed costs. It is, therefore, clear that PR has an underlying focus to be profitable and increase an organisation's bottom-line. PR also helps organisations to save costs resulting from litigations, regulations, activist pressure groups, consumer boycotts and loss of revenue resulting from bad relationships (Jo *et al.*, 2004:15).

3.4.4.12 Communication

Broom *et al.* (2000:16) state that it will be difficult to overstate the importance of communication in relationships between an organisation and its stakeholders. Furthermore, these authors argue that communication is improbable and even though communication is experienced and practiced daily, no relationship and consequently no organisation would be able to exist without it. According to Bruning and Ledingham (2000:159) communication is the vehicle used by organisations to initiate, develop and maintain mutually beneficial relationships. Dozier (1984:85) shares this opinion and suggests

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that communication is a strategic tool utilised to manage relationships with key stakeholders who have an effect on organisational goals and objectives. Edwards (2006:144) substantiates these arguments by stating that effective communication forms the basis of good relationship management.

The Excellence Theory of Grunig *et al.* (2006:24) suggest that communication programs aimed at various publics can be planned and managed strategically and evaluated to demonstrate its effectiveness. Attitudes and opinions of stakeholders are of great importance for excellent PR practices. It is important to know what publics are doing and thinking. Newsom *et al.* (2007:120) suggest the use of a communication model to create awareness and affect attitudes and opinions, favouring a symmetrical system for communication. Grunig and Hunt (1984:30) identified four models of communication and PR practices which include press agency/publicist, public information, two-way asymmetrical and two-way symmetrical models of communication.

Grunig *et al.* (2006:46) argue that with asymmetrical communication PR practitioners listen and do research, but only to determine how best to change publics' behaviours to best suit the organisation. These authors suggest a symmetrical communication approach where the PR function attempts to balance the interests of the organisation with that of its publics through continuous two-way communication. The two-way symmetrical model allows for more input from stakeholders which can be analysed and utilised to provide innovative solutions and corrective discourse, thus providing the organisation the ability to persuade and change opinions (Newsom *et al.*, 2007:120). According to Grunig *et al.* (2006:47), two-way symmetrical PR uses communication to manage conflict with strategic publics and as a result two-way symmetrical communication, produces better long-term relationships with publics than the other models of PR. Two-way symmetrical communication thus aims to generate mutual understanding which should result in changes in both the audience's and organisation's position on a specific issue (Edwards, 2006:147).

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Central to the two-way symmetrical model is the notion that successful relationships involve mutual benefits for both the organisation and its key publics (Ledingham & Bruning, 1998:56; Ledingham & Bruning, 2000b:55). The two-way symmetrical communication model not only allows for the measurement of attitudes, but also allows the organisation to investigate the perceptions leading to these attitudes, thus establishing the quality of communication taking place (Edwards, 2006:147). Clark (2000:367) suggests that two-way symmetrical communication improves and fosters relationships (i.e. retain clients) which lead to better organisational effectiveness and higher profits.

3.5 MEASURING THE EFFECTIVENESS OF PR

In any business environment, public relations practitioners are expected to provide organisational executives with evidence of the value of their communication efforts (Grunig & Huang, 2000:28; Jo *et al.*, 2004:15). Grunig and Huang (2000:28) argue that in order to provide evidence of effective communication practices it is necessary to conceptualise and measure indicators of long-term relationships.

3.5.1 Developing a measurement scale

According to Ledingham and Bruning (2000b:56) relationship management can contribute to the achievement of an organisation's strategies, but this function must attempt to develop valid measurement scales in order to substantiate the true value of PR to top management. Relationship building is extremely important to PR theory and practice and specific components, or indicators that can be utilised when assessing and measuring the quality of public relationships need to be identified (Jo *et al.*, 2004:15).

The same applies to CRM, as Sin *et al.* (2005:1265) in Chapter 2 argue that key CRM dimensions have to be identified in order to measure the effectiveness of CRM. According to Jo *et al.* (2004:16) there is a distinct link

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between quality relationships and supportive behaviours in organisation-public situations. The focus has shifted toward trying to measure relationships and understanding the value that relationships can contribute to an organisation. This is also a key argument made by Swart (1998:191) in stating that the quality of a relationship is a determinant of client retention. As client retention forms an integral part of this study, the quality of relationships should be assessed and measured.

According to Hon and Brunner (2001:228) PR scholars suggest a paradigm shift in the public relations field. These scholars recommend a shift away from viewing effective communication as simply achieving program effects among targeted audiences, toward assessing the status of the relationships between the organisation and the stakeholders whose support is needed to obtain organisational objectives. According to Ledingham (2003:182) an organisation-public relationship measurement scale was developed with the idea to use it in predicting public loyalty, satisfaction and behaviour.

As mentioned before, the authors Ledingham and Bruning formulated measures of public relationships and identified five organisation-public relationship dimensions: openness, trust, involvement, investment and commitment (Ledingham, 2003:185; Jo *et al.*, 2004:16). Compared to CRM, Sin *et al.* (2005:1266) identified four components: key customer focus, CRM organisation, knowledge management and technology-based CRM. Ledingham and Bruning (1998:57) argue that a consumer who rates an organisation highly with regards to the five relationship dimensions, is more likely to use that organisation's services or products when given a competitive choice. They concluded that a positive organisation-public relationship can be a predictor of public predisposition, satisfaction and the behavioural characteristics of strategic publics (Jo *et al.*, 2004:16; Ledingham, 2003:185). One of these behavioural characteristics being the willingness of the clients to maintain the relationship, even when offered a lower price by competing companies (Jo *et al.*, 2004:16; Yang & Grunig, 2005:308).

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The management and maintenance of client relationships with client retention as the ultimate ideal are at the centre of this study. The behavioural characteristic of 'willingness of the client to maintain the relationship', as stated above, can be equated to willingness to be retained as a client. From the above it can be deducted that organisation-public relationships can predict the willingness of a client to be retained, and the more positive organisation-public relationships the higher client retentions will be.

Grunig and Huang (2000:34) identified trust, satisfaction, commitment and control mutuality as key outcomes of an organisation-public relationship, and they developed measurement scales to measure these concepts (Hung, 2005:394; Yang & Grunig, 2005:306). These concepts are the most crucial and significant indicators of the quality of relationships (Grunig & Huang, 2000:42).

An important addition was made to the discipline of public relationships by distinguishing between exchange relationships and communal relationships. An exchange relationship is based on cost-benefit analysis and is an outcome of marketing communication, whereas a communal relationship is based on a long-term commitment between parties to obtain mutual goals (Hon & Brunner, 2001:229).

It can thus be derived that there are certain outcomes as a consequence of quality relationships. According to Ströh (2005:114) all authors do not agree on which precursors and outcomes are consequences of relationships, but they do agree on variables that could be incorporated into a possible measurement scale.

3.5.2 Measuring relational outcomes

After careful revision of the literature on relationships from the field of interpersonal communication, inter-organisational communication, psychotherapy and systems theory, Broom, Casey and Ritchey (1997:94)

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developed a three stage model. This model consists of relationship concepts, antecedents to relationships and consequences of relationships (Ströh, 2005:124). Grunig and Huang (2000:29) followed the lead of Broom *et al.* and also developed a theoretical model for the purpose of measuring relationships focusing on three areas namely: i.) antecedents of relationships, ii.) development and maintenance strategies for relationships and iii.) outcome of relationships. The three areas (see Table 3.2) explain antecedents that describe the publics with which organisations need relationships, the strategies that will be used to maintain those relationships and outcomes or consequences of those relationships (Grunig & Huang, 2000:29). These authors also state that the true evaluation of PR can be found in the measurement of the relational outcomes.

Table 3.2: Theoretical model of relationships: Stages and forms of relationships

SITUATIONAL ANTECEDENTS	MAINTENANCE STRATEGIES	RELATIONAL OUTCOMES
<ul style="list-style-type: none"> Types and nature of relationships 	<ul style="list-style-type: none"> Symmetrical communication 	<ul style="list-style-type: none"> Control mutuality (power symmetry)
	<ul style="list-style-type: none"> Disclosure 	<ul style="list-style-type: none"> Commitment
<ul style="list-style-type: none"> Relationships between single and multiple publics and organisations that affect each other 	<ul style="list-style-type: none"> Assurance of legitimacy 	<ul style="list-style-type: none"> Trust
	<ul style="list-style-type: none"> Participation in mutual networks 	<ul style="list-style-type: none"> Mutual satisfaction
	<ul style="list-style-type: none"> Shared tasks 	<ul style="list-style-type: none"> Goal attainment
	<ul style="list-style-type: none"> Integrative negotiation 	
	<ul style="list-style-type: none"> Asymmetrical communication and distributive negotiation 	

Source: Grunig and Huang (2000:34).

As the idea is to establish which elements lead to improved relationships, only the final stage of Grunig's and Huang's (2000:34) theoretical model of relationships (i.e. relational outcomes stage as indicated in Table 3.2) is applicable to this study and is explored further.

3.5.3 The six indicators of a successful relationship

In 1999, Hon and Grunig, J., proposed an exploratory relationship measurement scale (Jo *et al.*, 2004:15), which includes six indices to measure the concept of relationships. The six indicators of successful relationships included: trust, satisfaction, commitment, control mutuality, exchange relationships and communal relationships (Jo *et al.*, 2004:16-17). These indicators of a successful relationship link to the relational outcomes of Grunig and Huang (2000:34), with the addition of two indicators: exchange relationships and communal relationships.

3.5.3.1 Trust

Trust consists of a number of underlying dimensions which include integrity, fairness and dependability (Jo *et al.*, 2004:17). Integrity is associated with fairness and justness, whereas dependability refers to consistency between a person's verbal statements and actual behaviour (Jo *et al.*, 2004:17). Hung (2007:462) mentions that trust is about the confidence and willingness of both parties within a relationship to open themselves to each other.

Several researchers in Grunig and Huang (2000:45) emphasised that trust is essential for the maintenance of relationships and without trust a relationship cannot grow favourably. Ströh (2005:119) suggests that organisational behaviour should be managed in order to develop trust in products, brands and corporate identities among publics. Trust is also identified as an element of PR and as deduced, influences the building and management of relationships, retention management and ultimately profits.

To establish trust within stakeholder relationships, a holistic, cross-functional approach is needed, and stakeholders must be strategically communicated to be based on the specific stakeholder segment they resort under. Table 3.3 (p. 89) indicates the integration of trust as an indicator of relational success and PR elements related to trust. Trust as an indicator of relational success and

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the specific PR elements as identified earlier in this chapter and relevant to this table are followed by its specific section number for reference purposes.

Table 3.3: Integration: Trust as an indicator of relational success and PR elements

TRUST	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
<ul style="list-style-type: none"> Trust (3.5.3.1) 	<ul style="list-style-type: none"> Relational trust (3.4.4.9)
	<ul style="list-style-type: none"> Building of relationships (3.4.4.1)
	<ul style="list-style-type: none"> Maintaining relationships (3.4.4.2)
	<ul style="list-style-type: none"> Strategic orientation (3.4.4.5)
	<ul style="list-style-type: none"> Loyalty (3.4.4.3)
	<ul style="list-style-type: none"> Holistic, cross-functional approach (3.4.4.6)
	<ul style="list-style-type: none"> Stakeholder focus (3.4.4.7)
	<ul style="list-style-type: none"> Segmentation of stakeholders (3.4.4.8)
 <ul style="list-style-type: none"> Organisational profitability (3.4.4.11) Communication (3.4.4.12) 	

CRM has a similar outlook towards trust. CRM practitioner Buttle (2006:15) argues that the development of trust in a relationship is an investment with a long-term payoff. Buttle (2006:15) also suggests that CRM should aim to develop trust between an organisation and its publics. When trust exists, both parties are willing to make investments in the relationship. Trust is an indicator of a successful relationship and, therefore has substantial relevance to both CRM and PR.

3.5.3.2 Relational satisfaction

Grunig and Huang (2000:45) acknowledge relational satisfaction as an important element of relationship quality. According to Jo *et al.* (2004:17) satisfaction represents the extent to which one party feels favourably toward another party. Parties will feel favourable to one another because positive expectations about a relationship are reinforced (Yang & Grunig, 2005:308).

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Relational satisfaction refers to both parties receiving equal rewards and the rewards exceed the costs in the relationship (Ströh, 2005:127). When rewards are received by one party, satisfaction increases, but at the same time satisfaction decreases when costs incurred by the relationship goes up (Jo *et al.*, 2004:17). Satisfaction can thus be seen as a measure of the extent to which the benefits of a relationship exceed the expectations of both parties in the relationship (Jo *et al.*, 2004:17).

According to Grunig and Huang (2000:45) relational satisfaction is the most important outcome of a relationship, but only if managed correctly. The assumption can, thus, be made that increasing relational satisfaction as an indicator of successful relationships, will improve the quality of relationships which, in turn, will lead to more effective client retention. Satisfaction influences the building of relationships, the maintaining of relationships and stakeholder loyalty. In order to gain satisfaction among stakeholders a holistic, cross-functional approach which is strategic in nature, is needed and must be communicated to stakeholders on the basis of stakeholder segmentation.

Table 3.4 indicates the integration of relational satisfaction as an indicator of relational success and PR elements relating to relational satisfaction. Relational satisfaction as an indicator of relational success and the specific PR elements as identified earlier in this chapter and relevant to this table are followed by its specific section number for reference purposes.

Table 3.4: Integration: Relational satisfaction as an indicator of relational success and PR elements

RELATIONAL SATISFACTION	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
<ul style="list-style-type: none"> Relational satisfaction (3.5.3.2) 	<ul style="list-style-type: none"> Satisfaction (3.4.4.4)
	<ul style="list-style-type: none"> Building of relationships (3.4.4.1)
	<ul style="list-style-type: none"> Loyalty (3.4.4.3)
	<ul style="list-style-type: none"> Maintaining relationships (3.4.4.2)
	<ul style="list-style-type: none"> Strategic orientation (3.4.4.5)
	<ul style="list-style-type: none"> Holistic, cross-functional approach (3.4.4.6)
	<ul style="list-style-type: none"> Stakeholder focus (3.4.4.7)

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RELATIONAL SATISFACTION	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
	<ul style="list-style-type: none"> Segmentation of stakeholders (3.4.4.8)
	
	<ul style="list-style-type: none"> Organisational profitability (3.4.4.11) Communication (3.4.4.12)

CRM relates to PR with regards to relational satisfaction. According to Buttle (2006:20) the justification of CRM is that by enhancing customer satisfaction and customer loyalty, business performance is improved.

3.5.3.3 Relational commitment

Commitment exists where both parties express their emotional attachment and their behaviour toward ensuring that the relationship continues (Jo *et al.*, 2004:17). Both parties believe and feel that a relationship is significant enough to spend energy on it, so as to maintain and promote the relationship (Yang & Grunig, 2005:308). To create commitment within stakeholder relationships all departments and functions across the organisation need to combine efforts (i.e. holistic, cross-functional approach). These efforts should be strategic in nature and communication relevant to stakeholder segments.

Table 3.5 (p.92) indicates the comparison between relational commitment as an indicator of relational success and PR elements relating to commitment. Relational commitment as an indicator of relational success and the specific PR elements as identified earlier in this chapter and relevant to this table, are followed by its specific section number for reference purposes.

Table 3.5: Integration: Relational commitment as an indicator of relational success and PR elements

RELATIONAL COMMITMENT	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
<ul style="list-style-type: none"> Relational commitment (3.5.3.3) 	<ul style="list-style-type: none"> Mutual commitment (3.4.4.10) Building of relationships (3.4.4.1) Maintaining relationships (3.4.4.2)

RELATIONAL COMMITMENT	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
	• Loyalty (3.4.4.3)
	• Strategic orientation (3.4.4.5)
	• Holistic, cross-functional approach (3.4.4.6)
	• Stakeholder focus (3.4.4.7)
	• Segmentation of stakeholders (3.4.4.8)
 <ul style="list-style-type: none"> • Organisational profitability (3.4.4.11) • Communication (3.4.4.12) 	

From the CRM point of view commitment is essential for effective long-term relationships. It arises from trust and motivates customers and organisations to preserve investments made in the relationship (Buttle, 2006:15). Commitment is, thus, vital to the relationship between an organisation and its customers (in the case of CRM) or its publics (in the case of PR) and an important indicator of a successful relationship.

3.5.3.4 Control mutuality

In order to effectively build, nourish and maintain relationships with key stakeholders, it is essential to grasp the dynamics of relationships that might exist, or that an organisation wishes to achieve to sustain quality relationships. Grunig and Huang (2000:42) identified control mutuality as a key outcome of relationships which can indicate the quality of a relationship. Jo *et al.* (2004:16) explain that control mutuality is the power one party has over the other in a relationship. The idea would be to balance power distribution within the relationship to such an extent that relationships of the highest quality are sustained, keeping in mind that the balance of power is not necessarily equality of power. According to Jo *et al.* (2004:16), a power balance exists in most relationships where one party has control in some aspects of a relationship, but forfeits or shares control in other contexts of the relationship.

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Hung (2007:462) concludes that control mutuality refers to how much each party of the relationship agrees on the rightful distribution of power in order to influence each other. Control mutuality influences the building and maintenance of relationships. In turn, control mutuality can be influenced by strategic communication, aimed at stakeholders based on their segmentation, which should be an organisation-wide effort.

Table 3.6 indicates the comparison between control mutuality as an indicator of relational success and PR elements relating to control mutuality. Control mutuality as an indicator of relational success and the specific PR elements as identified earlier in this chapter and relevant to this table are followed by its specific section number for reference purposes.

Table 3.6: Integration: Control mutuality as an indicator of relational success and PR elements

CONTROL MUTUALITY	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
<ul style="list-style-type: none"> Control mutuality (3.5.3.4) 	<ul style="list-style-type: none"> Building of relationships (3.4.4.1)
	<ul style="list-style-type: none"> Maintaining relationships (3.4.4.2)
	<ul style="list-style-type: none"> Stakeholder focus (3.4.4.7)
	<ul style="list-style-type: none"> Strategic orientation (3.4.4.5)
	<ul style="list-style-type: none"> Holistic, cross-functional approach (3.4.4.6)
	<ul style="list-style-type: none"> Segmentation of stakeholders (3.4.4.8)
<ul style="list-style-type: none"> Organisational profitability (3.4.4.11) Communication (3.4.4.12) 	

3.5.3.5 Exchange relationships

Exchange relationships are regarded as an indicator of relationship quality as proposed by Hon and Grunig (in Jo *et al.*, 2004:15). Exchange relationships are explained in terms of parties evaluating a relationship based on the perceived rewards in relation to the perceived costs of the relationship, and then comparing the outcome of the relationship to the outcome they have

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experienced in the past (Jo *et al.*, 2004:17). In other words, a client will remain in a relationship if the benefits of the relationships are greater than the costs of the relationships.

According to Hung (2005:396), exchange relationships are derived from the concept of economic exchange, where favours must be returned equal to the value of goods. Hung (2005:397) believes that relationships initially start off as exchange relationships, but progressively develop into communal relationships. Exchange relationships influence the building and maintenance of relationships. Communication, strategically aimed at specific stakeholder segments can influence exchange relationships. Once again, communication efforts to establish and maintain exchange relationships have to be organisation-wide and include all functions and departments in order to be effective.

Table 3.7 indicates the comparison between exchange relationships as an indicator of relational success and PR elements relating to exchange relationships. Exchange relationships as an indicator of relational success, and the specific PR elements as identified earlier in this chapter and relevant to this table, are followed by its specific section number for reference purposes.

Table 3.7: Integration: Exchange relationships as an indicator of relational success and PR elements

EXCHANGE RELATIONSHIPS	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
<ul style="list-style-type: none"> Exchange relationships (3.5.3.5) 	<ul style="list-style-type: none"> Building of relationships (3.4.4.1)
	<ul style="list-style-type: none"> Maintaining relationships (3.4.4.2)
	<ul style="list-style-type: none"> Stakeholders focus (3.4.4.7)
	<ul style="list-style-type: none"> Segmentation of stakeholders (3.4.4.8)
	<ul style="list-style-type: none"> Strategic orientation (3.4.4.5)
	<ul style="list-style-type: none"> Holistic, cross-functional approach (3.4.4.6)

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EXCHANGE RELATIONSHIPS	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
<ul style="list-style-type: none"> • Organisational profitability (3.4.4.11) • Communication (3.4.4.12) 	

3.5.3.6 Communal relationships

Communal relationships are also regarded as an indicator of relationship quality as proposed by Hon and Grunig (in Jo *et al.*, 2004:15). Communal relationships involve the degree to which a company is concerned about the well-being of its publics and *vice versa*, and where an organisation is willing to spend extra on promoting the welfare of its publics (Jo *et al.*, 2004:17; Hung, 2005:396). Hung (2005:396) argues that communal relationships are derived from the concept of social exchange, which states that something is returned because the relationship requires it, and the idea behind social exchange is to stabilise a relationship. Communal relationships are vital when organisations want to be more socially responsible (Jo *et al.*, 2004:17).

Hung (2005:396) is of the opinion that in communal relationships, benefits are given to the other party without expecting any in return and that when a communal relationship is established, the parties involved in the relationship are more secure and fulfilled in the relationship (Hung, 2005:397). Ströh (2005:118) has a similar point of view and mentions that it is the responsibility of the PR function to develop communal relationships and to provide publics with benefits without expecting anything directly in return.

Hung (2005:397) argues that communal relationships are of great benefit to organisations, as these types of relationships assist organisations to build positive reputations as caring organisations. This can be particularly beneficial when organisations encounter competition, as support from various publics increases over the long term. Hung (2007:446) agrees and mentions that organisations with social responsibilities have to consider the best interests of their stakeholders. By investing in good community relationships these

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organisations will be able to minimize the risk of protests from activist groups (Hung, 2007:446). Steyn (2007:139) agrees and adds that by being socially responsible and building mutually beneficial relationships with stakeholders, organisations can obtain legitimacy, garner trust and build a favourable reputation.

In summary, the establishment and maintenance of communal relationships can be beneficial to organisations. Within this type of relationship the organisation is concerned with the well-being of the stakeholders, which should be communicated strategically to stakeholders through all organisational communication efforts. Table 3.8 indicates the comparison between communal relationships as an indicator of relational success and PR elements relating to communal relationships. Communal relationships as an indicator of relational success and the specific PR elements as identified earlier in this chapter and relevant to this table, are followed by its specific section number for reference purposes.

Table 3.8: Integration: Communal relationships as an indicator of relational success and PR elements

COMMUNAL RELATIONSHIPS	
INDICATOR OF RELATIONAL SUCCESS	PR ELEMENTS
<ul style="list-style-type: none"> Communal relationships (3.5.3.6) 	<ul style="list-style-type: none"> Building of relationships (3.4.4.1)
	<ul style="list-style-type: none"> Maintaining relationships (3.4.4.2)
	<ul style="list-style-type: none"> Strategic orientation (3.4.4.5)
	<ul style="list-style-type: none"> Holistic, cross-functional approach (3.4.4.6)
	<ul style="list-style-type: none"> Stakeholders focus (3.4.4.7)
	<ul style="list-style-type: none"> Segmentation of stakeholders (3.4.4.8)
 <ul style="list-style-type: none"> Organisational profitability (3.4.4.11) Communication (3.4.4.12) 	

Grunig and Huang (2000:47) regard trust, relational satisfaction, relational commitment and control mutuality as interrelated. Although these four factors are inter-correlated, they are also very distinguishable and according to

Grunig and Huang (2000:47) can be used to conceptualise and measure the quality of relationships between an organisation and its publics.

Depending on what types of relationships an organisation chooses to develop (i.e. exchange relationships or communal relationships), different degrees of trust, satisfaction, commitment and control mutuality may result (Hung, 2005:398). In conclusion, trust, relational satisfaction, relational commitment, control mutuality, exchange relationships and communal relationships are crucial characteristics that indicate the quality of a relationship.

3.6 CONCLUSION

The discipline of communication management suggests the use of PR, supported by the stakeholder theory, to strategically build, manage and maintain mutually beneficial relationships with strategic stakeholders in order to influence those stakeholders to remain in the relationship (i.e. client retention). This is deduced from literature relevant to the field of communication management, in an attempt to establish the most effective suggestions on the retention of clients.

PR flows from communication management and is conceptualised as a management function that utilises communication strategically. The stakeholder theory is rooted in communication management and suggests, in correlation to PR, that stakeholders are affected by an organisation and in turn affect the functioning and success of the organisation.

Consequently, the function of PR is responsible for managing communication between organisations and its strategic stakeholders in order to develop and maintain relationships. The contribution of PR is embedded in the value of relationship quality between the organisation and its publics. PR researchers identified six indicators of quality relationships and based on these indicators (trust, relational satisfaction, relational commitment, control mutuality, communal relationships and exchange relationships) the quality of relationships can be determined. As indicated by Swart (1998:191) the quality

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of a relationship determines client retention and since PR contributes to quality relationships, PR can be regarded as a crucial ingredient of client retention.

PR, supported by the stakeholder theory, is thus the field of communication management's solutions to client retention. Various fundamental elements which form the building blocks of PR and the stakeholder theory were identified and analysed, as was done with CRM as the suggested approach toward retaining clients from a marketing management perspective.

In retrospect, the elements identified and analysed from CRM, PR and the stakeholder theory are in essence very similar as overreach and commonality between the elements are substantial. This observable fact brings an interesting suggestion to mind. Holm (2006:23) mentions the consideration of the approach of integration, which according to the author, holds the possibility of reaching competitive strategic positions for organisations.

Chapter 4 attempts to investigate the approach of integration and the relevance thereof with regards to client retention in the short-term insurance industry.

CHAPTER 4
The importance of an integrated client retention
approach

4.1 INTRODUCTION

As clearly stated throughout this study, the first priority of any business is to be profitable and the second most important priority is to acquire and retain clients (Clare, 2007:18). This statement is supported by Swart (1998:191), as indicated earlier in this study, confirming conclusively that client retention is vitally important for organisational profitability, growth and survival. Anton (1995:2) suggests that in order to retain clients, there has to be a stronger focus on measuring and managing individual customer relationships. Both marketing management and communication management have strong views on how to retain clients and in most cases, as deduced in previous chapters, those views are often very similar. If both fields are adamant about strategies toward client retention, and both fields have a similar approach, what is the significance of combining the views and approaches of the two academic fields toward more effective client retention efforts in the short-term insurance industry?

Some 20 years ago academics and professionals discussed the theory and practice of business communication without considering the idea of integration as a realistic approach to reach a competitive strategic position for the organisation (Holm, 2006:23). Hulbert, Capon and Piercy (2003:1) argue that in order to be successful in the new marketplace, an organisation is required to integrate its entire set of capabilities into one system, with the ultimate goal of customer satisfaction which leads to client retention, as deduced earlier in the study.

Kitchen (1993:15) made the critical statement that a comparison should be drawn between marketing and communication (PR) in order to compare, contrast and ultimately provide reasons why a movement toward integration may be desirable if not a necessity. Niemann (2005:77) agrees that no

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significant field of business management in an organisation can be accomplished without being integrated through the efforts of marketing and communication management.

Whilst the first part of this chapter will attend to the possibility of integration between the perspectives of marketing and communication management towards the retention of clients, the latter part of this chapter will address the short-term insurance industry.

4.2 MARKETING AND COMMUNICATION

Significant changes and developments are taking place in both marketing and communication disciplines in modern business organisations. Boundaries (academic and practical) between the two subject areas (marketing and communication management) are ill-defined, but it is possible to illustrate all the aspects of overlap and commonality fundamental to both PR and marketing (Kitchen, 1993:15).

Authors often question whether marketing and PR should be partners or rivals (Kitchen, 1993:15). Hynes (2005:21) states that traditionally communication was not seen as a management function, but merely as a function of marketing, but it is not the case in today's organisation. Communication management and marketing management are seen as equal partners in contributing to the bottom-line of an organisation (Hynes, 2005:21). Niemann (2005:50) argues that communication professionals must think strategically to align communication goals with organisational goals. Furthermore the author states that the functions of marketing management and communication management, together with business management, should be integrated in order to ensure effectiveness and efficiency within an organisation.

Kitchen (1993:15) is in agreement and suggests that a movement toward integration may be desirable and a necessity as the two fields are extremely interlinked, and also because of the argument that PR is a corrective and complement to marketing. Companies are using PR as a marketing tool in the

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marketing communication mix and utilise PR to create, maintain and develop relations with appropriate stakeholders relative to their competitive domain (Kitchen, 1993:16). Where there is a need for companies to create satisfactory exchanges (for companies and customers) in a manner which adds to the quality of life, a greater probability of interaction of marketing with PR in an organisational setting is suggested (Kitchen, 1993:17).

Ströh (2005:121) substantiates the above mentioned arguments and states that the field of relationship marketing has started to overlap with relationship management which forms part of PR, but with the main difference that relationships with customers are mainly served. Niemann (2005:5) also implies that by integrating marketing management and communication management the business approach of integrated marketing communication (IMC) is created. This contributes directly to an organisation's triple bottom-line and overall wealth. IMC developed into the concept of integrated communication (IC), which focuses on stakeholders, two-way communication, external messages and adopts a strategic approach where all functions within an organisation are holistically integrated. This is in line with the fundamental elements of CRM and PR, as identified in Chapter 2 and 3 respectively.

Both marketing (i.e. CRM) and PR can benefit from each other's skills, talents and abilities and a divorce between the two fields may well lead to a fatal mistake (Kitchen, 1993:20).

4.3 COMPARING MARKETING MANAGEMENT (CRM) AND COMMUNICATION MANAGEMENT (PR): AN INTEGRATED APPROACH

In Chapter 2 and 3 the most fundamental elements of both CRM and PR (including the stakeholder theory) are respectively identified. This section will attempt to compare those elements with the aim of establishing differences and similarities. Those differences and similarities are investigated further in order to reach the point as suggested by Kitchen (1993:20), where marketing

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and communication management can benefit from each other's skills and abilities by combining efforts and at the same time eliminating each other's limitations and weaknesses.

4.3.1 Similarities between CRM and PR

Table 4.1 indicates the similarities between CRM and PR based on the analysis of relevant literature.

Table 4.1: Similarities between CRM and PR

CRM	PR
1. THEORIES	
<i>Both CRM and PR are consistent with the systems theory.</i>	
Ledingham (2003:181) argues that relationship management is consistent with theoretical concepts, such as the systems theory and the two-way symmetrical model.	The systems theory was the dominant approach to PR theory (Edwards, 2006:143).
2. MAIN AIM OF CRM AND PR	
<i>CRM and PR have the same common aim which is to establish, develop and maintain mutually beneficial relationship, with either specifically customers or with all the stakeholders.</i>	
Buttle (2006:39) argues that the main aim of any CRM strategy is to establish, develop and maintain profitable relationships with customers.	The main focus of PR is on the "relationship" between the organisation and its stakeholders and according to Edwards (2006:156) PR strategies and tactics should always be assessed based on the effect it might have on this relationship.
3. RELATIONSHIP BUILDING AND MANAGEMENT	
<i>Both CRM and PR focus on building long-term relationships.</i>	
Buttle (2006:52) suggests that CRM is about developing and maintaining long-term relationships with strategic customers.	PR contributes to the effectiveness of an organisation by building long-term relationships with strategic stakeholders (Grunig, 1992:6).
4. RETENTION	
<i>Both CRM and PR aim to build relationships with the objective of retaining the customer or stakeholder.</i>	
CRM is an integrated approach to manage relationships by focusing on customer retention (Chen & Popovich, 2003:672).	PR increases the effective management of relationships by maximising the amount of current customers retained (Bruning & Ledingham, 2000:170).
5. LOYALTY	
<i>Both CRM and PR aim to direct practices toward establishing loyalty among either customers or stakeholders.</i>	

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CRM	PR
CRM applications help companies to create and maintain loyalty among its customers (Chen & Popovich, 2003:673).	PR influences the way organisation-public relationships are initiated, developed and maintained, which may ultimately lead to loyalty toward the organisation by key publics (Bruning & Ledingham, 2000:163).
6. SATISFACTION	
<i>CRM and PR practitioners realise the importance of satisfaction and aim to focus programmes toward customer or stakeholder satisfaction.</i>	
According to Stefanou <i>et al.</i> (2003:618) customer satisfaction is deemed as extremely important in building customer relationships and in retaining a competitive advantage.	Bruning and Ledingham (2000:169) argue that relationships have a strong influence on consumer behaviour and perceptions of satisfaction, therefore PR practitioners should develop PR programmes based on the relationship dimensions of trust, openness, involvement, investment and commitment.
7. STRATEGIC ORIENTATION	
<i>CRM and PR are operated in a strategic way in order to reach organisational goals.</i>	
CRM should be strategic in nature and should be aligned with overall business strategies in order to obtain a competitive advantage (Knox <i>et al.</i> , 2003:22).	PR must be operated in a strategic manner in order to achieve organisational goals (Edwards, 2006:150).
8. HOLISTIC, CROSS-FUNCTIONAL APPROACH	
<i>Both CRM and PR emphasise the importance of a cross functional approach of all departments and processes.</i>	
Chen and Popovich (2003:673) suggest that effective CRM requires cross functional integration of all processes, employees and operations within a company.	Grunig <i>et al.</i> (1992:70) suggest holistic attempts of integration between the PR department and the rest of the organisation.
9. SEGMENTATION	
<i>Segmentation is an important component of both CRM and PR.</i>	
In order for CRM to effectively build relationships customer base segmentation is necessary (Knox <i>et al.</i> , 2003:23), since customers are different and relationships with them should be managed differently.	PR practitioners segment stakeholders in order to communicate more efficiently. Basic segmentation is “active” versus “passive” stakeholders (Edwards, 2006:150).
10. TRUST	
<i>Trust is an indicator of relationship quality for both CRM and PR.</i>	
Buttle (2006:15) also suggests that CRM should aim to develop trust between an organisation and its publics.	According to Grunig and Huang (2000:47), trust in a relationship and parties involved in the relationship is a critical characteristic indicating the quality of a relationship.
11. COMMITMENT	
<i>Commitment is a prominent element of both CRM and PR.</i>	
Sharma and Patterson (1999:152) argue that relationship commitment has been viewed as critical in relationships and is considered essential for successful long-term relationships.	According to Grunig and Huang (2000:47) commitment to a relationship is a critical characteristic indicating the quality of a relationship.
12. PROFITS	

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CRM	PR
<i>Ultimately CRM and PR have the overall goal of maximising company profits by either saving costs or contributing directly toward profits.</i>	
The primary goal of CRM is to increase company profits through effective customer relations (Bull, 2003:596).	PR helps organisations save costs resulting from litigations, regulations, activist pressure groups, consumer boycotts and loss of revenues resulting from bad relationships (Jo <i>et al.</i> , 2004:15).

Whilst this section indicates the similarities between CRM and PR relating to the suggested approaches towards the retention of clients, the next section will address the differences in perspectives of CRM and PR towards the retentions of clients.

4.3.2 Differences between CRM and PR

Table 4.2 indicates the differences between CRM and PR based on analysis of relevant theory.

Table 4.2: Differences between CRM and PR

CRM	PR
1. CUSTOMER FOCUS AND STAKEHOLDER FOCUS	
<i>CRM focuses solely on the customers of an organisation, whereas PR focuses on all the stakeholders of an organisation which also includes the customer.</i>	
Organisations have to become customer centric and provide solutions based on the individual problems of customers (Knox <i>et al.</i> , 2003:6).	PR is the management of strategic relationships between the organisation and all internal and external stakeholders (Skinner & Von Essen, 1999:4).
2. SEGMENTATION	
<i>Even though segmentation is a similarity between CRM and PR it is also a difference since two different sets of segmentation processes apply to CRM and PR. Both of the disciplines apply segmentation with the difference that CRM applies customer segmentation only whereas PR applies segmentation on all stakeholders.</i>	
Knox <i>et al.</i> (2003:23) argues that in order to build relationships through CRM; segmentation of the customer base is a necessity.	PR practitioners segment stakeholders in order to communicate more efficiently. Basic segmentation is “active” versus “passive” stakeholders (Edwards, 2006:150).
3. COMMUNICATION	
<i>CRM literature place little to no emphasis on communication as a tool to establish, develop and maintain relationships with customers. PR continuously emphasises the use of communication as basis for effective stakeholder relationships.</i>	
	Edwards (2006:144) argue that effective communication forms the basis of good relationship management.

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CRM	PR
4. INFORMATION TECHNOLOGY (IT)	
<i>CRM regards the use of IT systems as integral to the successful development and implementation of CRM programmes and practices, whereas PR place little or no emphasis on IT as a necessity for successful PR programmes.</i>	
IT is used to enable almost all CRM processes and plays a key role in CRM development and implementation (Ngai, 2005:585).	
5. KNOWLEDGE MANAGEMENT	
<i>Knowledge management is extremely important in the practise of CRM, whereas knowledge management does not enjoy the same attention in PR literature.</i>	
Knowledge management is a vital element of CRM, so much so that Sin <i>et al.</i> (2005:1269) identifies it as a component relevant to the measurement of CRM.	

From the above comparisons it is clear that almost all the core elements of CRM and PR are related. In fundamental nature the two disciplines strive toward the same main purpose and are mostly comprised of the same fundamental building blocks (i.e. the same elements).

If CRM and PR are in essence the same and if according to Ströh (2005:121) the fields of relationship marketing (CRM) and relationship management (PR) started to overlap, the two fields can be integrated in order to provide a competitive advantage. This integration refers to the concept of integrated communication (Niemann, 2005:27). By combining CRM and PR (supported by the stakeholder theory) and specifically the elements that differ, relationship building and more specifically client retentions can be more effective (Niemann, 2005:27).

4.3.3 Integrating CRM and PR

As established in the previous sections, many of the elements suggested by CRM and PR to retain clients are similar and have the same end goal in mind. There are also elements of CRM and PR that differ or which are not regarded as relevant elements by either CRM or PR. Niemann (2005:27) suggests that specifically the elements that differ or not mentioned by either CRM or PR,

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should be combined in order to reach a more powerful approach toward client retention and to eliminate the two respective fields' weaknesses.

4.3.3.1 Customer focus and stakeholder focus

CRM and PR have a difference in perspective relating to the focus of their relationship building efforts:

CRM focuses solely on the customers of an organisation, whereas PR focuses on all the stakeholders of an organisation which also includes the customer.

CRM only focuses on customers, whereas PR focuses on all stakeholders. Specific to this study is the retention of only one specific stakeholder, that being the customer (i.e. client), and not on all stakeholders involved with the organisation. The suggested approach of integrated communication is that all stakeholders have to be involved and considered, even when the communication or retention efforts are solely aimed at one specific stakeholder (i.e. the client). Integration of a customer and stakeholder focus implies that before any approach is followed toward client retentions, all stakeholders have to be considered and consulted to make sure the best approach for everyone is followed in terms of any efforts toward communicating with clients alone.

4.3.3.2 Segmentation

CRM and PR agree that segmentation is vital for effective retention management strategies, but CRM and PR have a difference in perspectives relating to the process of segmentation and how segmentation should be implemented:

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Even though segmentation is a similarity between CRM and PR it is also a difference since two different sets of segmentation processes apply to CRM and PR respectively. Both of the disciplines apply segmentation with the difference that CRM applies customer segmentation only, whereas PR applies segmentation on all stakeholders.

PR suggests the segmentation of all stakeholders into stakeholder groups (i.e. includes amongst others, customers, employees, suppliers, government), of which customers are one specific group or segment. CRM goes further and applies segmentation to customers, thereby dividing them into more appropriate groups based on their needs and relevance. The aim of segmenting customers is to create a tailor-made approach for the specific customer segments, based on their wants and needs in order to then build more significant relationships.

By combining these two approaches to segmentation through the principles of integrated communication the aim is to segment customers but still utilise the total stakeholder approach. This entails considering all stakeholders before designing or implementing any communication or retention strategies for a specific segment of customers.

4.3.3.3 Communication

PR regards communication as essential for building and maintaining relationships, whereas CRM has little regard for the role of communication in the retention of clients. CRM and PR differ in perspectives relating to the role of communication in relationship management and ultimately client retentions:

CRM literature places little emphasis on communication as a tool to establish, develop and maintain relationships with customers. PR continuously emphasises the use of communication as basis for effective stakeholder relationships.

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While communication management focuses on communication as a strategic management function crucial to management of relationships with key publics (i.e. clients) (Dozier, 1984:85), literature on marketing management also mentions the function of communication in managing customer relationships. Communication as a strategic function for the perseverance of relationships is not remotely mentioned as much by marketing management literature as in the case of communication management literature.

Although the field of marketing management does consider communication to be important, literature on effective CRM practices does not include communication as a key ingredient or element. Relationship marketing literature does, however, mention marketing communication, which is predominantly mass marketing with an element of direct marketing (Grönroos, 2004:102). Grönroos (2004:102) also mentions the influence of IMC (advertising, direct marketing, sales promotion and public relations) on relationships.

Communication is central to relationships and is regarded as a transaction between participants (organisations and stakeholders) during which a relationship develops between the two parties (Skinner & Von Essen, 1999:93). PR practitioners consider effective communication to be the base of any good relationship. Niemann (2005:65) suggests that two-way symmetrical communication is one of the theoretical components of IC. Another theoretical component of IC is the use of sophisticated, integrated communication with the aim to maintain relationships.

It is thus evident that communication in its essence is a vital element to effectively build and manage relationships, and the integrated communication approach renders the use of effective two-way communication as essential.

4.3.3.4 Information technology

With regards to IT, it is considered by CRM as an essential tool in the retention of clients, whereas PR shows little regard for the role of IT in the

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effective retention of clients. CRM and PR differ in opinions relating to the role of IT in the successful retention of clients:

CRM regards the use of Information Technology (IT) systems as integral to the successful development and implementation of CRM programmes and practices. PR places little or no emphasis on IT as a necessity for successful PR programmes.

CRM places a lot of emphasis on using IT as a tool to, not only successfully implement and develop CRM programmes, but also utilises it in CRM practices with customers. Anton (1995:4) suggests that by capitalising on IT customers can be served more effectively. An effective IT system can increase a company's ability to gather and utilise customer information more effectively (Payne, 2006:15). By doing so, customers can be satisfied and served more effectively.

4.3.3.5 Knowledge management

CRM regards knowledge management as vital for client retention efforts. PR rarely mentions knowledge management as a pre-requisite for the effective retention of clients. Again, CRM and PR indicated different views when discussing the role of knowledge management the retention of clients:

CRM regards knowledge management as an extremely vital element and identifies it as one of the components with which the success of CRM programs can be measured. PR literature makes little mention of knowledge management.

Gerbert *et al.* (2003:107) suggest that in order to build good relationships with customers it is necessary to serve each customer in their preferred way. It requires knowledge about the customer as well as the management of this knowledge. Knowledge about customers' needs and preferences is a vital company asset (Ngai, 2005:588). In order to gain this knowledge it is essential

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to continuously gather data about customers and to use this information to improve products and services (Anon., 2002:19). CRM literature regards knowledge management as significant in measuring the success of CRM programs. PR might share the same sentiment, but does not regard knowledge management to be as vital. By combining CRM and PR perspectives, clients can now be served much more efficiently which is to the benefit of clients and the organisation.

The role of integration proves to be a necessity and is discussed and analysed in the following section.

**4.4 THE EVOLUTION FROM INTEGRATED MARKETING (IM)
TO INTEGRATED MARKETING COMMUNICATION (IMC)
TO INTEGRATED COMMUNICATION (IC)**

It is necessary to understand the evolution of the integration between marketing and communication management, as this ultimately leads to the concept of integrated communication (IC). IC allows for an even more significant integrated approach within which CRM and PR perspectives toward client retention are combined. This combination of CRM and PR is done in such a considerable manner that both fields strengthen each other and at the same time eliminate each other's weaknesses. By following an IC approach organisations can be confident of utilising the ultimate solution toward client retention. In order to fully grasp the concept of IC and its benefits, it is vital to understand the origins of IC.

Against this background the following sections will investigate integrated marketing (IM) and integrated marketing communication (IMC).

4.4.1 Integrated marketing (IM)

An IM solution utilises the most appropriate media and techniques to achieve marketing objectives. This creates the opportunity to improve the precision

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and effectiveness of marketing campaigns (Linton & Morley, 1995:1). Marketing campaigns can include many different techniques or methods of marketing like advertising, direct marketing, telemarketing, and relationship marketing, to name a few. If these marketing efforts are fragmented or handled by separate functions, it could result in conflicting communication (Linton & Morley, 1995:1).

By integrating marketing, all the marketing methods used for a single campaign are channelled through a single function or agency (Linton & Morley, 1995:1). It can thus be deduced that IM only integrates methods and processes from the field of marketing management to reach certain objectives, with no influence from the field of communication management.

4.4.2 Integrated marketing communication (IMC)

Niemann (2005:27) describes IMC as the coordination of all messages (internally and externally) in a strategic manner, so as to create the opportunity for dialogue between a customer and the organisation. This is done in order to steer the customer's attitude and behaviour toward loyalty to the organisation's brand. Based on this description and the mention of creating dialogue, the integration of communication into integrated marketing (IM) is evident.

According to Holm (2006:24) the concept of IMC became well-known on an international basis during the 1990s, thus the widespread use of the term is comparatively recent. The IMC concept concentrates on the integration of various communication elements into IM in order to provide added value to a customer (Ehlers, 2002:122). This statement is supported by investigating the marketing communication mix. Prior to discussing the concept of integration, a discussion of the different elements of the marketing communication mix is essential. The five elements of the marketing communications mix are: advertising, sales promotion, public relations and publicity, personal selling and direct marketing. It is thus clear that IMC entails the combination elements originating mostly from the field of marketing management (i.e.

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advertising, sales promotion, publicity and personal selling), and also from the field of communication management (PR). In essence IMC involves blending various marketing communication devices (i.e. publicity, advertising, sales promotion and personal selling) into a single seamless entity (Grove *et al.*, 2002:395).

Holm (2006:24) states that the main purpose of marketing communication is to affect the customer's conception of value and of the relation between benefits and costs. IMC can be seen as a more complex concept than just the coordination in space and time of a number of marketing activities. It is rather the art of uniting a sender's purposes and goals with the carefully selected prerequisites of interpretation and pre-understanding of the receiver. This is in order to develop a creative strategy where the content and the form of the message are congruent and to optimise the selection of channels (Holm, 2006:26). Grove *et al.* (2002:396) states that well-defined IMC efforts can enhance and differentiate an organisation's products in the minds of their customers.

Niemann (2005:27) mentions that from the concept of IMC, a new concept developed which is known as IC. IC will retain some of the characteristics of IMC but is defined as a separate discipline (Niemann, 2005:77). IC will be investigated and analysed in the following section.

4.5 INTEGRATED COMMUNICATION (IC)

If we accept that communication is the foundation of all human relationships, we also have to accept that only strategically oriented integrated communication can help businesses to reach a sustainable competitive position (Holm, 2006:24). It is with this in mind that the concept of IC will be investigated further. It is also important to note at this stage that this study strongly relies on research and findings by Niemann (2005) and mentions her work continuously.

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4.5.1 Conflicting views on the history of IC

Niemann (2005:30) defines IC as “the strategic management process of organisationally controlling or influencing all messages and encouraging purposeful, data-driven dialogue to create and nourish long-term, profitable relationships with stakeholders”.

Niemann (2005:1) suggests that marketing and communication management efforts should be integrated, and mentions that the IC approach should be followed in all communication efforts with all strategic stakeholders. Niemann’s IC approach specifically provides for CRM and PR which correlates with this study. The aim would thus be to determine the effectiveness of Niemann’s IC approach, if applied to the short-term insurance industry and for retaining clients within this industry.

According to Niemann (2005:86) there are conflicting views about when IC was devised and put into practice. Research conducted by some authors in Niemann (2005:88) suggests that the concept of IC originated in the early 1990s. During the 1990s the concept developed tremendously and at present it is still undergoing continuous development (Niemann, 2005:89). This is supported by authors like Schultz (1996:139), who states that IC is inevitable, and Wightman (1999:18) who argues that IMC has given new life in the form of IC. Niemann (2005:76) argues that IC is the new role of communication within ever changing business environments, as it is communication, driven by strategic intent, which creates and maintains relationships with stakeholders.

Niemann (2005:89) is of the opinion that the history and development of the concept of IC are directly influenced by two specific factors. These factors are IT and the changing view toward the accountability of communication professionals. Schultz (1996:146) substantiates this argument and states there are two major factors driving the need for integration. These factors are the move toward holistic information systems and the shift of IT. Schultz (1996:146) also questions the validity of the traditional marketing and

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communication activities when moving toward a new integrated approach to communication.

IT is regarded as a major factor driving the need for a more integrated approach because it does not only include computers, software and digital development, but also new media communication platforms such as e-mail, web sites, databases and the ability for organisations to include their customers in IT approaches. Again Schultz (1996:140) is in agreement by stating that integration is inevitable because it is being driven by technology. Schultz (1996:140) also states that it is not only communications technology driving integration but the total technological revolution occurring throughout the world.

The second factor that steers IC according to Niemann (2005:91) is the changing view of management with regards to communication accountability. Top management is increasingly focusing on the measurement of the return on investment made in communication programs. Management requires communicators to define and quantify what funded communication programmes have accomplished in order to determine the benefit for the organisation (Niemann, 2005:91).

IC is thus driven by these two factors: technology and accountability. Technology leads to the creation of more complex communication systems, and at the same time makes greater accountability probable.

To further understand the need for IC it is necessary to grasp the differences between IC and IMC. Wightman (1999:18) makes the bold statement that IMC is dead. Wightman bases this statement on the tension between marketing and PR with regards to who drives IMC and subservience of PR to marketing. Furthermore, the author mentions that IMC did not last because of the difficulties surrounding successful implementation. Wightman (1999:18) goes on to say that IMC gave new life to the concept of IC. The following section investigated the differences between IMC and IC.

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4.5.2 Fundamental differences between IMC and IC

Based on in-depth analysis of literature relevant to IMC and IC, Niemann (2005:27-28) found certain fundamental differences between the concepts of IMC and IC, which led to the deduction that IC is a boarder view of IMC. These fundamental differences (summarised in Table 4.3) are as follows:

- IMC focuses mostly on the customer; whereas IC has a more holistic perspective and includes all stakeholders;
- IMC focuses on the message sent out by the organisation, whereas IC focuses on the communication process (i.e. two way communication process) which indicates that all communication, and not only the message sent out, contributes to the brand of the organisation;
- IMC focuses on external messages, whereas IC focuses on both internal and external messages;
- With IMC the messages of the organisation are driven by the marketing and communication departments' strategies. With IC the messages of the organisation are driven by the strategic intent of the whole organisation;
- IMC contributes to the technical aspects of an organisation. IC contributes to the strategic thinking processes of the organisation because it is strategic in nature.

Table 4.3: Fundamental differences between IMC and IC

INTEGRATED MARKETING COMMUNICATION (IMC)	INTEGRATED COMMUNICATION (IC)
<ul style="list-style-type: none"> • Customer focus 	<ul style="list-style-type: none"> • Stakeholder focus
<ul style="list-style-type: none"> • Focuses only on message sent out 	<ul style="list-style-type: none"> • Focuses on entire communication process (two way communication)
<ul style="list-style-type: none"> • Focuses on external messages only 	<ul style="list-style-type: none"> • Focuses on both internal and external messages
<ul style="list-style-type: none"> • Messages are driven by the strategies of marketing and communication departments only 	<ul style="list-style-type: none"> • Messages are driven by the strategies of the whole organisation
<ul style="list-style-type: none"> • Contributes to the technical aspects of the organisation 	<ul style="list-style-type: none"> • Contributes to the strategic aspects of the organisation

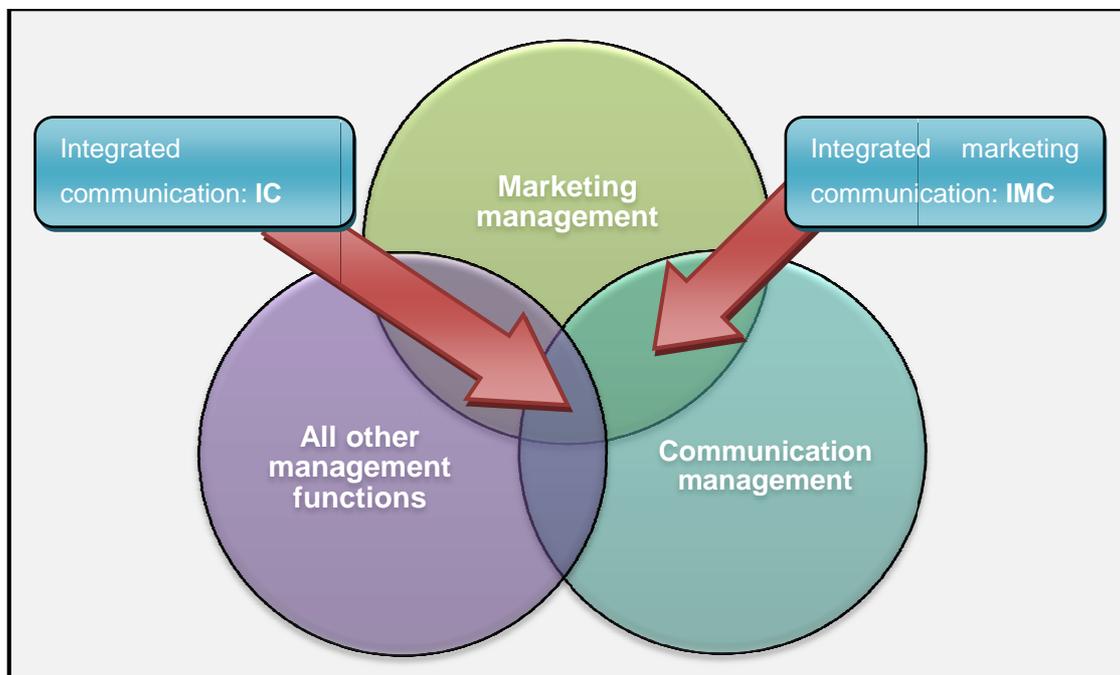
Source: Niemann (2005:27-28).

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From the above Niemann (2005:27-28) argues that it is imperative to emphasise that IC follows IMC and that IC should be viewed as an extension of IMC. This is supported by Wightman (1999:18), stating that the concept of IC is born from IMC. Niemann (2005:29) also makes an important point by stating that IC is always IMC, but IMC is not always IC. IC is thus not a new concept, but evolved from the need of organisations to prepare to succeed in future business environments (Niemann, 2005:29).

According to Niemann (2005:9) the value of IC is reflected less in the way that organisations adopt it, and more in the competitive advantage it can provide. IC must be driven by top management and it should focus on relationships rather than transactions (Niemann, 2005:80). Wightman (1999:19) mentions that IC focuses to communicate with all the stakeholders of the organisations and attempts to combine all communication impression of the entire organisation into one holistic impression of the organisation. Figure 4.1 illustrates how IMC and IC fit into an organisation.

Figure 4.1: IMC and IC in an organisation



Source: Niemann (2005:106).

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IMC involves the integration between marketing and communication efforts of the organisation. As mentioned earlier in this study, this entails the integration of marketing activities of advertising, sales promotion, publicity, personal selling and direct marketing and the communication activity of PR. As illustrated in Figure 4.1 (p. 116), IC involves the integration of not only marketing and communication activities, but all communication activities across the entire organisation, resulting in a holistic image of the organisation communicated to all strategic stakeholders of the organisation.

Based on an earlier statement made by Niemann (2005:9), the true value of IC is encapsulated in the competitive advantage it can provide. Niemann developed a conceptual model of IC for implementation in the South African context.

4.5.3 A conceptual model of IC

Niemann (2005:108) states that IC in short, means unity of effort. Unity of effort incorporates the unity of purpose for the organisation, unity of organisational processes, unity of an organisational goal and unity of action within the organisation. This holistic cross-functional approach is regarded as an element of CRM and PR and is essential for more effective client retention. It is necessary for IC to be recognised from an organisational viewpoint, and therefore it can be reasoned that implementation models of IC should thus address integration in an organisation from an organisation-wide perspective (Niemann, 2005:109). In the case of the short-term insurance brokerage or direct insurer, all functions and processes and departments within the organisation should strive toward a holistic integrated approach which is supported by the organisation's top management.

In Niemann's (2005:109) study, various relevant existing integration models are discussed in order to create a unique implementation model based on the South African context. These existing models were used by Niemann (2005:111-145) as foundation for, and development of, the conceptual model for strategic integrated communication implementation. The existing models

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studied to serve as foundation for the conceptual model are summarised in Table 4.4.

Table 4.4: Existing integration models

EXISTING MODEL	INTRODUCED BY
Evolutionary model of integrated communication	Duncan and Caywood (1996)
Stakeholder relations model	Gronstedt (1996)
Hunter's model of integrated communication	Hunter (1997)
Integration through the public relations function	Grunig and Grunig (1998)
The three-dimensional integrated communication model	Gronstedt (2000)
An eight-step integrated communication model	Kitchen and Schultz (2000)

Source: Niemann (2005:111-145).

Niemann's conceptual model for the management of strategic IC in the South African marketplace was founded on existing integration models as summarised in Table 4.4, and is based on the general systems theory. The systems theory is also the grand theory on which this study is based.

Niemann's conceptual model is based on two distinct principles, namely that the strategic intent of an organisation drives strategic IC and learning organisational principles continuously reposition the organisation.

4.5.3.1 Strategic intent of the organisation drives strategic IC

Niemann (2005:247) argues that the organisational mission should drive all the communication objectives, business objectives and operations of the organisation in a strategic manner. In the short-term insurance industry, the organisation's mission and strategic intent should determine the communication processes, which should also be strategic in nature in order to obtain objectives.

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4.5.3.2 Learning organisational principles continuously reposition the organisation

The organisation should follow the principles of a learning organisation in order to position the organisation according to the environmental needs as the organisation functions in an environment which changes continuously. Resources should, thus, be allocated based on the changing environment (Niemann, 2005:248). A brokerage or direct insurer should constantly be aware of the changing needs of their environments and utilise the information gathered from the environments to adapt in order to serve stakeholders more effectively. This means the organisation should be in touch with the needs of all stakeholders and continuously learn from them. As stated by numerous researchers, this can only be achieved through continuous two-way symmetrical communication.

4.5.4 Niemann's conceptual model of IC explained

Niemann's conceptual model for the management of strategic IC in the South African marketplace proposes that three areas of integration are imperative. The three levels are the organisation, the stakeholders and the environment.

4.5.4.1 Organisational integration

Organisational integration in this context is based on horizontal and vertical integration as explained by Gronstedt's (in Niemann, 2005:248) three-dimensional approach to IC. Horizontal integration involves the integration and alignment across business units, functions and regions in terms of systems, process, procedures and communication. Vertical integration in turn integrates communication between people working in different business units, departments and countries and encourages communication between employees of all ranks. Two levels within organisational integration are also identified:

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- *CEO/top management integration:*

This entails the need for top management involvement as initiators in integration and the consciousness of the importance of communication at top management level. Short-term insurance organisations should realise the importance of top management buy-in. The lack of support from top management with regards to IC implementation can have disastrous effects and even damage relationships with stakeholders, more specifically clients.

- *Renaissance communicator:*

Niemann (2005:245) argues that the renaissance communicator is central to the implementation of IC, as it is the coordination centre of the communication and marketing management in the organisation. Internal communication within a short-term insurance organisations is of utmost importance to effectively implement IC programs and to achieve an organisation-wide (holistic) approach toward client retention.

4.5.4.2 Stakeholder integration

By taking all stakeholders into account the organisation has a broader view in terms of the environment and end-users, which means that all the stakeholders that have vested in the success of the organisation are considered and not only the customers (Niemann, 2005:255). The stakeholder integration area of Niemann's conceptual model recognises two distinct levels on which the integration of stakeholders should take place:

- *Interactivity integration:*

Interactivity integration is based on two ideas, namely a) two-way symmetrical communication and b) purposeful and personalised interaction. The two-way symmetrical communication entails a mutual process of listening and dialogue in order to manage the behaviour of stakeholders, as well as the behaviour of management and the organisation as a whole. Purposeful and personalised interaction is based on the process of stakeholders being integrated into the

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organisation, made part of product planning and developments and dealt with individually (personalised). Communication is purposeful because it is mutually beneficial for both the stakeholder and the organisation. This reinforces the notion of two-way symmetrical communication.

- *Brand contact point integration:*

Brand contact points are situations in which stakeholders have the opportunity to be exposed to a brand message. It is based on three ideas, namely a) that the message and incentive delivery system must be stakeholder appropriate, b) continuing dialogue ensures a 360-degree brand idea, and c) the timing of messages and incentives should be built on stakeholder references. By engaging in dialogue with stakeholders, organisations continuously learn more about the needs, interests and priorities of stakeholders, thus getting a 360 degree brand idea (Niemann, 2005:259).

All short-term insurance organisations should realise the value of two-way symmetrical communication and use it to their advantage as it benefits both the organisation and the client. Two-way symmetrical communication gives the organisation the opportunity to learn from clients, better understand their needs and what will make them stay in a relationship. By using this information the organisation can adapt and change to offer the client exactly what is needed to secure long-term relationships (i.e. retain clients).

4.5.4.3 Environmental integration

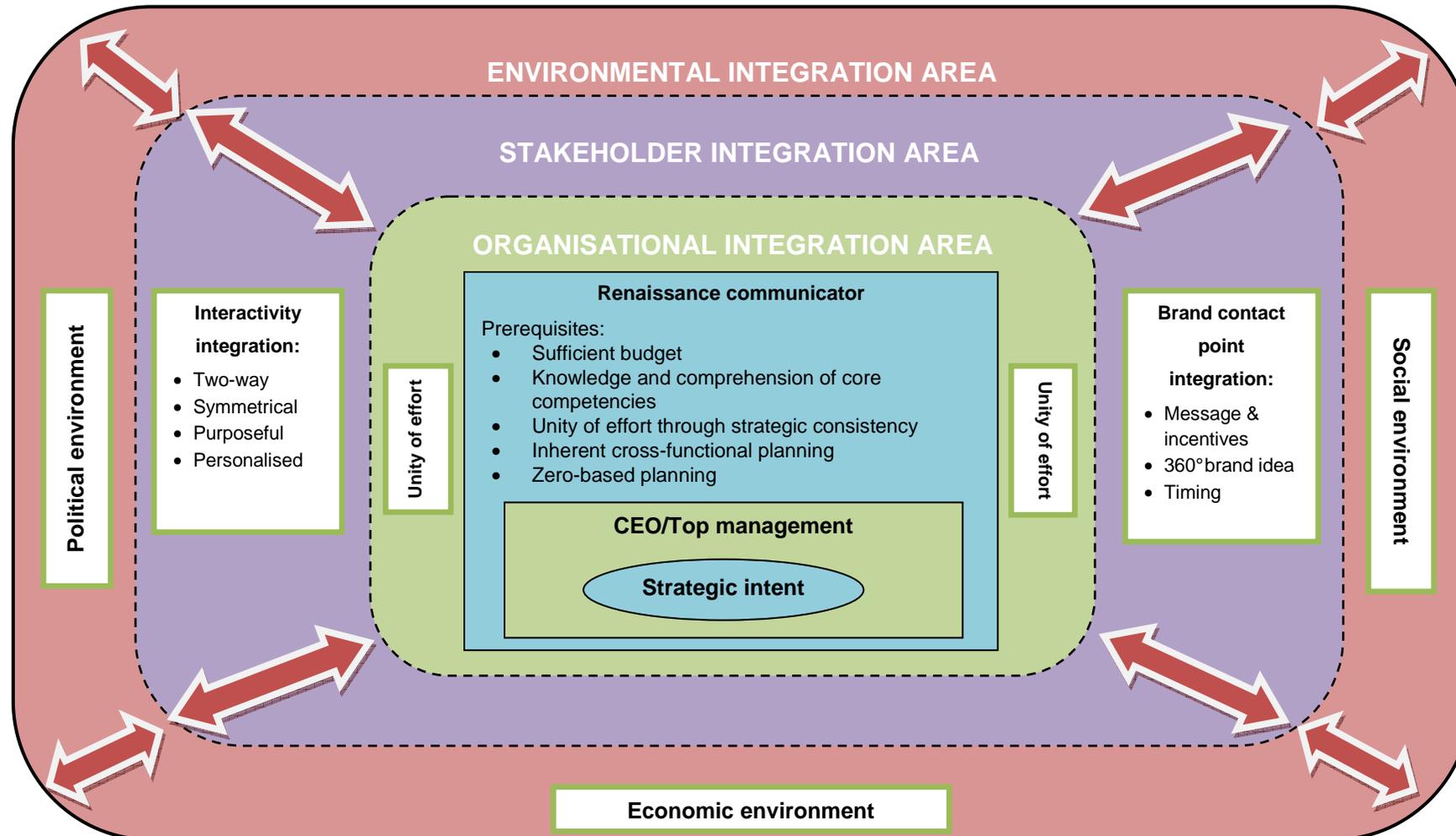
The environment includes political, social, economic and related environments, however, change is constant. Organisations have to keep abreast with the environment in order to survive. The model emphasises the interaction between the environment, the organisation and the stakeholders in order to manage strategic IC effectively, and in the process build strong relationships (Niemann, 2005:260).

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The model also recognises that all systems consist of sub-systems and a supra-system in the general systems theory. The organisation is functioning in the greater system (supra-system), which is the environment and consists of sub-systems which are organisational functions. There is constant interaction between all the parts of the system. Niemann (2005:246) also mentioned that the model recognises interaction and proposes that interaction between the various parts of the system, should be based on a relationship management, two-way symmetrical communication world view.

The strategic intent of an organisation drives all the communication of the organisation in order to ensure unity of effort in terms of the organisational functioning, based on what is learned from the stakeholders and the environment. The renaissance communicator represents marketing and communication management and is the central point of communication to secure alignment between communication and organisational objectives, so as to ensure union in the actions and messages of the organisation (Niemann, 2005:246). Figure 4.2 (p. 123) illustrates Niemann's (2005:244) conceptual South African model for the implementation of strategic integrated communication as discussed in this section.

Figure 4.2: A conceptual South African model for the implementation of strategic integrated communication



Source: Niemann (2005:244).

4.6 THE SHORT-TERM INSURANCE INDUSTRY

It is well-known that in everyday life there are numerous risks which may result in the occurrence of events causing losses. Although these events cannot be predicted people can protect themselves against losses by taking out insurance (Pal, Bodla & Garg, 2007:2). Cummins and Doherty (2006:359) suggest that insurance is a complex product, representing a promise to compensate the insured or third party according to specific terms and conditions, should some well-defined events occur. In essence the idea of insurance is to protect oneself against unpredictable losses.

4.6.1 The history of insurance

The earliest means of insurance was practised by Chinese and Babylonian traders (3rd and 2nd millennia BC). The Chinese traders travelling on dangerous rivers would divide their loads across various vessels to limit the loss of one of the vessels capsizing and losing the load (Insurance Explained, 2009:1). The Babylonians on the other hand, developed a system whereby if the merchant received a loan to fund the shipment, he would pay the lender an additional 'premium' in exchange for the lender's guarantee to cancel the loan, should the shipment be stolen (Bogardus & Moore, 2007:1; Marples, 2008:1). In modern insurance terms, effectively the merchant would be the insured and the loaner the insurer (Bogardus & Moore, 2007:1).

Insurance developed over the centuries and insurance as it is known today, can be traced back to the great fire of London in 1666. After the disaster, the first insurer offices to specifically insure buildings were opened in 1680 (Bogardus & Moore, 2007:2). According to Vinson (1987:1) industrial and economic growth fosters the ongoing need for new types of insurance and coverage. The insurance industry has grown to such an extent that these days almost any risk can be made the subject-matter of an insurance contract (Pal *et al.*, 2007:7).

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4.6.2 Types of insurance

Insurance is classified into two groups:

- Long-term insurance, which includes among others life insurance, annuities and pension products.
- Short-term insurance, which includes among others domestic insurance, commercial insurance and motor insurance.

Short-term insurance can be described as an insurance agreement taken out between a policy holder (client) and the insurer and is only active for a limited period of time and flexible to the client's insurance needs (Insurance, 2009:1). Based on a client's ever changing circumstances, items can be insured on a year to year basis or other short-term periods (Insurance, 2009:1). The reason for distinguishing between the two is that long-term insurance is very long-term in nature and normally based on the lifespan of a client. Short-term insurance covers a shorter period of time, normally one year or less. Only short-term insurance is focused on for the purpose of this study.

4.6.3 Insurance brokers and direct insurers

At this stage it is important to distinguish between insurance brokers and direct insurers, as both compete for the same market share. Boop (2009:1) defines a broker as "one who represents an insured (client) in solicitation, negotiation, or procurement of contracts of insurance, and who has a duty to the insured to match the insured's insurance needs with proper insurance products". Insurance intermediaries, also known as insurance brokers, shop around on behalf of the client in order to find the most appropriate policy among many companies. Direct insurers on the other hand, work solely for a specific insurance company and only offer products provided by the specific insurer to clients (Board, 2011:1).

During Phase III of this study interviews will be conducted with short-term insurance organisations. For the purpose of this study, short-term

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organisations include both short-term insurance brokers and direct short-term insurers.

An insurance broker holds agencies with several insurers, therefore allowing them to search the market for the best rates and coverage for the particular client. It should be noted that the broker is merely an agent and not the underwriter or insurer (Dorfman, 2002:91). A direct insurer, as explained earlier, is linked to one insurance organisation and can only provide that organisation's products to clients.

The roles of the broker include assisting buyers to identify their coverage and risk management needs and to match those needs with appropriate insurers (Board, 2011:1; Cummins & Doherty, 2006:360). According to Cummins and Doherty (2006:362), the role of a broker is to break through the complexity by assisting clients to understand and purchase insurance. Joseph *et al.* (2003:84) argue that a broker is not only essential to an insurance transaction, but irreplaceable as well.

Pal *et al.* (2007:87) argues that a high standard of professional skills and conduct is expected of a broker. According to Dorfman (2002:123) a good insurance broker has extensive knowledge of products, has good ethics and puts the interest of clients first. It is also the duty of brokers to communicate clearly in order for their clients to understand the rights and duties created by the contract (Dorfman, 2002:123). It is important to note at this stage that insurance brokers are usually independent and use several different insurance companies' (insurers) products and services. The service quality of the different insurers differs and cannot always be controlled by the broker.

It is also important to note that insurance is twofold in the sense that it is both a product and a service. Joseph *et al.* (2003:84) argues that given the nature of the product (i.e. insurance), clients will continue to rely on the advice and expertise of the broker. This is based on the assumption that insurance is perceived as a high-risk, high-complexity, service-oriented product (Joseph *et al.*, 2003:84). Therefore, it can be deduced that the product entails a service.

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Brokers must be able to provide clients with expertise, professional knowledge, and the ability to assess and satisfy a client's insurance needs and requirements, taking the client's financial situation into consideration (Ombudsman for Short-Term Insurance, 2006:1).

More than that, brokers provide clients with personal and professional qualities that many clients are willing to pay extra for (Joseph *et al.*, 2003:84). In a study conducted by Joseph *et al.* (2003:81-92), the authors identified certain aspects which appeared to be critical to the success of brokers:

- the needs of clients had to be taken into consideration when developing strategy,
- the importance of developing personal relationships,
- the level of client satisfaction and using communication to achieve satisfaction,
- keeping clients informed,
- creating client loyalty through the personal experience with the broker, and
- the knowledge and expertise of the broker.

All of these aspects are also prominent elements of both the CRM and PR fields as discussed earlier in this study. Echols (2003:12) further states that when a client contacts a brokerage and the interaction is positive due to the company's recognition of the relationship with the client, the client's likeliness of continuing with the relationship increases significantly. This correlates with the statement made earlier in this study that the existence of a quality relationship influences client retention.

Clients want it to be easy to do business with their brokerages, resulting in fast, accurate and quality resolution of questions and problems (Echols, 2003:12). The competitive insurance environment requires added value. In order to retain clients, brokers have to deliver added value to their clients and cannot rely on price alone (Cummins & Doherty, 2006:384).

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Therefore, all employees across the different departments in an insurance company are responsible for building and managing quality client relationships. “Ideally, the relationship between an insurance broker and a client should be one of mutual confidence, trust, integrity and openness of communication” (Ombudsman for Short-Term Insurance, 2006:1).

4.6.4 Insurance terminology

In order to understand the concept of insurance it is important to clearly explain and define certain insurance terms. According to Marples (2008:1) insurance is described as “coverage by contract whereby one party undertakes to indemnify or guarantee another party against loss by a specified contingency or peril”. It can therefore be assumed that the foundation of insurance is to guarantee against loss (Marples, 2008:1) and to safeguard against uncertainties (Pal *et al.*, 2007:1). The contract as used in the definition of insurance is called the policy and is legally binding (Dorfman, 2002:4; Pal *et al.*, 2007:5).

Dorfman (2002:4) states that loss means to be without something previously possessed and that a peril as mentioned previously, is defined as the cause of the loss. According to Pal *et al.* (2007:1) insurance is a tool used by which losses of a small quantity are compensated out of funds (premiums) collected by many.

The insurer can be described as the entity or company selling the insurance (Pareto, 2009:1). The insurer is an organisation with financial strength to underwrite the client’s risk, undertakes to provide an insurance product to a client and assures to compensate the client or third party according to specific terms and conditions, should a well-defined event occur (Cummins & Doherty, 2006: 360). The insured (policyholder) is the client (whether it is an individual or company) who purchases the insurance. According to Pareto (2009:1) the idea of insurance is for individuals or businesses to protect themselves against considerable potential losses (that might lead to financial hardship) at a reasonable rate. The premium is the amount to be charged in order for the

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insurer to provide coverage to the client. In the event of an insured (client) neglecting to pay insurance premiums it is referred to as a lapsed policy (i.e. no money has been received to cover the risk). Should the insured decide to terminate the contract for whatever reason, it is referred to a cancelled policy. Benetton (2009:1) mentions the concept of churning, whereby clients replace their policies with cheaper alternatives. In a case like this a client would cancel an insurance policy in order to replace it with an alternative insurance policy that offers a lower premium.

The process of underwriting entails the use of actuarial science to quantify a certain risk by predicting the likelihood of a claim made against the policy, and according to that determining how to price the product accordingly (i.e. what the premium to accept the risk should be). Underwriting is done by the insurer (Insurance, 2009:1). In laymen's terms the insurer calculates the risk, based on statistics and decide what the premium should be (Dorfman, 2002:99; Maples, 2008:1).

4.6.5 Regulating insurance practices

In order to assure that brokers and insurers are compliant to relevant laws and render a professional service to the public, regulations have to be in place. All financial advisors and intermediaries in South Africa have to adhere to the Financial Advisory and Intermediary Services (FAIS) Act. The FAIS Act 37 of 2002 regulates the business of all financial services providers (FSP) who give advice or provide intermediary services to clients. According to the Act a FSP needs to be licensed and professional conduct is controlled through Codes of Conduct and enforcement measures (FAIS Act, 37/2002). By regulating providers of financial services (including short-term insurance brokers) the FAIS Act aims to achieve the following: professional conduct, better informed clients and a professional, responsible sector. The Act is enforced by the Financial Services Board (FSB). All financial services providers have to be licensed in terms of the FSB.

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According to Dorfman (2002:135) the insurance marketplace has to be regulated considerably, because of the following reasons:

- the severe impact of insurer insolvency,
- unequal knowledge and bargaining power of the buyer and seller,
- unique problem on insurance pricing, and
- promotion of social goals.

Regulation as defined by Dorfman (2002:134) is a rule or order prescribed by authority. The insurance industry has regulatory bodies to provide direction, management, control and correction.

4.6.6 Insurance profitability

According to Insurance Explained (2009:1) insurers make money (profit) in two ways:

- Through underwriting, this entails receiving premiums from accepting clients' (insured) risks.
- By investing the premiums collected from clients (insured parties).

The insurer measures profitability by means of its combined ratio. The combined ratio is calculated by adding the loss ratio (incurred losses and loss adjustment expenses divided by net earned premium) and the expense ratio (underwriting expenses divided by net premium) (Insurance Explained, 2009:1). An insurer's combined ratio of less than 100% indicates underwriting profitability, whilst a combined ratio of over 100% indicates a loss.

Compensation for insurance brokers is limited to premium-based commissions and broker fees as explained below (Cummins & Doherty, 2006:374-379).

- *Premium-based commission:*
This compensation consists of a percentage of the premiums paid on each policy, which is referred to as premium-based commission.

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Commission rates also depend on the average policy size and the difficulty to underwrite. More information-intensive and complex underwriting risks tend to have higher commissions.

- *Broker fees:*

Brokers may receive fee income from clients. These fees are normally charged for services provided by the broker to the client for which the broker cannot receive commission-based compensation. Services include for instance risk modelling, risk management consulting, loss mitigation and claims management. Broker fees are arranged by the broker and not through the insurer and occasionally entails negotiations between the broker and the client in order to assess the value of the services provided.

4.7 INTEGRATED COMMUNICATION IN THE SHORT-TERM INSURANCE INDUSTRY

Niemann (2005:9) argues that the value of IC is reflected in the competitive advantage it can provide. IC entails a more holistic strategic approach and is seen as an all-inclusive term for all strategic organisational communication. IC is essential for any company, including the short-term insurance industry, but how can short-term insurance organisations move toward implementing IC?

4.7.1 Theoretical components of IC in short-term insurance organisations

Niemann (2005:61) identified certain theoretical components of IC based on relevant literature. To better understand how the concept of IC can benefit the short-term insurance industry, it is imperative that the explanation is based on the five theoretical components of IC.

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4.7.1.1 Two-way symmetrical communication

Clark (2000:367) is of the opinion that two-way symmetrical communication improves and nourishes relationships which ultimately lead to better organisational effectiveness and higher profits. This will benefit a short-term insurance organisation in two ways. Firstly, higher profits, which is as established earlier in the study, the ultimate goal of any organisation. Secondly, two-way communication fosters relationships, which increases client retentions as determined earlier in the study.

Grunig and Hunt (1984:30) argue that by implementing the two-way symmetrical model both the company and the stakeholders can change attitudes and behaviours as a result of well planned, two-way flow of information. This also benefits the short-term insurance organisation as there is a constant flow of information which can be utilised to learn more about the client's needs and how to influence their attitudes and behaviour to ultimately serve the client better.

4.7.1.2 Managing stakeholder relationships

Both CRM and PR recognise the necessity of establishing and developing relationships. From a CRM point of view Zineldin (2006:431) states that the idea is to develop relationships that deliver value to a company. Grunig (1992:6) from a PR perspective, states that PR contributes to the effectiveness of an organisation by building long-term relationships with stakeholders. It is evident that building and managing relationships will benefit any short-term insurance organisation, as it adds value and contributes to organisational effectiveness, which ultimately leads to client retentions. Niemann (2005:65) states that IC is directed at managing relationships with stakeholders.

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4.7.1.3 Brand relationships and brand equity

IC directs brand value to manage profitable stakeholder relationships (Niemann, 2005:63). It can be reasoned that stakeholder relationship management is based on the relationship that the stakeholders have with the brand. Therefore, stakeholder relationships entail the brand relationship as it is the brand as a whole that the stakeholders build relationships with (Niemann, 2005:63). Brand equity is determined by the quality of the brand relationship between the organisation and its stakeholders. The ability to establish clients' needs and predict their behaviour and response is of the essence for any short-term insurance organising. Not only is it essential for minimising cancellations and lapses in order to retain clients, but also to initially attract those clients.

4.7.1.4 'One voice, one look' vs. 'sophisticated' IC

Niemann (2005:65) suggests a more sophisticated IC approach in order to nourish relationships. The first approach generally failed because it did not move away from the traditional promotional approach of marketing communication. Communication is a strategic tool utilised to manage relationships with key stakeholders who have an effect on organisational goals and objectives. Thus, in order to more effectively manage relationships with all stakeholders (i.e. including clients in the case of short-term insurance), communication efforts should be more sophisticated and integrate all communication and marketing management approaches to best reach a specific stakeholder group.

4.7.1.5 Cross-functional processes and planning

Long-term profitable relationships require a cross-functional process. IC is more inclusive than IMC because it requires the commitment of top management, an integrated organisational structure and communication that

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ensures truly two-way symmetrical relationships with customers and other stakeholders (Niemann, 2005:66). Both the fields of marketing and communication management agree with the latter statement. Effective CRM requires cross-functional integration of all the employees, operations and processes within a company, and all these business functions must be led from the top in order to effectively build beneficial relationships (Chen & Popovich, 2003:673). The field of PR is in agreement and Grunig *et al.* (1992:70) suggest holistic attempts of integration between the PR department and the rest of the organisation. Consequently, all departments in a short-term insurance organisation should form part of the planning and processes to find the most suitable relationship management solutions.

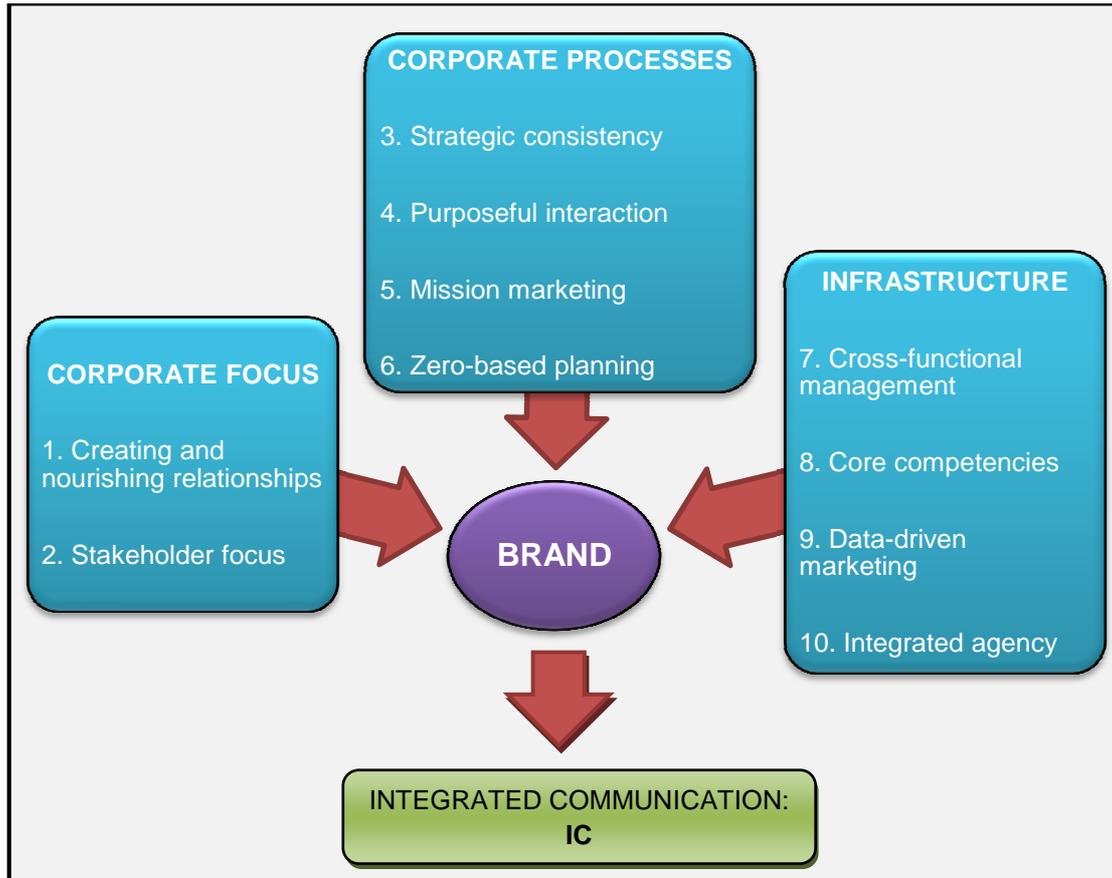
In summary, IC is in essence based on the above five theoretical components. The five components should be at the core for any short-term insurance organisation wanting to adopt an IC approach. Short-term insurance organisations should therefore strive toward cross-functional planning and processes, two-way symmetrical communication, the management of stakeholders and brand relationships and sophisticated and integrated communication practices. These five core components have to be present in any short-term insurance organisation wanting to achieve a competitive advantage. Niemann (2005:66) argues that the more integrated the organisation becomes, the more benefits it will reap.

4.7.2 Ten strategic drivers of IC in short-term insurance organisations

Niemann (2005:80) mentions ten strategic drivers that have to be in place within an organisation in order to benefit from IC. Niemann (2005:80) mentions that these drivers were identified by the authors Duncan and Moriarty through extensive research and IMC audits. It is further suggested that not all ten drivers have to be present before the organisation can start to benefit from IC. These ten strategic drivers are illustrated in Figure 4.3 (p. 135).

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Figure 4.3: Ten strategic drivers of IC



Source: Niemann (2005:81).

Niemann changed Duncan and Moriarty’s original order of the three focus areas, by presenting it as illustrated above. The original order was infrastructure, corporate focus and corporate processes. The reasoning behind Niemann’s change of the order is that IC should be based on the outside-in approach, starting with the organisation’s relationship with the stakeholders. For the purpose of this study the order of the three focus areas will be based on Niemann’s (2005:81) point of view.

Any short-term insurance organisation that decides to follow an IC approach would naturally want to benefit from IC as much as possible. Therefore, it is imperative for such an organisation to be aware of all ten strategic drivers of IC and have as many of these drivers in place as possible.

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The ten strategic drivers can be divided into three categories or focus areas, which are corporate focus, corporate processes and infrastructure as indicated in Table 4.5.

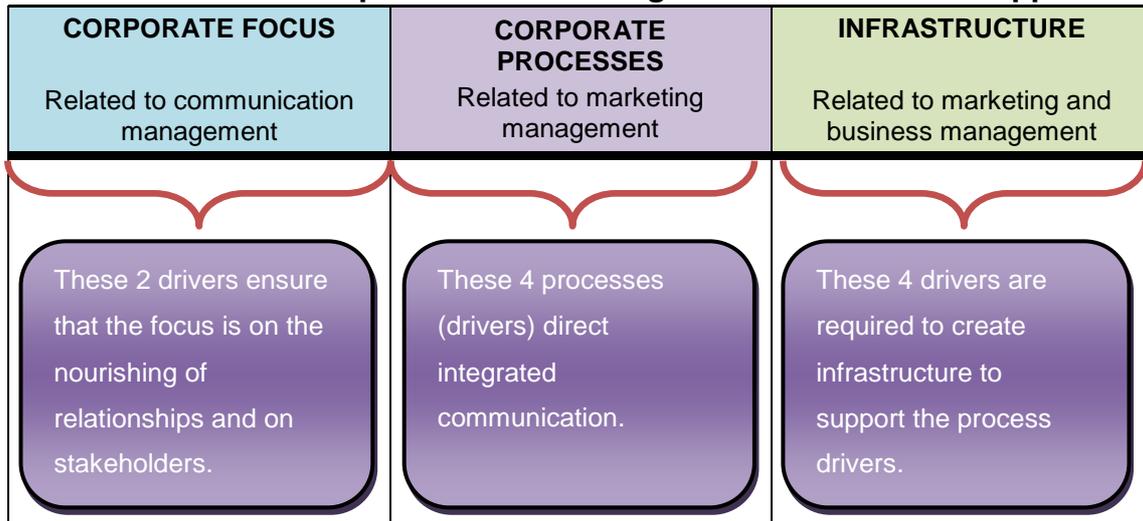
Table 4.5: Ten strategic drivers of IC

CORPORATE FOCUS	CORPORATE PROCESSES	INFRASTRUCTURE
Related to communication management	Related to marketing management	Related to marketing and business management
<ul style="list-style-type: none"> 1. <i>Creating and nourishing relationships rather than transactions</i> 	<ul style="list-style-type: none"> 3. <i>Maintaining strategic consistency rather than independent brand messages</i> 	<ul style="list-style-type: none"> 7. <i>Using cross-functional rather than departmental planning and monitoring</i>
It is more beneficial for a short-term insurance organisation to build relationships with clients, rather than just focus on the transaction.	A short-term insurance organisation's brand position has to be strategically integrated into all brand messages in order to reach a more consistent and clear identity and reputation.	By linking all departments and functions in the short-term insurance organisation in order to interact and integrate on a regular basis, expertise is shared and consistency enhanced thereby monitoring relationships more effectively.
Link: This driver links with CRM and PR, both of which regard <i>relationship management</i> as a core element.	Link: This driver links with CRM and PR, both of which regard <i>strategy</i> as a core element.	Link: This driver links with CRM and PR, both of which regard a <i>holistic, cross functional approach</i> to be of essence.
<ul style="list-style-type: none"> 2. <i>Focusing on stakeholders rather than customers</i> 	<ul style="list-style-type: none"> 4. <i>Generating purposeful interactivity rather than just a mass media monologue</i> 	<ul style="list-style-type: none"> 8. <i>Creating core competencies rather than just communication specialisation and expertise</i>
The focus should not only be on the clients, but rather all stakeholders that might influence the short-term insurance organisation. Even when the focus of this study is client and how to retain them, all stakeholders should be involved in the decision on how to focus on clients.	Clients (and stakeholders) should be integrated into the planning and processes of the short-term insurance organisation by facilitating continuous feedback.	Communication specialists in the organisation have to understand the strengths and weaknesses of the marketing communication function and how to combine it in order to reach maximum cost effectiveness for every function.

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CORPORATE FOCUS Related to communication management	CORPORATE PROCESSES Related to marketing management	INFRASTRUCTURE Related to marketing and business management
Link: This driver links with the PR element of stakeholder focus.	Link: This driver links with CRM and PR. Both CRM and PR suggest that a two way symmetrical approach be followed to facilitate feedback.	Link: This driver links with PR as PR also regards strategic communication to be of essence. It also again links to a holistic approach toward improved relations with customers and stakeholders which is an element shared by both CRM and PR.
	<ul style="list-style-type: none"> 5. Marketing a corporate mission rather than just product claims 	<ul style="list-style-type: none"> 9. Using an integrated agency rather than a traditional, full-service agency
	<p>The corporate mission of the short-term insurance organisation should be integrated into all aspects of the organisation in order to have a positive impact.</p>	<p>Integrated agencies monitor specialised agencies to insure that the focus is on the quality of communication strategies and implementation thereof.</p>
	<p>Link: This driver links to CRM and PR as both regard a holistic approach where all messages of the organisation is combined into one holistic strategic message.</p>	<p>Link: This driver links to PR which regards the quality of communication as the essence of a strong relationship.</p>
	<ul style="list-style-type: none"> 6. Using zero-based planning rather than altering last year's plan 	<ul style="list-style-type: none"> 10. Building and managing databases to retain customers rather than acquiring new customers
	<p>All communication strategies of the short-term insurance organisation must be valid in terms of how relationships can be managed better, and not just taking previous planning and attempting to alter it.</p>	<p>Establishing and utilising databases is a necessity for any short-term insurance organisation in order to establish personalised communication for client retention purposes.</p>
	<p>Link: This driver links to both CRM and PR, which regard strategic orientation toward more effective relationship management as a core element.</p>	<p>Link: This driver links to CRM as knowledge management through gathering customer data is a core element. This driver also links with CRM and PR based on the shared element of customer retention.</p>

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Source: Conceptualised from Niemann (2005:81-85).

From the summary above and as concluded by Niemann (2005:85), it is clear that both marketing and communication management practices are reflected in the drivers in order to arrive at the concept of IC. Each driver also links to specific elements shared by CRM and PR as identified earlier in the study. Some of the elements linked to the drivers are not shared, but by combining CRM and PR elements, strengths of both disciplines are identified and capitalised on and weaknesses eliminated. This once again reflects on the relevance and necessity of implementing IC approaches within an organisation.

4.8 AN INTEGRATED APPROACH TOWARD CLIENT RETENTION IN THE SHORT-TERM INSURANCE INDUSTRY

Reichheld *et al.* (2000:120) state that profitability remains the most important factor in the survival of any business. The same applies to the short-term insurance organisation. Insurance companies face many challenges every day and the impact of these challenges on profitability is far greater when the economy is under pressure. Unfavourable economic conditions place the client and consequently the entire short-term insurance industry under financial pressure (Stokes, 2009:1). Churning (where clients continuously replace their insurance policies for cheaper alternatives) is also known to

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occur more often during poor economic conditions. In these cases, clients will continuously search for cheaper alternatives in order to keep payments as low as possible.

Earlier in this study Ewing (1996:42) suggested three ways in which an organisation, specifically an insurance organisation, can secure profitability: obtain new business, do more business with existing clients and lose fewer clients. Ewing (1996:42) argues that especially the last two methods can lead to substantial payoffs for a short-term insurance organisation. That is doing more business with existing clients, and losing fewer clients in other words establishing relationships with clients in order to retain them.

Ewing (1996:219) provides evidence that client retention is a direct consequence of relationship quality. As referred to before, Swart (1998:191) conclusively confirms that the quality of a relationship determines client retention. The quality of a relationship in the short-term insurance industry is clearly vital as it determines client retention and the quality thereof.

The intention behind managing client relationships is to interact with the client in such a way as to build client loyalty and to improve client retention (Himmelsbach, 2006:1). Echols (2003:12) suggests enabling interaction (i.e. communication) with clients in an attempt to learn more and develop programmes to retain loyal, profitable clients.

Retaining existing clients is something all organisations strive for (Swart, 1998:90), because organisations with the highest retention rates earn the highest profits (Reichheld *et al.*, 2000:120). It is thus established that continuously doing business with existing clients and retaining those existing clients are the means to the end of any insurance organisation as the end goal is profitability.

It is clear that in order to retain clients, especially in an already tough and extremely competitive short-term insurance industry, quality relationships are the key ingredient. The quality of relationships entails the development,

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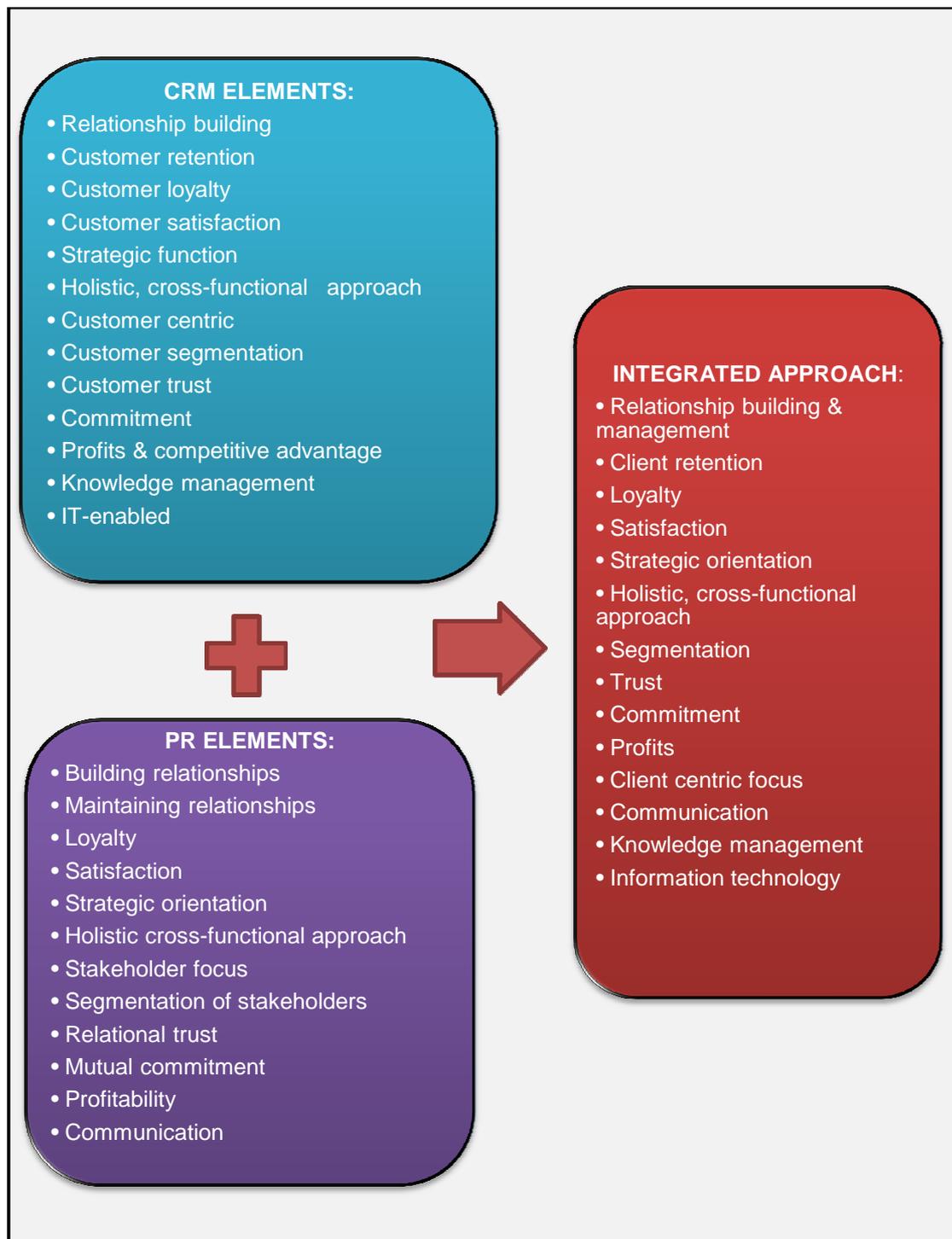
nurturing and management of long-term relationships and is absolutely essential for holding on to clients. By increasing the quality of relationships with short-term insurance clients, those clients will be retained more effectively which translates to higher profit margins for the organisation. Every short-term insurance organisation should want to know how exactly to effectively establish quality relationships in order to successfully retain clients?

The discipline of marketing management is explored extensively to come to the conclusion that the concept of CRM has the ultimate goal of maximising client retention (Payne, 2006:9) through improving relationships with existing clients (Ngai, 2005:582). The discipline of communication management is also explored comprehensively to find suggestions on the best methods to retain clients. Communication management suggests the concept of PR to increase effective management of relationships by maximising the amount of clients retained (Burning & Ledingham, 2000:170). In essence both disciplines suggest that the effective management of relationships with clients will lead to client retentions.

Earlier in this study it was established that both academic fields have similar suggestions with regard to retaining clients and from the combined efforts of the two disciplines the concept of IC was suggested. IC suggests that by combining all elements of marketing and communication management the two disciplines can benefit from each other's skills and abilities and at the same time eliminate each other's limitations and weaknesses. Therefore the integration of CRM and PR results in a stronger more effective approach toward client retention, and that is one of reasons why a short-term insurance organisation should consider an IC approach. Figure 4.4 (p. 141) indicates an integration of CRM and PR elements aimed at the retention of clients as suggested by the concept of IC.

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Figure 4.4: An integrated approach towards client retention



Source: Own conceptualisation.

This integrated approach is only a suggestion of how CRM and PR elements can be combined in order to improve client retention efforts, and can therefore not be combined with Niemann's (2005:244) suggestions on the implementation of IC efforts as yet. The idea is to interview respondents during Phases II and III of this study based on this integrated approach. By

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testing the validity of the integrated elements as indicated in Figure 4.4 (p. 141), it can be established whether these elements are relevant to the retention of short-term insurance clients in practise. After that has been established the relevant elements can be combined with Niemann's (2005:244) conceptual model for the implementation of integrated communication strategies.

The more integrated an organisation's efforts the more benefits it will reap (Niemann, 2005:55), one of those benefits being effective client retention. Niemann (2005:27) strengthens this argument by stating that the integration of CRM and PR leads to more effective relationship building and more specifically more effective client retention.

If IC can assist a short-term insurance organisation to achieve higher retention rates through improved retentions approaches, it makes financial sense for any short-term insurance organisation to implement and follow an IC strategy. This brings us back to the argument of Reichheld *et al.* (2000:120) which states that increased client retentions equals higher profits, which is ultimately the goal of any organisation.

As stated in Chapter 2, the broad aim of CRM is to create, develop and maintain customer relationships (Buttle, 2006:39). The same is true for PR, as the true value that PR adds to an organisation, is embedded in the quality of the relationships between the organisation and its publics (Jo *et al.*, 2004: 15). Thus a clear correlation exists between CRM and PR, since both disciplines' values can be found in relationships and ultimately their management. Since both CRM and PR not only focus on relationships, but more importantly on the quality and improvement thereof, it is important to find ways to assess and measure the quality of these relationships (Jo *et al.*, 2004:15).

4.9 CONCLUSION

By combining all the elements of CRM and PR it is clear that suggestions toward client retention are in essence the same and overlap in many

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instances. The integration of CRM and PR should include all forms of marketing and communication activities with all stakeholders. The idea behind integrating the two fields is not only to create a competitive advantage, but also for marketing and PR to benefit from each other's skills, talents and abilities and to eliminate each other's weaknesses.

It was therefore suggested that a comparison be drawn between marketing (CRM) and communication (PR) in order to compare, contrast and finally provide reasons why a movement toward integration may be desirable if not a necessity. The intention of this study was to make an in-depth comparison between marketing and communication management. This was done in order to identify similarities and differences for integration purposes to ultimately achieve the goal of retaining clients in the short-term insurance industry. By integrating CRM and PR elements and specifically the elements that differ, relationship building and more specifically client retention can be more effective.

Short-term insurance organisations should thus strive toward implementing IC practices in every aspect of its business based on Niemann's model of integrated communication, as this model includes views from both the marketing and communication perspectives. Niemann (2005:75) argues that growing interdependence between the organisation, the environment and the stakeholders (i.e. the system in which an organisation functions) has highlighted the role of communication toward the continued existence and success of an organisation. It is clear that organisations need to be managed strategically and this implies the alignment of marketing, communication and other management functions in order to establish and maintain long-term relationships with not only customers but all stakeholders (Niemann, 2005:76). The aforementioned can only be achieved by implementing IC practices as it will ultimately lead to client retention, which is the core of this study.

The purpose of this study (as mentioned in Chapter 1) is to determine how to keep short-term insurance clients in a relationship with the organisation for as long as possible, thus retaining the clients. Although Niemann's model of

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integrated communication suggests how to successfully implement IC programs in order to more effectively retain clients, it is important to determine how to specifically retain short-term insurance clients. Therefore, all elements of CRM and PR suggested as determinants of client retention should be revisited to determine their relevance to the short-term insurance industry. It is also of importance to search for new concepts leading to client retention in the short-term insurance industry, or to rediscover concepts regarded by organisations as a whole as irrelevant, but which might be relevant to the short-term insurance industry specifically.

CHAPTER 5
Research design and methodology

5.1 INTRODUCTION

Researchers must, at all times be confident that their findings can be trusted and that it can provide enough evidence for understanding certain events. Accurate and reliable findings are only possible through sound research practices. Sound research can also assist researchers in taking certain actions and with the designing of future research (Fossey, Harvey, McDermott & Davidson, 2002:718).

Sound research is consequently very important for the purpose of this study, since the reliability of findings depends on it. The starting point of sound research, however, is a proper and clear research design and methodology. The purpose of this chapter is to propose a research design and methodology in order to reach the general research aim and specific research objectives as identified in Chapter 1.

The literature review conducted in Chapters 2 – 4 of this study revealed similarities between the suggested approaches of marketing management (CRM) and communication management (PR) towards the retention of clients. It was also determined that by combining these suggested methods through the concept of IC, client retention strategies can be much more efficient. The literature review (Chapter 2 – 4) forms Phase I of this study and will attempt to answer the first three research objectives.

Phase II of this study involves qualitative research by conducting interviews with respondents who specifically hold short-term insurance policies. In the third phase, interview questions similar to Phase II were tested among short-term insurance brokers and direct insurers to give further validity to the findings. In addition, possible new concepts identified during Phase II were also tested among short-term insurance organisations as part of Phase III.

The idea behind making use of a qualitative research method was to get in-depth perspectives (through face-to-face interviews) from the specific participants in order to establish their meanings, actions and context. Once that were established the challenge was to accurately represent the perceptions of these participants. Qualitative research will be discussed further in the following section.

5.2 QUALITATIVE RESEARCH DESIGN

Qualitative research is defined as using non-quantitative methods to contribute new knowledge and to provide new perspectives (Tong, Sainsbury & Craig, 2007:350). Qualitative research aims to deal with questions concerned with developing and understanding meaning and to experience dimensions of humans' lives and social worlds (Fossey *et al.*, 2002:717). These authors mention that qualitative research is a broad all-inclusive term for research methodologies that describe and explain peoples' experiences, behaviours, interactions and social contexts without the use of statistical procedures and quantification. Therefore, qualitative research is designed to be flexible and responsive to context (Fossey *et al.*, 2002:725), which makes it ideal for this study.

Tong *et al.* (2007:349) argue that qualitative research explores complex phenomena. Based on this argument qualitative research best suits the type of studies where the researcher attempts to understand a certain phenomena (i.e. insurance companies' inability to retain clients in the case of this study). Qualitative research is also more suitable for understanding the world from the perspective of those studied (participants) and for examining and articulating processes (Pratt, 2009:856).

Fossey *et al.* (2002:723) raise a similar argument and state that qualitative research aims to give benefit to the perspectives of participants of the research. These authors further mention that qualitative research sheds light on the subjective meanings, actions and context of those being researched. The challenge, and at the same time quality, of qualitative research lies in

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whether the participants' perspectives have been accurately represented in the research process and that accurate interpretations were made from the information gathered which fits the context from which the information was derived (Fossey *et al.*, 2002:723).

Qualitative research starts with the formulation of a research question. A research question, in this context is an area where more knowledge is needed (Crescentini & Mainardi, 2009:433). Research questions are relatively broad questions, rather than specific questions. The aim of these research questions is to achieve a deeper understanding of the phenomena at hand, which is reachable by means of qualitative research methods.

Since qualitative research requires research questions or objectives, it is vital to re-emphasise the general research aim together with the research objectives of this study as stated in Chapter 1.

5.3 RESEARCH OBJECTIVES

5.3.1 General research aim

To *develop* an integrated communication framework to effectively retain clients in the short-term insurance industry.

5.3.2 Research objectives

Research objective 1:

- To *determine* the perspectives from the disciplines of marketing management and communication management toward client retention.

Research objective 2:

- To *compare* the perspectives from the disciplines of marketing management and communication management toward client retention.

Research objective 3:

- To *integrate* these perspectives toward client retention from the two disciplines of marketing management and communication management, *developing* an integrated approach specific to the short-term insurance industry.

Research objective 4:

- To *test* the integrated approach towards client retentions in the short-term insurance industry among current short-term insurance *clients*, in order to determine the effectiveness of client retentions if the integrated approach is implemented in a short-term insurance organisation.

Research objective 5:

- To *test* the integrated approach towards client retentions in the short-term insurance industry among short-term *insurance organisations*, in order to determine the effectiveness thereof on client retentions if implemented in a short-term insurance organisation.

Research objective 6:

- To *present* an integrated communication framework for the implementation of client retention strategies specific to the short-term insurance industry.

Research objective 7:

- To make *recommendations* to both the short-term insurance industry and the academic fields of marketing and communication management, in terms of an integrated approach towards client retention based on the findings of this study.

Research objectives 1 – 3 were addressed in the literature review (Phase I). Phases II and III address research objectives 4 and 5. Research objective 6 and 7 will be addressed at the conclusion of all three the phases. The research methodology of Phases II and III is explained further in the following sections.

5.4 RESEARCH DESIGN AND METHODS

Research design is the blueprint for reaching research objectives and answering research questions (Cooper & Schindler, 2003:81). In order to accomplish the general research aim together with the specific research objectives of this study, a research design is of essence.

5.4.1 Research strategy and broad research design

Cooper and Schindler (2003:146) mention that essentially a research design is the following:

- An activity and time-based plan.
- Is always based on the research objectives.
- Guides the selection of sources and types of information.
- A framework for specifying the relationship among the study's variables.
- Outlining procedures for every research activity.

In summary, a research design is a plan based on specific research objectives that has to be reached. This plan guides the researcher towards the information needed to reach the research objectives. It also serves as a framework to understand the information collected and indicates the procedures to follow to reach these objectives successfully.

The research design of this study is best reflected by means of specific descriptors. These descriptors are summarised in Table 5.1 (p. 150).

CHAPTER 5

Research design and methodology

Table 5.1: Descriptors of research design

Category	Descriptor	Motivation
Degree to which the research question is crystallised	Formal study	The formal study begins with research questions and involves precise procedures and data source specifications. The goal of a formal research design is to answer a research question posed. In this study research questions are posed and the aim is to answer those questions.
	Exploratory study	This study is also an exploratory study as the aim is also to discover new concepts that might lead to client retention.
Method of data collection	Interrogation/Communication Study	In this study the researcher questions subjects and collects their responses by means of interviews.
Researcher's control over variables	<i>Ex post facto</i> design	In this study the researcher has no control over variables and can only report the responses of participants as it is.
Purpose of the study	Causal study	In this study the researcher attempts to determine the relationship between various variables.
Time dimension	Cross-sectional	The study is carried out once and represents a snapshot of one point in time.
Topical scope of study	Case studies	The emphasis is on a fully contextual analysis of fewer events, in this case interviews carried out in the short-term insurance context.
The research environment	Field setting	The interviews are carried out in the actual workplace environment of the participants.
Participant's perceptions of research activities	Participants perceived no deviations from everyday routine	During this study, variables are not manipulated and the responses of participants are recorded as it is.

Source: Cooper & Schindler (2003:146-151).

5.4.2 Research methods

Qualitative research includes several approaches toward answering research questions. For the purpose of this study in-depth face-to-face interviews will be used during Phases II and III.

5.4.2.1 In-depth face-to-face Interviews

In-depth and semi-structured interviews explore the experiences of participants and the meanings they attribute to these experiences. Semi-structured interviews are specifically used as it allows for a more focused exploration of specific topics (Fossey *et al.*, 2002:727). Using interviews as a data collection instrument requires researchers to encourage participants to talk about issues pertinent to the research question by asking open-ended questions and usually involves one-on-one interviews (Tong *et al.*, 2007:351).

Cooper and Schindler (2003:362) agree and state that in-depth interviews encourage participants to share as much information as possible in an unconstrained environment. The researcher gives guidance by using an interview schedule which comprises a set of questions to promote discussion and elaboration on specific topics by the participants (Cooper & Schindler, 2003:362). These authors also state that the environment in which the interviews are conducted must be relaxed enough for the participant to openly and fully discuss a topic.

During Phases II and III, in-depth, face-to-face interviews were conducted with various respondents. Based on an interview schedule, participants were guided through themes relevant to the study. Open-ended questions were asked and the respondents were given ample freedom to elaborate as much as possible on their experiences and perspectives. The respondents were also asked on occasion to rank and rate certain concepts during the interview, which are not typical to qualitative research questions, but regarded as essential for this study nonetheless.

5.4.2.2 Interview schedule

An interview schedule guides a researcher during an interview by means of pre-determined strategic questions. These questions assist the researcher to promote discussion with the participant as well as elaborate on specific topics (Cooper & Schindler, 2003:362). Qualitative questions are asked in a particular way and have to be grounded in a qualitative argument. Questions need to be framed in such a way as to describe, verify or understand (Crescentini & Mainardi, 2009:433). In the case of this study more information and an understanding is needed on why clients so seemingly easily cancel their insurance policies with a particular insurer to move to a next. This is a qualitative argument as explained by Crescentini and Mainardi (2009:433). In this case the questions have to be clearly explained, which according to Crescentini and Mainardi (2009:433), mean that every part of the question has to be as explicit as possible.

The aim of the interview schedule is to pose open-ended, semi-structured questions to guide the respondent to elaborate on specific topics by promoting discussion. This allows for descriptive explanations in order to assist in understanding the perspectives of short-term insurance clients better. In this study the idea was also to probe for new and fresh concepts and approaches towards the retention of clients, from the clients themselves as they would know best what their needs are with regards to remaining a client of a specific short-term insurance organisation. The interview schedule used for interviewing short-term insurance clients is attached as Appendix A.

Phase III of the study involves a different interview schedule specifically formulated for short-term insurance organisations. The purpose of conducting interviews with short-term insurance organisations is two-fold. Firstly, the idea is to ask the same questions that were asked to the clients, but to add concepts identified in the literature review which are specifically relevant to short-term insurance organisations. This is to get an idea of how the organisations perceive the retention of clients, and how it differs from the perspectives of clients. Secondly, the aim is to test the validity of possible new

concepts among short-term insurance organisations. The interview schedule used for interviewing short-term insurance organisations is attached as Appendix B.

5.4.2.3 Data collection

Information gathered during data collection needs to be recorded in a manner that enables the researcher to analyse the data effectively (Fossey *et al.*, 2002:728). Data collection during this study includes semi-structured, in-depth interviews and is executed face-to-face with the different participants. Data were collected from two specific groups, namely short-term insurance clients and short-term insurance organisations.

Each of the two sample groups was asked their own set of questions and was interviewed in their specific workplace environment. The interviews were recorded by means of a dicta-phone and stored electronically in case transcription is required. Field notes were taken in support of recordings. Interviews were on average no longer than 45 minutes, depending on the richness of data obtained.

5.4.3 Sampling

A sample is a part of the target population and is carefully selected to represent that specific target population (Cooper & Schindler, 2003:82). The basic idea is that by selecting some of the elements in a target population, conclusions about the entire population can be drawn. Based on this assumption, samples are drawn from a target population with the belief that the samples will accurately represent the entire target population. The population and samples for Phases II and III are discussed in this section.

5.4.3.1 Target population

Cooper and Schindler (2003:179) define a population as the entire collection of elements from which the research is conducted. The target populations relevant to this study are twofold: short-term insurance clients (Phase II) and short-term insurance organisations (Phase III).

5.4.3.2 Sampling method

Qualitative sampling is concerned with information richness, for which two key considerations should guide sampling methods: appropriateness and adequacy (Fossey *et al.*, 2002:726). In other words, qualitative sampling requires the identification of appropriate participants (those who can best inform the study) and adequate sampling of information sources (i.e. people, places, events). Appropriateness and adequate sampling are of essence when addressing the research questions and when developing a full description of the phenomena being studied.

From the target population of short-term insurance clients who holds an active personal or commercial insurance policy, 7 participants were identified using purposive (judgemental) sampling (Phase II). Purposive (judgemental) sampling was also used as sampling technique for Phase III, where the population included short-term insurance organisations. Purposive sampling conforms to certain criteria and forms part of non-probability sampling which is non-random and subjective in nature. Non-probability sampling allows researchers to choose sample elements as they wish or wherever they find them (Cooper & Schindler, 2003:183). Judgement sampling is a form of purposive sampling and occurs when the researcher select sample members to conform to some criteria (Cooper & Schindler, 2003:201).

In the case of this particular study, participants were selected based on previous experiences and strong opinions. Judgement sampling is the most appropriate sampling method for this study, as it allows for the selection and

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interviewing of specific individuals who have a strong opinion and previous experience relating to the short-term insurance industry.

Sampling in qualitative research continues until themes emerging from the research are fully developed and explored and further sampling is redundant (Fossey *et al.*, 2002:726). The suggested appropriate number of participants to be interviewed is discussed in the next section.

5.4.3.3 Sampling size

According to Fossey *et al.* (2002:726), qualitative sampling may involve small numbers of participants, while the amount of data collected can be large with many hours of participant interviews. No predetermined minimum number of participants is necessary to conduct sound qualitative research, however, sufficient depth of information needs to be gathered to fully describe the phenomena being studied (Fossey *et al.*, 2002:726). Pratt (2009:856) agrees and argues that there is no 'magic number' of interviews that should be conducted in a qualitative research project. This author also states that the adequate number of interviews depend on what questions a researcher seeks to answer.

At this stage of the study a sample size (number of interviews) cannot be determined, as the final number of interviews is determined by the richness of data gathered during these interviews. Thus, the final number of interviews will be presented when the data collected are deemed sufficient and rich enough to answer research questions.

5.5 PILOT STUDY

The purpose of pilot testing is to reveal errors or weaknesses in the research design and improper control of the environmental conditions (Cooper & Schindler, 2003:86). Pre-testing of the interview schedule allows for refinement before final interviews are conducted. This gives the researcher ample opportunity to revise scripts, identify possible problems and scan the

environment for factors that might influence results (Cooper & Schindler, 2003:431).

In this study, pilot testing was conducted to ensure the effectiveness and clarity of the interview schedule to ultimately ensure reliability of the study. The pilot study also assisted with determining a sufficient time frame for interviews with respondents.

5.5.1 Execution of the pilot study

The pilot study was conducted in November 2011 with the purpose to validate the effectiveness and clarity of the measurement instrument (i.e. interview schedule) for final testing. The proposal was to conduct an in-depth, face-to-face interview, exactly like it would be done during the final interviews. By conducting an exact replica of what was intended during final testing, the chances for identifying errors and weaknesses were increased.

The sample was selected from the same target population to be used in selecting respondents for final testing. The respondents were also selected using the same sampling method (judgement sampling) to be used when selecting respondents for final testing. The respondents were, thus, selected based on their experience as short-term insurance clients and their strong opinions.

The pilot study interviews were conducted in the workplace environment of the respondents. The first pilot interview was completed in a time frame of 44 minutes and 10 seconds. The interview was recorded on a dicta-phone and field notes were taken continuously during the interview to re-test possible new concepts with the respondent.

5.5.2 Findings of the pilot study

The first in-depth pilot interview was conducted during which the testing and outcomes were satisfactory enough to justify only doing one interview for the purpose of pilot testing. During the pilot interview some questions were found to be repetitive, unclear and redundant. Unclear questions were formulated differently and repetitive and redundant question removed from the interview schedule. Some new questions were also added based on the pilot interview and the respondent's responses. These changes to the pilot interview schedule are discussed in detail in Chapter 6.

During the pilot study, it was established that a time frame of 45 minutes to conduct an interview is adequate. A 45 minute time frame allows for sufficient time to pose all the research questions, receive responses and probe for interesting concepts or ideas. A dicta-phone was used during the pilot interview, which was found to be convenient and reliable, especially when coupled by field notes. The pilot study interview was conducted in the workplace environment of the respondent. This was found to be favourable as it contributes to the formality of the study and the respondent is comfortable to answer questions.

Based on the pilot study it was decided that 7 in-depth interviews with short-term insurance clients should be adequate. It was also decided that, due to the richness of data gathered in the pilot interview, the pilot interview will serve as an additional in-depth interview for Phase II.

5.6 DATA ANALYSIS

In order to achieve specific research objectives, researchers need information and not raw data. Data analysis entails the analysis of data collected in order to generate useful information. The data analysis process involves reducing data to a manageable size, developing summaries, looking for patterns and applying statistical techniques (Cooper & Schindler, 2003:87). Qualitative data

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analysis is a process of reviewing, synthesising and interpreting data to describe and explain the phenomena being studied (Fossey *et al.*, 2003:726).

By selecting a sample size of 7 short-term insurance clients for Phase II, enough data was collected to formulate a clear position and understanding of the topic. During Phase III, 2 interviews were conducted with short-term insurance organisations, which gathered adequate data to generate useful information.

The interview schedule used in Phase II consists of 37 open-ended questions, three ranking questions and one rating question. Even though the rating and ranking questions are quantitative in nature, it is discussed with the respondent during the interview. The rating measurement scale used is the Likert scale (i.e. summative rating scale), which consists of statements that express either a favourable or unfavourable attitude towards the object of interest (Cooper & Schindler, 2003:253). The respondents were asked to indicate whether a specific concept will influence them to remain in a relationship with their insurer by indicating if the concept will strongly (1) influence them to stay, somewhat (2) or not at all (3). An eleven-item, 3-point Likert scale was used.

In terms of the ranking questions, a forced ranking scale was used. The forced ranking scale indicates a list of items that must be ranked relative to each other. Ranking normally starts from the most preferred, second most preferred and so forth (Cooper & Schindler, 2003:260). In the case of this study, ranking for all three questions started with most preferred (1), second choice (2) and so forth.

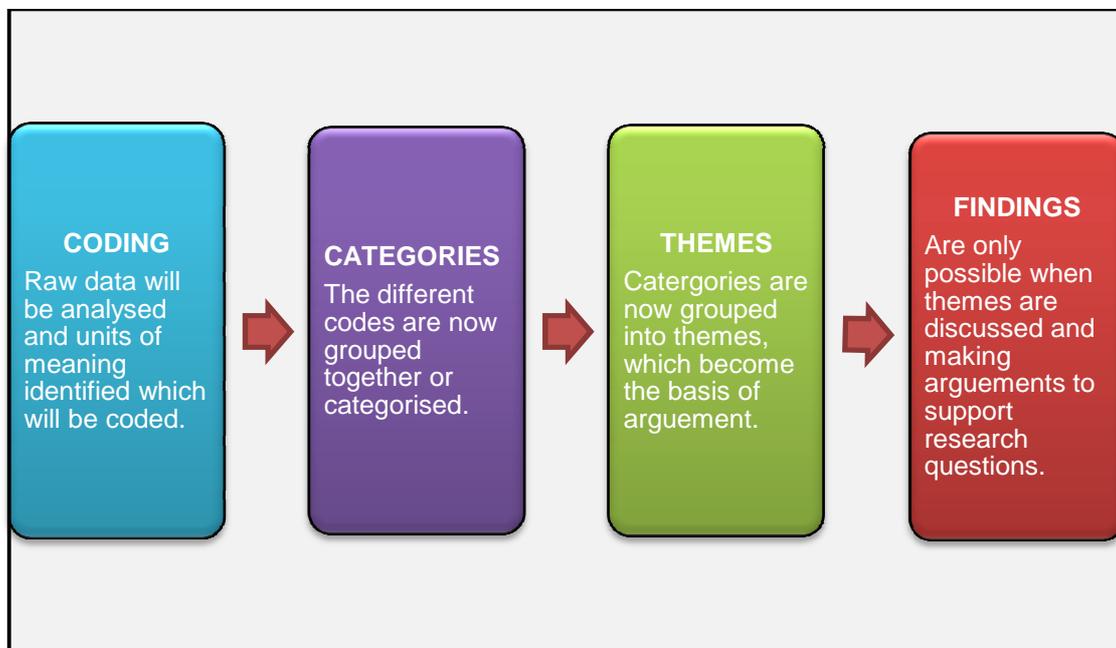
According to Lombard, Snyder-Duch and Bracken (2002:587) content analysis is fundamental to communication research and therefore data was analysed using qualitative content analysis. In content analysis researchers identify a set of categories and count the number of instances that fall into each category (Silverman, 2006:159). The researcher starts with the data (recorded interview), go through the entire interview and identify units of meaning

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(Henning, 2004:104). These units of meaning are then coded as the researcher works through the data. Once codes are assigned to different segments or units of meaning, the codes are grouped or categorised (Henning, 2004:105). The categories are then grouped together to indicate certain themes.

Once all the sets of data is coded and categorised, the researcher is left with the task of ‘seeing the whole’ and interpreting (Henning, 2004:106). Once the researcher is satisfied that themes represents reality, the themes can be used as the basis for an argument in a discussion around the specific theme. Henning (2004:107) argues that processed data can only have the status of findings, once the themes was discussed and argued. Themes are discussed and argued to make certain points, which flows from the research objectives, thus completing the circle by reaching research objectives or answering research questions. Figure 5.1 illustrates the progress of qualitative content analysis.

Figure 5.1: Qualitative content analysis



Source: Conceptualised from Henning (2004:104-109).

It is crucial for data analysis methods to be reliable (Peter & Lauf, 2002:815). The reliability of content analysis will be validated using inter-coder reliability testing.

5.7 RELIABILITY AND VALIDITY OF RESULTS

The reliability and validity of results can be influenced by various factors and it is important to be aware of these aspects. As mentioned earlier in this chapter, pilot testing was conducted to reveal errors or weaknesses in the research design. Pilot testing also ensured the effectiveness and clarity of the research design which ensures and increases the reliability of the results.

In addition to pilot testing it is important to consider that the reliability of results may also be influenced during the coding phase and categorising phase of content analysis. A possible lack of consistency by the researcher might lead to inaccurate coding of segments and translating qualitative data into the inappropriate category. This might have an influence on the reliability and validity of the results and consequently the study. Henning (2004:102) also mentions that content analysis may lead to superficial findings because it captures what is presumed to be the 'real world' (through the eyes of the respondents). This might not necessarily be the case, but the assumption is that data collected from respondents are reliable and a realistic representation of reality and the 'real world'.

The reliability of content analysis is crucial and therefore a standard method of testing reliability is used, which is known as inter-coder reliability (Peter & Lauf, 2002:815). In this section (Chapter 5), inter-coder reliability is discussed in detail, addressing among others the necessity thereof. The actual calculations of inter-coder reliability and the results thereof are presented and discussed in Chapter 6

Inter-coder reliability is the general term used to describe the extent to which independent coders evaluate the characteristics of a message and the extent to which they reach the same conclusion (Lombard *et al.*, 2002:589). Inter-

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coder reliability involves giving the same data to a number of analysts (or coders) and asking them to analyse the data according to an agreed set of categories (Silverman, 2006:286). Peter and Lauf (2002:815) also mention that inter-coder reliability involves using different coders to independently code randomly selected units of meaning. Content analysts must demonstrate the reliability of their instruments and of the data collected using those instruments in order to prove the validity of the data drawn from the content analysis (Milne & Adler, 1999:238).

Inter-coder analysis is achieved by the use of multiple coders who report on any discrepancies between coders and if necessary to re-analyse those discrepancies and to resolve differences (Milne & Adler, 1999:238). For the purpose of this study an additional independent coder (two coders in total, of which one is the researcher) was used to analyse the extent to which the two coders agree or differ in order to determine the reliability of codes, categories and themes. To measure the reliability of content analysis various different forms of calculations can be undertaken (Milne & Adler, 1999:239). Milne and Adler (1999:240) suggest using the coefficient of agreement (i.e. percent agreement), Krippendorff's alpha (α) and Scott's pi (π) as measures of reliability. The idea is to use one other independent coder and to then calculate different coefficients to project the level of reliability attained. Lombard *et al.* (2002:590) also mention that there are several different measures of inter-coder reliability, but in communication studies the most widely used measures include percent agreement, Holsti's method, Scott's pi (π), Cohen's kappa (κ) and Krippendorff's alpha (α).

Percent agreement is the percentage of all coding decisions made by pairs of coders on which the coders agree (Lombard *et al.*, 2002:590). Percent agreement is widely used and simple to calculate, but can overstate true inter-coder agreement. It is suggested by Lombard *et al.* (2002:591) to use percent agreement with nominal level variables. Krippendorff's alpha (α) is reliable and flexible, but is more suitable for ordinal, interval and ratio level variables and therefore not suitable for this study (Lombard, Snyder-Duch & Bracken, 2010:7). Holsti's method is similar to the percent agreement but also account

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for situations in which the coders evaluate different units (Lombard *et al.*, 2002:591). Cohen's kappa (κ) is regarded as the measure of choice and is commonly used for inter-coder reliability calculations (Lombard *et al.*, 2010:6). According to Lombard *et al.* (2002:592), Cohen's kappa (κ) is generally only used for nominal level variables, which makes it suitable as measurement utility for this study. Scott's pi (π) is regarded as conservative and is only appropriate for nominal level variables and two coders, which makes it a suitable for calculating reliability in this study (Lombard *et al.*, 2002:591).

For the purpose of this study percentage agreement, Scott's pi (π) and Cohen's kappa (κ) will be used. As mentioned earlier, calculation of the reliability and the results thereof are addressed in Chapter 6.

5.8 CONCLUSION

The purpose of this chapter was to discuss the research design and methodology proposed for this study. The chapter focuses on the research paradigm (qualitative research), research strategy and research design, sampling design and data analysis. The pilot study was also discussed, indicating how it was conducted together with the findings thereof. The reliability and validity of research results were also addressed, referring specifically to the process of inter-coder reliability testing. This chapter also explains the three phases of the study in terms of the research methodology linked to each phase.

In Chapter 6, data collected during the in-depth interviews will be analysed in order to determine the research results and to conclude the findings.

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6.1 INTRODUCTION

The purpose of this chapter is to describe and justify the analyses conducted on the data collected during the interviews with short term insurance clients (Phase II) and short-term insurance organisations (Phase III) and to report the results of these analyses. This chapter also interprets the research results, discusses its implications and importance and relate the results back to the academic fields and concepts as identified in the literature review during Phase I of this study (Chapters 2 – 4).

6.2 DESCRIPTION OF THE RESPONDENTS

During Phase II of this study, 7 short-term insurance clients who held active short-term insurance policies (either personal or commercial policies) were interviewed. The in-depth interviews were on average completed within 45 minutes and were recorded by use of a dicta-phone supported by field notes. Five respondents were male and 2 respondents female. Two of the respondents had commercial policies (i.e. typical business insurance policies), while the rest of the respondents held personal lines policies (i.e. typical motor and household policies). Of the 7 respondents, 3 had insurance policies with direct insurers, whilst 4 respondents made use of insurance brokers.

Phase III of this study included interviews with 2 individuals representing short-term insurance organisations. These interviews were also recorded with a dicta-phone and field notes supported the recordings, which were on average 43 minutes long. Both respondents were female and were employed by a brokerage. Both the respondents were familiar with and had experience working with both commercial and personal lines policies.

6.3 PILOT TESTING OF INTERVIEW SCHEDULE

During the pilot interview with the respondents representing the clients, some questions were found to be repetitive, unclear and redundant. Based on these findings, unclear questions were formulated differently and repetitive and redundant questions removed from the interview schedule. Some new questions were also added, based on the pilot interview and the respondents' responses. In the process of finalising the interview schedule for Phase II, changes made are summarised in Table 6.1.

Table 6.1: Pilot study: Amendments to interview schedule

ADDED QUESTIONS (added to final interview schedule)	
No. In final version	Question
1.2	Why do/don't you want a relationship with a broker/insurance?
	Reason for adding the question:
	It felt necessary to get an explanation from the respondent on why a relationship is or is not important to the respondent.
1.7 b	Service levels
	Reason for adding the question:
	This is a ranking question, and service levels were added as an option for contributing most to influencing a client to stay in a relationship. Service levels are not automatically assumed to be part of the quality of a relationship.
5.3	Is it important to you that both you and the broker are committed to the relationship?
	Reason for adding the question:
	This question serves to test the importance of mutual commitment to the respondent in terms of the relationship with the broker/insurer.
REMOVED QUESTIONS (removed from final version)	
No. In pilot version	Question
1.6	In the relationship with your broker, do you feel that it is a typical give-take relationship where both parties do things only if there is a perceived benefit for them?
	Reason for removing question:
	This question seemed to confuse the respondent, as there's no other benefit for insurer other than premium.
1.7	Based on YES/NO – will this have an influence on a decision to stay in or terminate a relationship?
	Reason for removing question:
	Since this question is directly linked with 1.6, and 1.6 is already confusing, it also had to be removed.

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1.11	If it changes drastically (control balance) in any way, would it make you want to stay in a relationship or terminate a relationship?
	Reason for removing question:
	This question confused the respondent, as respondents are unfamiliar with the control balance and changes to it. It was argued that previous questions in the interview schedule answered this specific question already.
3.5	Please rank these elements just mentioned based on which element are most likely to create satisfaction, where 1 is the most relevant to your satisfaction.
	Reason for removing question:
	The elements that the respondent ought to mention in the previous question will all be relevant to the satisfaction of the respondent. It seems silly to ask the respondent to now rank those elements. It is also difficult to rank the elements if they are not written down.
4.4	If not, what did? Context: If trust didn't influence your initial decision to go with a specific insurer, what did?
	Reason for removing question:
	This question is a repetition of Questions 13 and 14.
8.3	Did the knowledge of the broker influence the initial decision to start a relationship with the broker?
	Reason for removing question:
	This question is a repetition of Questions 13 and 14.
13	What made you enter the relationship with your broker in the first place?
	Reason for removing question:
	This question is a repetition of Questions 13 and 14.
16	What do you expect from your relationship with your broker?
	Reason for removing question:
	This question aims to ask the same question as intended in Questions 11 and 12. The respondent will most likely repeat the answer again.
AMENDED QUESTIONS (amended on final interview schedule)	
No. In final version	Question
1.5 (1.4 in pilot)	<u>Was:</u> In the relationship with your broker/insurer, do you feel that your broker will go the 'extra mile' for you and expect nothing in return?
	<u>Changed to:</u> In the relationship with your broker/insurer, do you feel that your broker will go the 'extra mile' for you?
	Reason for amending the question:
	The last part of the question " And expect nothing in return " was removed as the broker or insurer cannot expect much else than the premium from its client. This tends to confuse the respondent.
2.2 (2.2 in pilot)	<u>Was:</u> What is it in the relationship with the broker/insurer that makes you feel loyalty towards him/her?
	<u>Changed to:</u> If YES – why are you loyal/what made you loyal? If NO – what would make you have loyalty towards a broker/insurer?
	Reason for amending the question:

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	The question was stated in a different manner as to cater for the respondent who answered NO to question 2.1. Whether the respondent answers YES or NO the elements that make/will make the respondent loyal will remain the same.
5.4 (5.3 in pilot)	<u>Was:</u> Would mutual commitment make you want to stay in a relationship?
	<u>Changed to:</u> Would mutual commitment make you want to stay in a relationship, if you can get a cheaper premium or better benefits elsewhere?
	Reason for amending the question:
	By adding “ if you can get a cheaper premium or better benefits elsewhere? ” to the question, makes the respondent of the true value that commitment holds if measured against something else like premium..
6.1 (6.1 in pilot)	<u>Was:</u> Do you feel that you are treated as a valued and unique client by your broker/insurer?
	<u>Changed to:</u> Do you feel that you are treated as a valued and unique client by your broker/insurer, or do you feel like a number?
	Reason for amending the question:
	The “ or do you feel like a number ” part was added to the question for the sake of clarity to the respondent.
6.2 (6.2 & 6.3 in pilot)	<u>Was:</u> 6.2 If yes – will this make you stay & 6.3 If no – will it be easier for you to terminate the relationship than in the case of being truly valued as an individual?
	<u>Changed to:</u> Will this (valued client/just a number) influence you to stay in a relationship even if you can get a cheaper premium or benefits elsewhere?
	Reason for amending the question:
	The two questions were combined into one question, but will still test the same concept.
8.1 (8.1 in pilot)	<u>Was:</u> Do you think your broker/insurer is knowledgeable about insurance and the products he/she offers you?
	<u>Changed to:</u> In your opinion, is your broker/insurer knowledgeable about insurance and the products he/she offers you?
	Reason for amending the question:
	The question is just stated differently in order to make it easier to ask and clearer for the respondent to understand.
8.2 (8.2 in pilot)	<u>Was:</u> Does the broker’s knowledge influence whether you would stay in a relationship with the broker/insurer?
	<u>Changed to:</u> If you had a very knowledgeable broker with whom you have a good relationship, will you terminate your policy for a cheaper premium or better benefits?
	Reason for amending the question:
	The question is just stated differently in order to make it easier to understand and therefore answer appropriately.
9g (9g in pilot)	<u>Was:</u> Personalised focus
	<u>Changed to:</u> Valued client
	Reason for amending the question:
	The respondent grasps the concept of “valued client” better than “personalised focus”.

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10.1g (10.1g in pilot)	<u>Was:</u> Personalised focus
	<u>Changed to:</u> Valued client
	Reason for amending the question:
	The respondent grasps the concept of “valued client” better than “personalised focus”.
11 (11 in pilot)	<u>Was:</u> What is it that makes you stay in a relationship with your broker?
	<u>Changed to:</u> What is it that makes you stay in a relationship with your broker/insurer or would make you stay in a relationship with your broker/insurer?
	Reason for amending the question:
	The question seemed too vague.
14 (15 in pilot)	<u>Was:</u> If pricing was not the issue (i.e. all options offered the same premium)?
	<u>Changed to:</u> If pricing and benefits were not the issue (i.e. all options offered the same premium), what will influence which broker you will choose?
	Reason for amending the question:
	The question in the pilot version is not elaborate enough for the respondent to get a clear understanding of what is asked.

No pilot testing was done on the interview schedule used for short-term organisations (Phase III), as the same questions asked during Phase II, were asked during Phase III, but from an insurance organisation’s perspective.

6.4 INTERVIEW QUESTIONS

The interview schedule consisted of three types of interview questions, which included open-ended questions, ranking questions and rating questions. The interview questions were based on the integrated approach as identified and discussed in Chapter 4. The integrated approach was based on integrating elements of CRM and PR which were identified in Chapters 2 – 4, by means of a literature review (Phase I). Only certain concepts could be tested among short-term insurance clients during Phase II, whereas some concepts could only be tested among short-term insurance organisations (Phase III).

Table 6.2 (p. 168) refers to the concepts to be investigated and it is very important to note that where it is indicated that a concept is unable to be tested, it refers to the fact that the specific concept cannot be tested among those specific respondents as they will most likely not be familiar with the

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concept. For instance, short-term insurance clients cannot be asked to comment on the strategic orientation of the short-term insurance organisation, as it is normally a trade secret and therefore clients will have no knowledge about it.

Table 6.2 indicates the concepts to be investigated in line with the integrated approach as identified in Chapter 4 and the questions testing those concepts. The table also indicates during which phase the testing took place.

Table 6.2: Interview questions

PHASE I	PHASE II	PHASE III
Integrated concepts	Questions to test	Questions to test
• Systems theory	Unable to test among clients	Unable to test among organisations
• Relationship building and management	1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 4.3, 5.5, 7.2, 11 and 15	1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 1.10, 1.11, 1.12 and 1.13
• Customer retention	1.4, 1.6, 1.7, 2.3, 3.3, 4.2, 5.4, 6.2, 7.2, 8.2, 9, 10.1, 10.2, 11, 12, 13 and 14	1.6, 1.9, 1.10, 2.3, 2.4, 3.5, 4.2, 4.4, 5.6, 6.2, 8.3, 9.1, 9.2, 10, 11, 12.2, 14.1, 15, 16, 17, 18, 19, 20, 21 and 22
• Loyalty	2.1, 2.2 and 2.3	2.1, 2.2, 2.3 and 2.4
• Satisfaction	3.1, 3.2, 3.3 and 3.4	3.1, 3.2, 3.3, 3.4 and 3.5
• Strategic orientation	Unable to test among clients	10
• Holistic, cross functional approach	Unable to test among clients	11
• Segmentation	Unable to test among clients	12.1 and 12.2
• Trust	4.1, 4.2 and 4.3	4.1, 4.2, 4.3 and 4.4
• Commitment	5.1, 5.2, 5.3, 5.4 and 5.5	5.1, 5.2, 5.3, 5.4, 5.5 and 5.6
• Profits	Unable to test among clients	13
• Client focus	6.1 and 6.2	6.1 and 6.2
• Communication	7.1, 7.2, 7.3, 7.4 and 7.5	7.1, 7.2, 7.3, 7.4, 7.5 and 7.6
• Information Technology	15	14.1, 14.2 and 23
• Knowledge management	8.1 and 8.2	8.1, 8.2 and 8.3
New concepts		
	Identified during Phase II interviews	Tested during Phase III interviews

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Research results

PHASE I	PHASE II	PHASE III
Integrated concepts	Questions to test	Questions to test
• Convenience		24
• Comfort		25
• Price on relationships		26
• Speed/promptness		27
• Social responsibility		28
• Honesty		29
• Personal touch		30
• Consistency		31
• Service delivery		32
• Transparency		33
• Incorrect advice		34

Based on these interview questions, which are in line with the integrated approach of Chapter 4, data is collected and analysed according to a specific data analysis method.

6.5 METHOD OF DATA ANALYSIS: CONTENT ANALYSIS

All the data collected from the interview questions had to be analysed and then interpreted in order to reach findings to address the research objectives as set out in Chapter 1. Data analysis involves converting raw data into final patterns of meaning (Henning, 2004:102). Mouton (2001:108) argues that analysis involves the breaking up of data into manageable themes, patterns, trends and relationships. He further suggests that the aim of analysis is to understand the aspects in the data by inspecting the relationships between concepts, constructs and variables to see if there are any patterns or trends that may lead to themes in the data. Data must also be interpreted correctly, which involves relating results and findings to existing theoretical frameworks and showing whether these are supported or falsified by the new interpretations (Mouton, 2001:109).

The following section provides guidance in terms of the actual process of data analyses and consequently the reporting of results based on the interview questions. For the purpose of this study qualitative content analysis will be

used as data analysis method of open ended research questions for both Phases II and III. Average ranking will be used as data analysis method to address ranking questions relating to Phases II and III. Similarly, average rating will be used to analyse rating questions relating to Phases II and III. The results of the two phases will, however, be reported on separately in different sections of this chapter.

6.6 REPORTING OF RESULTS: PHASE II

Three types of questions were used in the interview schedule during Phase II and are reported on separately in the next section. These questions include open-ended questions (which are qualitative in nature), ranking questions and rating questions (both ranking and rating questions are regarded as quantitative in nature). The data analyses processes for all three types of questions are further discussed and results reported on.

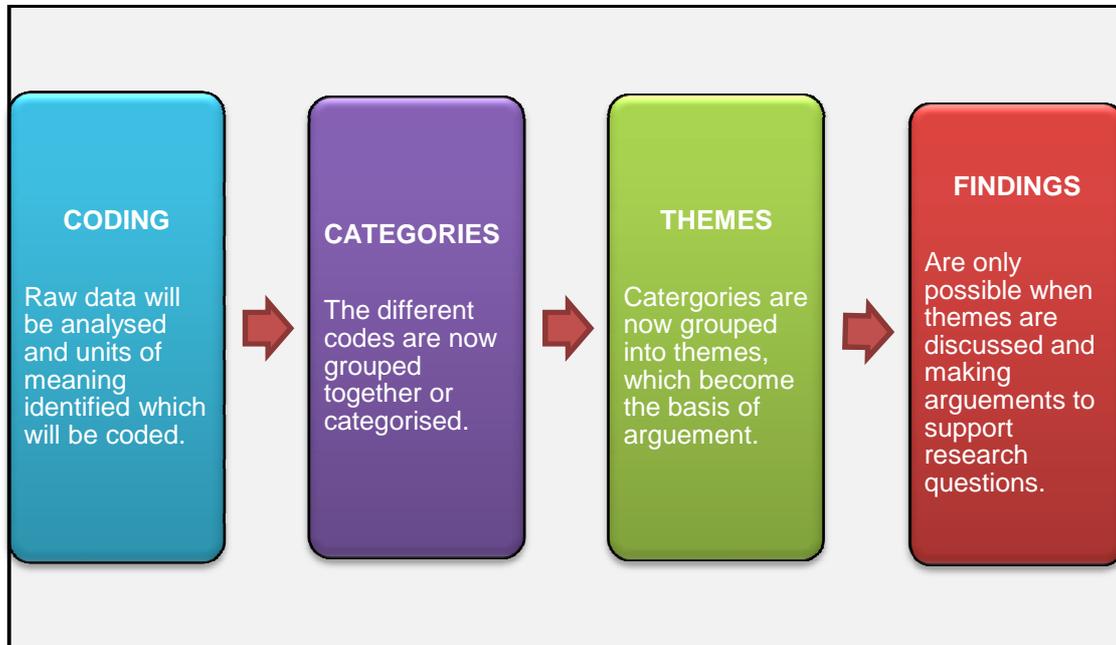
The open-ended questions are analysed and reported on first as it represents most of the questions in the interview schedule. Thereafter, three ranking questions are analysed and reported on, leaving one rating question to be discussed and its results reported on last. Throughout this section a similar sequence is followed, which starts with a discussion of the data analysis process followed, followed by the reporting of results, ending with specific findings based on the data analysis done.

6.6.1 Results of open-ended questions: Phase II

For the purpose of this study, qualitative content analysis was used as data analysis method for analysis of specifically the open-ended questions. From the raw data (interviews), units of meaning were identified and coded. Coded segments were grouped together and categorised, after which themes were identified. These themes were then discussed and used as basis for arguments to address the research objectives as identified in Chapter 1.

Figure 6.1 illustrated the process of qualitative content analysis as indicated in Chapter 5. For the purpose of clarity this process is repeated again by means of Figure 6.1.

Figure 6.1: Content analysis process



Source: Conceptualised from Henning (2004:104-109).

6.6.1.1. Coding based on raw data: Phase II

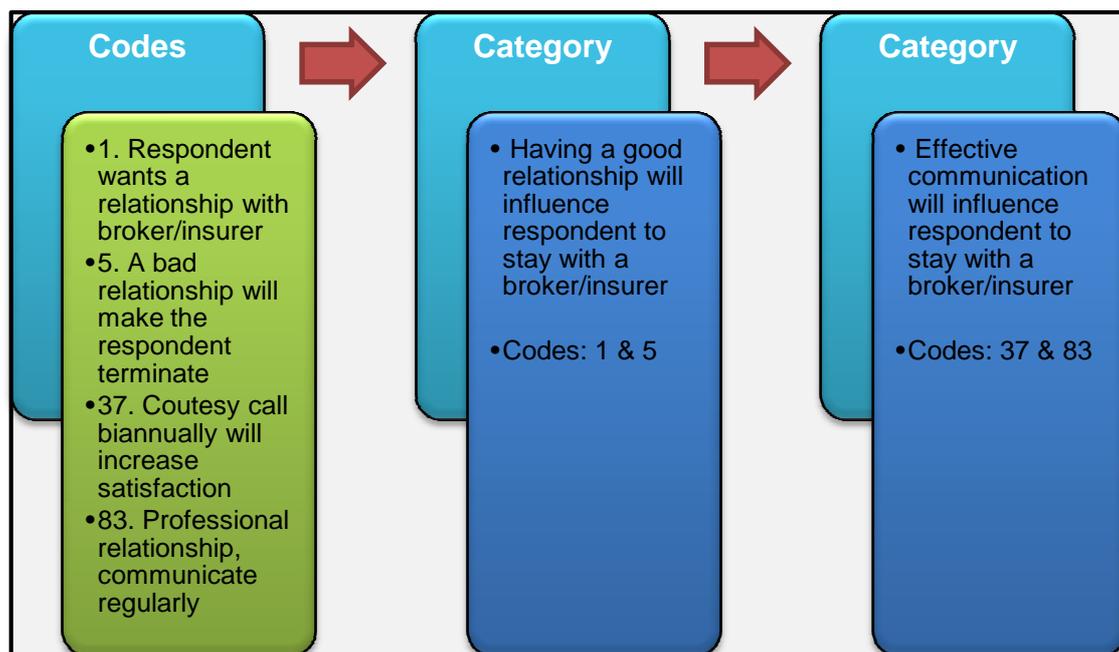
All 7 interviews with short-term insurance clients (Phase II interviews) were analysed first, by means of an open coding process. Segments or units of meaning were identified and given a specific code. Open coding codes are made up as the researcher works through the data (Henning, 2004:105). The same will apply in this study.

During the coding phase of the data analysis, 391 units of meaning were identified. The units of meaning were then divided into 38 categories. The units of meaning and the coding thereof are attached as Appendix C.

6.6.1.2. Categories based on coding: Phase II

The 391 coded units of meaning were grouped together into 38 categories. Each of the units of meaning resorts under a specific category. The conversion of codes to categories is attached as part of Appendix D, but Figure 6.2 illustrates an example of the move from codes to categories.

Figure 6.2: From coding to categories: An example



Source: Adapted from Henning (2004:106).

The next step of content analysis involves the grouping of the 38 categories into themes, which will form the basis of discussion and arguments relating to the research findings.

6.6.1.3. Themes based on categories: Phase II

The 38 categories identified in the previous section, were grouped into 16 themes. Table 6.3 (p. 173) lists these themes as identified during Phase II of this study.

Table 6.3: Themes: Phase II

THEME NUMBER	THEME
1	Clients are more likely to terminate a policy if no relationship with the organisation exists and negative changes in policy circumstance occur.
2	Ease, speed and convenience of doing business are likely to influence a client to stay with the organisation.
3	A client who is comfortable is more likely to stay with the organisation.
4	Giving honest advice and explaining the finer details of the insurance contract are likely to influence a client to stay with the organisation.
5	The relevance of a relationship for a client.
6	The benefits and price of the insurance policy and excesses payable when a claim arises.
7	The knowledge and competency of the consultants representing the organisation.
8	How a client chooses a specific broker or insurer.
9	Excellent service is likely to influence a client to stay with the organisation.
10	Effective communication can determine the likeliness of a client to stay in a relationship with the organisation.
11	When an organisation is client centric, a client is more likely to stay in the relationship with the organisation.
12	The influence of the power balance of the relationship on the decision of a client to stay in the relationship with the organisation.
13	Loyalty towards the organisation is likely to influence a client to stay in the relationship with the organisation.
14	When a client trusts a broker or insurer, the client is more likely to stay in the relationship with the organisation.
15	Feeling satisfied towards the organisation is likely to influence a client to stay in the relationship with the organisation.
16	Mutual commitment towards the relationship is likely to influence a client to stay in the relationship with the organisation.

In order to reach the findings of the study, these themes first have to be discussed and brought in line with the research objectives and relevant literature. These themes are discussed in the following section and are also attached as part of Appendix E.

It is important to note at this stage, that any client can reach a point where a decision has to be made between terminating a policy and staying with the organisation. This decision can be influence by various factors and it is vital for any insurance organisation to recognise these factors and strategically use it to their benefit in order to retain clients. Some of these factors are identified throughout the literature study (Phase I) and also forms part of the integrated

approach as identified in Chapter 4, but alternative factors were also identified during interviews conducted as part of Phases II and III of this study. These concepts are further discussed as themes.

None of these themes are regarded as more important than the other and therefore the themes are discussed in no particular order. It is important to note though, that the content of the themes are discussed in a particular order. Firstly, the categories of which the theme consists will be listed, followed by the results of the interviews relating to the specific theme. Then the theme and results will be discussed and brought into context with the literature review (Phase I). Finally, the discussion of the theme will be concluded by means of a short summary.

- Theme 1

Clients are more likely to terminate a policy if no relationship with the organisation exists and negative changes in policy circumstance occur.

This theme consists of three categories which were grouped together. These categories are:

- *Category a:* A negative change in policy circumstances will lead to instant termination of the policy, if no relationship exists.
- *Category b:* A respondent will first try to resolve issues, when there are negative changes on the policy, before terminating the policy, if a good relationship exists.
- *Category c:* An increased premium without any communication from the broker or insurer will make termination of the policy easier for the respondent.

The results of the interviews indicated that all 7 respondents, regardless of whether they wanted a relationship or not, indicated that if they were dissatisfied with any aspect of their insurance policy, they would terminate the policy. These respondents also indicated that if they had a good relationship

with their broker or insurer, they would first try to resolve the problem in order to remain in the relationship. It was evident that when there are negative changes (i.e. among others, premium increases or higher excesses), the respondents who had good relationships with their broker or insurer would first approach their broker or insurer before terminating the policy. The opposite also seems to be true, if no relationship exists, it is easier for a client to terminate the policy.

Three of the respondents make use of direct insurers, and although 2 of those respondents did not want a relationship, they indicated that if a relationship did exist, they would have gone to the broker or insurer first to try and resolve the problem. If the broker or insurer is unable to assist at that point, the respondent will make the decision to terminate the policy or not. This decision is then based on the severity of the problem and factors like satisfaction and loyalty, as well as other factors that will be discussed further as themes.

This theme relates to the literature study (Phase I) and integrated approach (Chapter 4), and confirms that quality relationships and the management thereof results in the effective retention of clients. This also correlates with the main aim of CRM and PR, which is to establish, maintain and develop relationships with clients.

Literature (Phase I) clearly indicates that quality relationships are essential for effective client retentions. This poses a challenge as 2 out of the 7 respondents are not interested in having a relationship, which makes client retention in this case more difficult. Literature is not clear on the approaches to follow when a relationship is not possible.

It is thus suggested that any negative changes to the policy (like premium increases), must be avoided in order to retain those clients with whom a relationship is not possible. If negative changes cannot be avoided, the organisation must ensure that other factors which might influence a respondent's decision to stay with the organisation are in place and are working effectively towards retaining the client.

In summary, the existence of a good relationship creates opportunities to retain clients, where those opportunities would have been lost if no relationship existed. Theme 1 therefore suggests that the existence of a relationship is a factor that might influence a respondent to stay with an organisation.

- Theme 2

Ease, speed and convenience of doing business are likely to influence a client to stay with the organisation.

This theme consists of five categories, which are:

- *Category d*: The ease of doing business will or will not influence the respondent's decision to stay with the organisation.
- *Category e*: Convenience will or will not influence the respondent's decision to stay with the organisation.
- *Category f*: Speed and promptness of doing business will influence the respondent to stay with the organisation/Consuming time will result in the termination of the policy by the respondent.
- *Category g*: The least amount of administration will or will not influence the respondent's decision to stay with the organisation.
- *Category h*: The effective handling of claims will or will not influence the respondent's decision to stay with the organisation.

From the above results it is interesting to note that most of the respondents are extremely set on convenience when it comes to the everyday dealings of short-term insurance and life in general, it seems. Most of the respondents mention the importance of convenience, especially when deciding to stay with, or leave a specific organisation. It is also noted that all the respondents who uses a direct insurer regard convenience, comfort and speed very highly and these factors are seemingly more important for staying with the organisation, than some other factors more often mentioned throughout literature. Today's fast pace life requires speed, promptness and ease when dealing with organisations, as well as the minimum amount of administration or paperwork.

Time consuming dealings are likely to leave clients frustrated and dissatisfied, which could lead to the termination of policies.

The purpose of insurance is to pay out claims when the client experiences a loss. It is evident that the respondents regarded the effective handling of claims as a definite determinant when deciding to stay with an organisation. Respondents specifically require claims to be handled as quickly as possible, with the least amount of administration and hassles. This correlates with the previous statement which mentions that clients are moving more towards transactions and dealings that are convenient and prompt.

These concepts of convenience, speed, promptness and ease of dealings were not identified as elements of CRM or PR and were therefore not included in the integrated approach as discussed in Chapter 4, but the concepts might have relevance in the retention of clients. These concepts can clearly influence a client's decision to stay with the organisation and therefore these concepts should be investigated as possible new factors relevant to the retention of clients.

To summarise, respondents require ease, convenience and speed when dealing with short-term insurance organisations. Time consuming dealings which are a hassle are likely to influence a client negatively when deciding to stay with an organisation. Generally, these concepts are regarded as essential for relationship building anyway and not mentioned as specific determinants of client retentions throughout literature, but these concepts (i.e. ease, convenience and speed) became so important in today's fast past life and competitive business environment that it should, without a doubt, be part of an organisation's client retention strategy.

- Theme 3

A client who is comfortable is more likely to stay with the organisation.

This theme consists of two categories, which include:

- *Category i:* Comfort with the relationship will or will not influence the respondent's decision to stay with the organisation.
- *Category j:* If the respondent is not satisfied or dissatisfied, but comfortable, this will or will not influence the respondent's decision to stay with the organisation.

It is important to note that these categories emerged from only the 3 respondents insured with direct insurers, where a relationship is not normally established and build. The 3 respondents indicated that they are not satisfied with the insurer, nor dissatisfied, but they are comfortable, and therefore they choose to remain where they are.

The respondents are comfortable because in their opinion, it is easy, convenient and fast to do business, and they regard it as too much trouble and too inconvenient to move their policies elsewhere, even though they do not feel favourable, or unfavourable towards the organisation.

This indicates that in the absence of a relationship, a client might be neutral towards the organisation, and still stay with the organisation for as long as the respondent is comfortable. The problem is that when no relationship exists, and there are negative occurrences on the policy, the organisation will be unlikely to retain the client. The same goes the other way around, if no relationship exists and there are positive occurrences on the policy, the client would not necessarily be more satisfied. The trick seems to be to keep this type of client comfortable, with high levels of satisfaction, as the client will remain with the organisation as long as he feels comfortable.

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This concept is also not mentioned in CRM and PR literature and should be regarded as a possible new concept relevant to the retention of clients. Although further studies are suggested to determine just how relevant this concept may be in terms of client retention, specifically in the case where a client does not want a relationship, for the purpose of this study it will be regarded as a possible new concept but mostly applicable in cases where relationships are unwanted.

In summary, when a client is comfortable in a relationship and does not feel favourable or unfavourable towards the broker of insurer, the client is likely to stay with the organisation. Comfort seems to be necessary especially when the client is not interested in a relationship with the organisation. This theme also relates to Theme 2, where a movement towards convenient, prompt and hassle free service and dealings are evident.

- Theme 4

Giving honest advice and explaining the finer details of the insurance contract are likely to influence a client to stay with the organisation.

Three categories were grouped together to form this theme:

- *Category k*: Quality advice and the explanation of contract details (getting what you thought you will get) will or will not influence the respondent's decision to stay with the organisation.
- *Category l*: Openness and transparency from the broker or insurer and knowing what you are paying for and getting, will or will not influence the respondent's decision to stay with the organisation.
- *Category m*: Honesty from the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

The respondents indicated that they are looking for honest organisations, which are transparent and open about their products and the terms and conditions regarding the policy. The respondents expect the insurance

organisation to advise them of the terms and conditions that may influence them, especially when it comes to a claims stage. By being open and transparent when advising and going through the contract (i.e. policy) details, the organisation is regarded as honest.

The respondents indicated that should they claim and not be paid out what they thought they were covered for, they would immediately consider cancelling their policies. It is thus important for organisations to realise that clients require honest advice and they want to be aware of the finer details of their insurance contracts as it may influence them negatively. Clients regard themselves as laymen, and they would not necessarily know about terms and conditions on policies. A lot of clients use insurance brokers specifically for their knowledge of insurance contracts and terms and conditions, therefore having someone knowledgeable handling their insurance affairs on their behalf.

Honesty of the organisation can be linked to the concept of trust and it shows commitment to the relationship with the client. Both trust and commitment are identified throughout literature as elements of CRM and PR and are included in the integrated approach towards retaining clients as indicated in Chapter 4.

As with honesty, openness, transparency and the explanation of the finer contract details can be linked to several of the elements of CRM and PR and the integrated approach (Chapter 4). The respondents want to be able to trust the organisation and proper advice are linked to the knowledge of the consultant representing the organisation. The knowledge of the consultant representing the insurance organisation is an important element of the integrated approach and is discussed as a separate theme.

Although these concepts can be linked to various elements of CRM and PR as mentioned above, honesty, transparency and openness are in itself not often mentioned in CRM and PR literature as relevant to the retention of clients. It is suggested that these concepts are also investigated as possible factors that might influence a client's decision to stay with an organisation or not.

To summarise, honesty, openness and transparency from brokers or insurers are likely to influence clients to remain with an organisation as trust is created. When a broker or insurer provide advice that is honest and explains the finer details of the client's contract, it will lead to trust, which is likely to influence the client to stay with the organisation.

- *Theme 5*

The relevance of a relationship for a client.

Seven categories were grouped together to create this theme. These categories are:

- *Category n*: The respondent wants a relationship or not/A relationship will or will not influence the respondent's decision to stay with the organisation.
- *Category o*: The respondent prefers a relationship to know someone carries his/her best interest at heart/respondent is taken care of and can enjoy peace of mind.
- *Category p*: The respondent wants to deal with a single person/call centre/not with call centre.
- *Category q*: The respondent requires a relationship for assistance and to resolve issues.
- *Category r*: A relationship is effective when there is a personal touch and the broker/insurer knows the respondent's situation.
- *Category s*: The respondent puts a price on the relationship/The premium includes a relationship.

-
- *Category t:* The respondent prefers to handle the policy him/herself on-line rather than using a broker or insurer to assist.

As mentioned before, not all respondents want relationships with their insurance company. Two respondents indicated that they are not interested in having a relationship with their insurance organisation and therefore they choose to make use of direct insurers.

Most of the respondents indicated that they want a relationship and that having a good relationship with their broker or insurer will influence their decisions to stay with that organisation, even if something negative with regards to the policy happens. The 2 respondents who did not want a relationship with their insurance organisation indicated that even though they do not want a relationship, if they had a good relationship, they would be more likely to stay with the organisation. This theme strongly correlates with Theme 1, where respondents also indicated that if there were any negative changes on their policy and a relationship did exist, they would first try to resolve the problem, because they would rather want to stay with the organisation. The respondents who want a relationship believe that by investing in a relationship, someone is taking care of them and carrying their best interest at heart, They also believe that the broker or insurer can assist them to resolve issues more efficient if a relationship exists.

It was interesting to note that the respondents place a value on a relationship and are willing to pay extra for the relationships and their perceive benefits thereof. The respondents also believe that by having a relationship with the broker or insurer they will receive better service. Most respondents who wanted a relationship indicated that they would prefer working with one specific consultant, as this will increase the effectiveness of the relationship, since there is a personal touch and the consultant knows the situation of the client. This can also be linked to organisations being more customer centric and focusing more on the individual than the masses.

The fact that respondents place a price on a relationship means that they are willing to pay more for the relationship, even if they can get the same product elsewhere. This supports the arguments of both CRM and PR, that building a relationship has the objective of retaining clients. Also, paying more for the relationship means increased loyalty, satisfaction and commitment, which based on literature and consequently the integrated approach as identified in Chapter 4, increases the chances of retaining a client.

In summary, the obvious value of relationships cannot be emphasised enough. Organisations should utilise relationships and the retention benefits thereof and include it in their organisational strategies, as this will mean increased client retentions and consequently increased profits.

- Theme 6

The benefits and price of the insurance policy and excesses payable when a claim arises.

The following categories forms part of Theme 6:

- *Category u*: The benefits of the policy will or will not influence the respondent's decision to stay with the organisation.
- *Category v*: Pricing of the policy will or will not influence the respondent's decision to stay with the organisation.
- *Category w*: The excesses on the policy will or will not influence the respondent's decision to stay with the organisation.

All the respondents are price cautious, and although most of them are willing to pay more for a relationship, they all have a specific threshold, after which they will switch insurers for a cheaper premium. One of the respondents who wanted a relationship indicated that if he feels that he is paying too much for the policy and consequently the relationship that he wants, he will switch insurers for a better premium and benefits, and start building a relationship with the new broker or insurer.

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The benefits accompanying the insurance products are important to most of the respondents, but it is not the most important factor when deciding to stay with an organisation. The price of an insurance product is in some cases the most important indicator of whether a client will remain with an organisation or not. Some respondents also consider the excesses payable when they need to claim.

Neither CRM nor PR mentions price and benefits as client retention methods, and focus mostly on using mutually beneficial relationships to reach the goal of retaining clients. The reality is that some clients consider the price and benefits of products only (especially in tough economic times) and are not interested in having a relationship with the organisation. To those clients a relationship is unnecessary and not worth paying extra for. These types of clients can solely be retained by offering them the lowest prices.

In summary, a client who is not interested in having a relationship with an organisation, but considers only price when deciding to stay with a particular organisation, poses a problem. This is a challenge since both CRM and PR aim to build, develop and maintain relationships with clients. Not being able to build a relationship makes communication and thus building loyalty very difficult. Clients who are not interested in having relationships with their insurance organisations must be retained using other factors that will determine whether the client will stay with the organisation or not.

- Theme 7:

The knowledge and competency of the consultants representing the organisation.

This theme consists of two categories, which are:

- *Category x:* The knowledge of broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- *Category y:* Incompetence of broker or insurer will or will not influence the respondent's decision to stay with the organisation.

All the respondents agreed that the perceived knowledge of the consultant or broker representing the organisation have a strong influence on the likeliness of them staying with the organisation. They also indicated that incompetence will make leave the organisation easier.

The respondents had a unanimous feeling about the knowledge levels of their broker or insurer. All the respondents, whether with a broker or insurer, felt very strongly about their knowledge levels and how it might influence them as the clients.

Knowledge is regarded as a vital element of CRM and although it is not regarded by PR as essential for the retention of clients, it is included in the integrated approach as discussed in Chapter 4.

In summary, it is clear from the respondent's reactions that the knowledge levels of the broker or consultant dealing with them are important to the respondents. The respondents want to know that the person handling their insurance portfolio is competent, knowledgeable and has their best interest at heart. Knowledge is thus a vital component of effective client retention practices.

- Theme 8

How a client chooses a specific broker or insurer.

This theme consists of two categories. These categories are:

- *Category z*: The reputation and credibility of the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- *Category aa*: What made the respondent decide which broker or insurer to go with initially?

The respondents were asked how they decided which broker or insurer to choose when they made the initial decision of buying a policy. Most of the respondents indicated that trust in the broker or insurer did not play a part in

their initial decision. This question was posed to determine what it is that a respondent looks for in a broker or insurer before a relationship is established and before trust, loyalty, satisfaction and commitment can be created.

Two of the respondents indicated that they choose their broker or insurer based on a gut-feel and then built the relationship after the decision was made. Three respondents indicated that they made the decision based on a referral from someone that they trusted, and based on that trust they decided to make use of the specific broker or insurer. Four respondents mentioned that they will make the decision based on the benefits and price of the product and will then start to build a relationship, should they want to. For 3 respondents the perceived knowledge when they initially spoke to the broker or insurer also played an important role, when deciding which broker or insurer they would choose.

The reputation of the broker or insurer is also a factor to consider when initially deciding which broker or insurer to choose.

In summary, when respondents make the initial choice of which broker or insurer to use and, where no relationship, trust, loyalty or satisfaction exist as yet, the decision is based on the organisation's reputation, a referral, gut-feeling or price and benefits. It is also based on the perceived knowledge of the consultant or broker. Price, benefits and gut-feel cannot always be controlled, but every organisation should strive towards giving each client such a positive client experience, that those clients will refer others to the organisation and the organisation's reputation becomes more favourable among the general public.

- Theme 9

Excellent service is likely to influence a client to stay with the organisation.

Only one category resorts under this theme, which is:

- *Category bb:* Excellent service will influence the respondent's decision to stay with the organisation/Bad service will lead to termination of the policy.

Even though this theme consists of only one category, it is still extremely important. All respondents were very clear and adamant that good service from the organisation will influence their likeliness to remain with the organisation, and the opposite is also true. Bad service experiences are likely to influence the respondent to terminate the policy easier. Respondents want prompt and effective service, which can be linked back to Theme 2 (ease of doing business) and Theme 3 (the comfort of the respondent in terms of the relationship).

It is clear from the respondent's feedback that service is a very important element when trying to retain clients. Effective service is not mentioned by CRM or PR as a determinant of client retentions, but should definitely be considered to be discussed as a concept on its own. Effective service is especially necessary where the client does not want a relationship. In those cases, the relationship as such cannot assist with client retention and excellent service is one of the only alternatives in keeping the client comfortable for as long as possible.

To summarise, in today's tough economic environment where all products are similar in quality and pricing, service to the client has become the determining factor when a client decides which product to choose. Service will also determine if that client will remain a client of the organisation. Anton (1995:3) makes a similar statement and explains that in an era of product likeness, where there are no major differences between products and organisations;

quality customer relationship management is the only aspect that can offer an organisation a true competitive advantage. Anton (1995:3) mentions quality customer relationships, which raises the question of where service fits in. Are service regarded by the fields of marketing and communication management as part of a quality relationship and therefore rarely mentioned, or is it time to see its make-or-break potential and explore effective service delivery as a determinant of client retentions on its own?

- Theme 10

Effective communication can determine the likeliness of a client to stay in a relationship with the organisation.

This theme consists of two categories, which are:

- *Category c:* An increased premium without any communication from the broker or insurer will make termination of the policy easier for the respondent.
- *Category cc:* Effective communication will have an influence on the respondent's decision to stay with the organisation/Bad communication will lead to termination of the policy.

It should be noted that category c is also one of the categories that comprise Theme 1, and that category c contributes to the validity of both themes.

All of the respondents indicated that effective communication from the organisation will make them think twice about terminating their policies. When referring to communication, the respondents regarded continuous feedback on claims or instructions, pro-active communication about increases or changes and information on better products relevant to the respondents, as effective communication.

Effective communication is regarded as a pro-active method of preventing a client to get to the stage of considering cancelling the policy. Effective

communication is also highly regarded by the field of communication management, more specifically PR, as the basis of any effective relationship. Effective communication assist in building and maintaining relationships, making it twice as essential for client retentions strategies in any organisation.

Effective and open communication not only builds and maintains relationships, but also increases the quality of the relationship, which on its turn install trust between the client and the organisation and is a good indicator of the commitment levels of the organisation towards the relationship. Communication is one of the elements mentioned by PR to assist in the retention of clients and is also included in the integrated approach as explained in Chapter 4.

In summary, without effective communication clients are left frustrated and dissatisfied, which can easily lead to the termination of policies, especially when no relationship exists. As mentioned in Theme 1, if a good relationship exists the respondents have a larger threshold for ineffectiveness and negative changes regarding the policy. Effective communication creates opportunity for the organisation to rectify mistake and retain clients.

- Theme 11

When an organisation is client centric, a client is more likely to stay in the relationship with the organisation.

This theme consists of three categories, which are:

- *Category dd*: The respondent feels valued and unique and this will or will not influence the respondent's decision to stay with the organisation/The respondent feels like a number and this will or will not influence the respondent's decision to stay with the organisation.
- *Category ee*: The broker or insurer going the extra mile will or will not influence the respondent's decision to stay with the organisation.

- *Category ff*: How accommodating the broker or insurer is will or will not influence the respondent's decision to stay with the organisation.

Respondents insured with direct insurers all indicated that they feel like just a number. Respondents who were insured with a broker, but had a bad relationship, also indicated that they felt like one of the numbers. Respondents who indicated that they have a good relationship with their insurance organisation, mentioned that they felt unique as a client, and it would influence them to stay in the relationship. Two respondents insured with direct insurers, who indicated that they have no desire to have a relationship with their insurance organisation, indicated that they prefer to be one of the numbers. This indicates that when respondents desire a relationship they also want to feel unique and valued. This correlates with Theme 5, where the respondents point out that they want to feel that someone is looking out for them and carrying their best interest at heart. These respondents require a personal touch, which will make them feel valued.

Following a client centric approach is essential for any organisation. A client centric approach should be an organisation-wide initiative and can assist in making clients feel valued and unique, which as indicated by respondents, will make termination of the insurance policy more difficult. For clients wanting a relationship, feeling valued and unique will have an influence on the relationship, but for clients not interested in having a relationship, making the client feeling unique, will not necessarily have an influence. These clients do not mind being one of the numbers and is not likely to be loyal.

Both the academic fields of marketing (CRM) and communication management (PR) regard client centricism as essential for retaining clients and therefore client focus was also included in the integrated approach as discussed in Chapter 4.

To summarise, an organisation wanting to create and maintain relationships should consider including client centricism into organisational strategies. Client

centric organisations can provide solutions based on individual problems of clients and provide a personal touch that many clients are willing to pay for.

- Theme 12

The influence of the power balance of the relationship on the decision of a client to stay in the relationship with the organisation.

This theme consists of two categories. These are:

- *Category gg:* The respondent or the broker or insurer has the most power in the relationship.
- *Category hh:* The respondent wants or does not want the power in the relationship with the broker or insurer.

This theme poses a challenge as respondents had very different ideas about the balance of power in a relationship. The respondents insured with direct insurers indicated that the insurer holds all the power and controls the relationship. While 1 of these respondents indicated that there is some power on his side as he can negotiate with the insurer, the other respondent had an opposite view and pointed out that the insurer doesn't really care about losing him as a client and therefore have all the power in the relationship. A respondent insured with a broker indicated that direct insurers take away all power in a relationship and that is one of the reasons that the respondent prefers using a broker.

Of the 4 respondents that utilises the services of a broker, 2 respondents indicated that they prefer to be empowered as the client and to hold most of the power in the relationship. The other 2 respondents clearly indicated that they prefer the broker to have the all the power in the relationship as the broker has the knowledge to advise and guide the respondents, where the respondent has none of that and can be regarded as a laymen.

The field of communication management (PR) suggests control mutuality, exchange relationships and communal relationships as indicators of the quality of relationships (Grunig & Huang, 2000:34-47). Exchange and communal relationships are types of relationships indicating the power balance in the relationship, while control mutuality also indicates the power balance in the relationship. According to literature the balance of power as explained by these three relationships can influence and measure the quality of a relationship.

In summary, the respondents clearly have diverse opinions about what the power balance in a relationship should be like. This raises the question of the relevance of the power balance in a relationship as a determinant of whether a client will remain in the relationship or not.

- Theme 13

Loyalty towards the organisation is likely to influence a client to stay in the relationship with the organisation.

Only one category resorts under this theme:

- *Category ii:* Loyalty towards the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

Loyalty is a concept that was prominent in all the interviews. Even though only one category forms part of this theme, it was decided to discuss loyalty as a theme on its own, because of the relevance of loyalty to the retention of clients in the short-term insurance industry.

All the respondents, with the exception of 1, indicated that loyalty towards the broker or direct insurer will influence their decision to stay in the relationship with the organisation. Only 1 respondent indicated that loyalty will not have an influence on him staying in the relationship if a better and cheaper product is available elsewhere. This respondent is insured with a direct insurer. What is

worth noting, is that respondents who indicated that they have good relationship with their broker deemed themselves as loyal towards that organisation. The respondents, who indicated that they have a bad relationship with their insurer, did not feel loyalty towards the organisation at all, even though they admit that loyalty will influence them to stay in the relationship.

Responses on the question what will increase your loyalty towards the organisation, included excellent service, good advice, good client experiences and effective communication. These opinions were shared by most of the respondents, irrespective if they were using a broker or direct insurer. All the respondents making use of a broker, however, indicated that there were additional elements that would increase their loyalty towards specifically their brokers. These respondents felt that if a broker is keeping their best interest at heart, always assisting and sorting out issues and going the extra mile, the respondent would be more loyal towards that broker. Some respondents also mentioned that having a single contact person to deal with will create a personal touch, which is vital towards increasing their loyalty.

This theme correlates with various previous themes. Theme 4 indicated that honest advice from the insurer will influence a client to stay with the insurer. The respondents confirm this by indicating that good advice is one of the elements that will make them more loyal towards the insurer, thus staying easier. Theme 5 explains that a good relationship is likely to influence a respondent to remain in a relationship for longer. It is substantiated by this theme, which indicates that good relationships create loyalty, which on its turn is likely to influence a client to remain in a relationship. Theme 9 indicates that excellent service are likely to influence a respondent to stay with the organisation, which is also explored in this theme when respondents indicate that excellent service create loyalty, which make them more likely to stay in the relationship.

Theme 10 indicates that effective communication has an influence on whether a respondent will remain with an insurer. Respondents confirm this statement by indicating that effective communication will increase their feeling of loyalty towards the insurer, thus they are more likely to remain in the relationship. This theme also correlates with Theme 11, and points out that when an organisation is client-centric (i.e. carry the clients best interest at heart, always assisting, going the extra mile, providing a personal touch) the respondent is more likely to stay with the insurer. This also links with the response from respondents that these elements will increase loyalty towards the broker or insurer.

Both CRM and PR regard loyalty as vital to client retention, and put a high value on the creation of loyalty. Loyalty was therefore also included as one of the elements of the integrated approach as discussed in Chapter 4.

In summary, when a good relationship exists, respondents feel loyal, and since loyalty influences respondents to remain with the insurer, the key is to create and maintain good relationships. This is supported by the opinion of some respondents who indicated that they do not feel loyal towards their insurer as no relationship exist, or the relationship is bad, therefore they will not hesitate to move their policy should a better opportunity come along. It can be argued that striving to create loyalty among clients should be an important priority of any insurance organisation, which should be included in organisational strategies and implemented throughout the organisation.

- Theme 14

When a client trusts a broker or insurer, the client is more likely to stay in the relationship with the organisation.

This theme consists of one category, which is:

- *Category jj*: Trust will influence respondent to stay

As with loyalty, trust is an element that is mentioned continuously by respondents, and although this theme comprise of only one category, it was decided that it should remain a theme on its own.

The 3 respondents who indicated that they had a good relationship with their broker, also indicated that they trust the broker and this will influence them to remain in the relationship. The 2 respondents did not have relationship with their insurers, indicated that they do not trust their insurers, and this will make them terminate their policies easier. Two of the respondents who held policies with direct insurers indicated that even though no relationship existed, they still trusted their insurer. It is interesting to mention that these 2 respondents trust their insurer because of their reputation and brilliant service that they receive from the insurer. This indicates that trust is not only created and nurtured through good relationships, but there are also other factors that can increase trust towards the broker or direct insurer.

It was interesting to note that all the respondents indicated that trust was not involved when they made the initial decision to take a policy from the specific insurer. Trusts only develop after the initial transaction in the presence of a good relationship and good service. In the absence thereof, trust did not develop at all, posing the treat of an easier termination on the side of the respondent.

PR regards trust as a characteristic indicating the quality of a relationship, and is also used to measure the quality of relationships (Grunig & Huang, 2000:47). CRM also regards trust as essential for maintaining relationships (Buttle, 2006:15). Trust was therefore included in the integrated approach of this study.

In summary, trust is mostly dependent on the existence of a good relationship, but in cases where the client is not interested in having a relationship, trust

can be build through providing exceptional service and maintaining a good reputation.

- Theme 15

Feeling satisfied towards the organisation is likely to influence a client to stay in the relationship with the organisation.

Two categories resort under this theme:

- *Category kk*: Being satisfied with the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- *Category j*: If the respondent is not satisfied or dissatisfied, but comfortable, it will or will not influence the respondent's decision to stay with the organisation.

It should be noted that category j is also one of the categories that comprise Theme 3, and that category j contributes to the validity of both themes.

All the respondents agreed that dissatisfaction with the organisation will make them terminate their policies easier. Three respondents who indicated that they have good relationships with their broker, also added that even though they will terminate their policies easier when dissatisfied, they will always first try to resolve their dissatisfaction with the broker with whom they have the relationship. This correlates directly with Theme 1. None of the other respondents have relationships with their insurers and indicated that they will terminate their policies when dissatisfied. When a good relationship exist, the insurer will still have a chance to attempt to retain the client, even if the client is dissatisfied, but the opportunity is lost when no relationship exists. It is important to notice once again, how a good relationship can contribute towards the retention of clients.

When asked what will increase satisfaction towards an insurer the respondents indicated that excellent service (including after sale service),

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effective and regular communication (including constant feedback and reminding client to update the policy) and the speed of service and handling of claims will increase their satisfaction. Honesty, trust, transparency and explaining the finer details of the contract will also increase satisfaction towards the insurer. All of these elements are linked to Themes 2, 4, 9 and 14.

Satisfaction is regarded by the field of communication management (PR) as an element to measure the quality of relationships and is mentioned often throughout the interviews with respondents. Satisfaction is also regarded by CRM as extremely important in building client relationships and in retaining a competitive advantage (Stefanou *et al.*, 2003:618). Satisfaction was therefore also included as part of the integrated approach.

To summarise, satisfaction is regarded as a vital element in client retention attempts. Satisfaction can be increased by most of the other elements relevant to the retentions of clients as mentioned throughout CRM and PR literature. Satisfaction also increases the strength and validity of relationships, which once again indicates that the more client retention elements (based on literature) are available, the more successful client retention attempts will be.

- Theme 16

Mutual commitment towards the relationship is likely to influence a client to stay in the relationship with the organisation.

This theme consists of one category, which is:

- *Category II: Mutual commitment towards the relationship will or will not influence the respondent's decision to stay with the organisation.*

Commitment is an element that is mentioned continuously by respondents, and although this theme comprise of only one category, it was decided that it should remain a theme on its own.

All the respondents, with the exception of 1 respondent, indicated that mutual commitment to a relationship will influence their decision to stay in the relationship with the organisation. Of the respondents who were insured with brokers and who had a good relationship indicated that they are committed and they feel that their broker is also committed to the relationship. Where no relationship existed, the respondents indicated that they are not committed to the relationship, and their broker or insurer is also not committed. This indicated once again, the importance of good relationships, as it determines the commitment levels in a relationship.

When asked what will increase commitment levels respondents indicated that excellent and prompt service and effective communication from the broker or insurer will increase their commitment to the relationship. Respondents also indicated that commitment from the broker or insurer, cheap premiums and added value and benefits can increase commitment. The respondents who were interested in having a relationship mentioned that the personal touch and a single person contact will increase their commitment to the relationship and to staying with the organisation.

Commitment is a prominent element of both CRM and PR and was also included in the integrated approach as discussed in Chapter 4.

In summary, CRM and PR suggest mutual commitment as an element to retain clients, which was substantiated by the feedback of respondents during the interviews. All the respondents felt that commitment will increase the likelihood of them to stay in the relationship.

6.6.2 Results of ranking questions: Phase II

The interview schedule used in Phase II of this study contained three ranking questions, and the results of each question are reported in three separate tables. Ranking scales were used for questions 1.7, 7.4 and 10.1.

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A forced ranking scale was used. The forced ranking scale indicated a list of items that had to be ranked. The respondent had to decide which of the items would be the most preferred, second most preferred and so on, until all items were ranked. The ranking for all three questions started with most preferred (1), second choice (2) and so forth.

Question 1.7 asked the respondent to rank four items. The respondents were instructed to indicate which of the four items will have the most influence (1) on the respondent to stay in a relationship with the respondent's current short-term insurance organisation, then the second most influence (2) and so forth. Table 6.4 summarises the results of Question 1.7.

Table 6.4: Question 1.7 – Ranking of elements relevant to stay in relationship: Phase II

Respondent	Quality of relationship	Service level	Pricing of product	Benefits of product
Respondent 1	3	2	4	1
Respondent 2	1	2	4	3
Respondent 3	2	1	3	4
Respondent 4	2	1	4	3
Respondent 5	2	1	3	4
Respondent 6	2	1	3	4
Respondent 7	4	3	1	2
Total	16	11	22	21
Average ranking	2.29	1.57	3.14	3.00
Position	2	1	4	3

The respondents marked in red indicate respondents insured with direct insurers, while the respondents marked in black are insured with insurance brokers.

Average ranking were used to determine which of the four items is the most relevant to the respondents, second most relevant and so forth, with regards to staying in a relationship with an organisation. Based on the average ranking method of reporting results, service levels are deemed to have the most influence on a respondent to stay in a relationship with an organisation. This

correlates directly with Theme 9 of Phase II as discussed in the previous section.

The quality of a relationship will have the second most influence on a respondent to stay in a relationship and links with Themes 1 and 5. The quality of relationships is followed by the benefits of the products, while the price of the product will have the least influence on the respondent to remain in the relationship with the organisation. The benefits and price are discussed in Theme 6 in the previous sections.

In summary, clients regard service levels as most influential for them to stay in a relationship, followed by the quality of the relationship, benefits and then price.

Question 7.4 asks the respondents to rank their most preferred (1) communication methods, followed by the second most preferred (2) communication method and so forth. The ranking scale consisted of four items. Table 6.5 indicated the results of Question 7.4.

Table 6.5: Question 7.4 – Ranking of preferred communication methods: Phase II

Respondent	Phone	E-mail/Fax	Face-to-face	Post
Respondent 1	2	1	4	3
Respondent 2	1	2	3	4
Respondent 3	1	3	2	4
Respondent 4	2	1	4	3
Respondent 5	3	2	1	4
Respondent 6	2	3	1	4
Respondent 7	1	2	3	4
Total	12	14	18	26
Average ranking	1.71	2.00	2.57	3.71
Position	1	2	3	4

The same average ranking method is used to report the results of this question. Average ranking indicates that the phone is the most preferred communication method of all the respondents. E-mail or fax is deemed as the

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second most preferred method of communication, followed by face-to-face communication. Post as communication method was indicated as the least preferred method of communicating with the broker or insurer.

This is an interesting result as all of the respondents indicated that the most suitable method for building a relationship is face to face communication. Yet, respondents prefer to communicate by phone or e-mail and fax. This might also be the result of the fast pace and convenient lifestyle people live these days. Using the phone together with e-mail and fax are faster and more convenient, and thus consumes less of the respondent's time. Some of the respondents substantiated this argument by indicating even though they agree that face to face communication is ideal for building a relationships, they prefer communicating by phone as they just do not have time during the day to see someone. This also supports Theme 2 and the argument that convenience and speed has become concepts to reckon with, as it can have a severe influence on the retention of clients.

To summarise, clients prefer communication over the phone most, followed by e-mail or fax communication, face-to-face communication and lastly communication via post.

Question 10.1 asked the respondents to rank 11 items based on which item is most likely (1) to make them stay with the organisation, second most likely (2) and so forth. These items are part of the integrated approach as discussed in Chapter 4. Table 6.6 summarises the results of Question 10.1.

Table 6.6: Question 10.1 – Ranking of elements influencing a client to stay in a relationship: Phase II

Elements to be ranked		Respondents							Average ranking	Position
		1	2	3	4	5	6	7		
a.	Dynamics of relationship	5	7	9	6	7	10	5	7.00	9
b.	Quality of relationship	4	8	10	3	6	7	10	6.86	8
c.	Loyalty	8	2	3	5	5	6	8	5.29	5
d.	Satisfaction	9	9	1	4	2	1	4	4.29	2

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Elements to be ranked		Respondents							Average ranking	Position
		1	2	3	4	5	6	7		
e.	Trust	10	1	5	1	4	2	9	4.57	3
f.	Commitment	6	4	9	2	8	11	7	6.71	7
g.	Valued client	11	10	8	8	11	4	11	9.00	11
h.	Effective communication	1	5	2	7	3	3	6	3.86	1
i.	Knowledge ability of broker	7	3	4	11	1	5	2	4.71	4
j.	Pricing of products	3	4	7	9	9	8	1	5.86	6
k.	Benefits of product	2	6	11	10	10	9	3	7.29	10

Based on average ranking applied to all the respondents, effective communication is the factor that will influence respondents most to stay with a specific broker or insurer. The second most influential factor is satisfaction, followed by trust. Respondents indicated that the knowledge of the broker or insurer is the fourth most influential factor in the retention of clients, followed by loyalty, price and commitment. The quality of a relationship is in eighth place, followed by the dynamics of the relationship and the benefits of the product. According to the respondents, feeling like a valued client will have least influence on them to remain in the relationship with the broker or insurer.

It is, however, important to mention that these factors were ranked before new concepts were introduced, therefore the ranking of factors that will influence respondents to stay with a broker or insurer will probably look different when new concepts are also included in the ranking scale.

According to respondents, effective communication includes continuous feedback on claims or instructions, pro-active communication about increases, or changes and information on better products relevant to the respondents. This correlates with Theme 10 of Phase II as identified in the previous section.

Theme 10 indicates that in the absence of effective communication the respondents are left frustrated and dissatisfied, which can easily lead to the termination of the policy, especially when no relationship exists. The

phenomenon of effective communication is ranked as most influential to make a respondent stay with a broker or insurer, is also in line with Theme 1, which indicates that if a good relationship exists the respondents have a larger threshold for ineffectiveness and negative changes regarding the policy. This also creates opportunity for the organisation to rectify the mistake and retain the client. Had a relationship not existed, the organisation would have had a much slighter chance of retaining the client. As mentioned continuously throughout PR literature, effective communication is crucial for building and maintaining relationships, thus retaining clients.

CRM and PR regard satisfaction and trust as essential for retaining clients. According to the results of this question the respondents also regard satisfaction and trust as very important elements in determining whether they will stay with an organisation or not. This correlates with Themes 14 and 15 of Phase II as discussed in the previous section. Knowledge of the broker or insurer and loyalty towards a broker or insurer also weighs heavy as an influence on the decision of a respondent to stay with an organisation or not. This correlates with Theme 7 and Theme 13 of Phase II.

It is interesting to note that pricing is only ranked in sixth place by respondents, and that effective communication, satisfaction, trust, loyalty and knowledge are more important to respondents. It can be argued that respondents are willing to pay more if these elements are present in the relationship with the broker or insurer. This is a positive sign for brokers and insurers as it is a challenge to control the price of a policy, but an organisation can control its communication efforts, how they satisfy clients and create loyalty, their honesty and trustworthiness and knowledge levels.

Mutual commitment is ranked at number seven. The quality of a relationship and the dynamics thereof are ranked in eighth and ninth place separately. This is interesting as Question 1.7 indicated that respondents regarded the quality of a relationship to weigh more than the pricing of the products when deciding to stay with an organisation. The respondent also indicated that they rank the benefits of the product higher than the price thereof in Question 1.7,

whereas in this question the benefits of the product are rated lower than pricing.

Feeling like a valued client and not like just a number seems to weigh least when a client decides whether to stay with an organisation or not. It can be argued that when the client receives effective communication, the client is satisfied and trusts the broker or insurer. The client will also perceive the broker or insurer as knowledgeable and will in essence feel valued and satisfied. On the contrary, without all of these elements ranked one to ten, the respondent will not feel valued or looked after and this will have an influence on whether the respondent will stay with the organisation or not.

In summary, effective communication is regarded as most influential for clients when deciding to stay in relationship, followed by satisfaction, trust, knowledge of the consultant and loyalty.

6.6.3 Results of the rating question: Phase II

Question 9 made use of a rating scale. In question 9, the respondents were asked to indicate whether a specific concept (as identified in the integrated approach) will influence them to remain in a relationship with their broker or insurer by indicating if the concept will strongly (1) influence them to stay, somewhat (2) or not at all (3). An eleven-item, 3-point Likert scale was used. The results of Question 9 are summarised in Table 6.7.

Table 6.7: Question 9 – Rating of elements influencing a client to stay in a relationship: Phase II

Elements to be rated		Strongly (1) influence client to stay in relationship	Somewhat (2) influence client to stay in relationship	Not at all (3) influence client to stay in relationship	Average rating	Position
a.	Dynamics of relationship	2/7	4/7	1/7	1.86	5
b.	Quality of relationship	4/7	3/7	0/7	1.43	4

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Elements to be rated		Strongly (1) influence client to stay in relationship	Somewhat (2) influence client to stay in relationship	Not at all (3) influence client to stay in relationship	Average rating	Position
c.	Loyalty	6/7	1/7	0/7	1.14	2
d.	Satisfaction	6/7	1/7	0/7	1.14	2
e.	Trust	5/7	2/7	0/7	1.29	3
f.	Commitment	4/7	3/7	0/7	1.43	4
g.	Valued client	1/7	5/7	1/7	2.00	6
h.	Effective communication	7/7	0/7	0/7	1.00	1
i.	Knowledge ability of broker	5/7	2/7	0/7	1.29	3
j.	Pricing of products	1/7	5/7	1/7	2.00	6
k.	Benefits of product	2/7	4/7	1/7	1.86	5

To report the results of Question 9, average rating was used. The results indicate that on average effective communication has a strong influence on whether a client will remain in a relationship with an organisation or not. Effective communication has the strongest influence of all the factors. This relates to and substantiates Question 10.1, where effective communication was also indicated as most relevant for a client to remain in a relationship.

Loyalty and satisfaction indicated a similar average rating of having a strong influence on a client staying with the organisation or not. It can be seen as the second strongest influence on a client's decision to stay with an organisation and this once again connects with results of Question 10.1. Results indicate that knowledge and trust on average also have a strong influence on whether a client will remain in a relationship with an organisation. Again this correlates directly with Question 10.1, where effective communication, satisfaction, trust, loyalty and knowledge ability were ranked as the five most influential factors for retaining clients.

The quality of a relationship and commitment showed identical results and reported that 4 out of the 7 respondents indicated that these two factors have

a strong influence on the clients to remain with the organisation. Three out of 7 respondents indicated that these two factors will only influence them somewhat, when it comes to staying with an organisation. This correlates with Question 10.1 and confirms the reliability of the results.

The benefits of the product and dynamics of the relationship were reported as having somewhat of an influence on respondents, while 2 of the 7 respondents indicated that it will have a strong influence on their decisions to stay with the organisation. The results of this question are also in line with the results of Question 10.1, where these two factors ranked at ninth and tenth out of eleven. The dynamics of the relationship and benefits are continuously least influential of all the factors and its validity as having any influence on whether a client will remain in a relationship should be revisited.

The results indicated that the pricing of products and feeling like a valued client have somewhat of an influence on the client's decision to stay with the organisation. These two factors rated lowest of all the factors. Feeling like a valued client was ranked as least influential in Question 10.1, which correlates directly with the results of this question. It is interesting to note that price of the product ranked at sixth most influential out of eleven factors in Question 10.1, but was rated as least influential (somewhat of an influence) in this question. This shows that price is not necessarily the driving force behind insurance cancellations, which means that insurance organisations are in a position to control whether a client stays with the organisation.

To summarise, effective communication, satisfaction, trust, knowledge of the consultant and loyalty have the strongest influence on client to remain in a relationship. This correlates with the findings of Question 10.1.

6.7 REPORTING OF RESULTS: PHASE III

As with Phase II of this study, three types of questions were asked when interviewing the respondents during Phase III. The three types of questions are open-ended questions, ranking questions and rating questions. Similar to

Phase II, these questions will be reported on separately, during which the data analysis processes for all three types of questions are also discussed. All of these questions will be reported on in a similar manner, starting with the open-ended questions, followed by ranking question and then rating questions. The same sequence is followed for all three questions, starting with a discussion of the relevant data analysis process, then followed by the reporting of results, ending with specific findings based on the data analysis done and how it relates to the literature study (Phase I).

It is vital to note that the interview schedule used during Phase III is very similar to the interview schedule used in Phase II. Similar questions posed to clients during Phase II, were also asked to insurance organisations. The idea of posing the same questions was to determine the brokers' and insurers' perspective of what clients' needs and believes are in terms of staying with a short-term insurance organisation. This was also to determine if there are differences in the perspectives of the clients and brokers or insurers. Should differences exists between what the clients wants are and what the brokers or insurers offer, it can be devastating to retention efforts in an organisation as these efforts will not reach the clients as intended. It was also important to determine how far these perspectives were removed from each other in order to get a clear picture of the effectiveness of client retention efforts.

Phase III is in essence a repeat of Phase II, but to get the perspectives of the other end of the market under the same circumstances. This phase was also used to test new concepts that clients mentioned among brokers or insurers. As it can be considered a phase testing concepts and comparing perspectives, only two interviews were conducted of which both respondents were brokers. This means that the voice of direct insurers was not heard. For the purpose of this study and because brokers and insurers alike, represent the same group (which is short-term insurers) it is regarded as acceptable. It is, however, suggested that for possible future research more brokers and specifically direct insurers should be interviewed for even more reliable and representing results.

6.7.1 Results of open-ended questions: Phase III

Again, as with Phase II, qualitative content analysis was used as data analysis method for analysis of the open-ended questions. From the raw data (interviews), units of meaning were identified and coded. Coded segments were grouped together and categorised, after which themes were identified. These themes were then discussed and used as basis for arguments to reach the research objectives as identified in Chapter 1. The process of qualitative content analysis is explained and illustrated in Chapter 5 and the previous section of this chapter.

6.7.1.1 Coding based on raw data: Phase III

The 2 interviews with short-term insurance brokers (Phase III interviews) were analysed by means of an open coding process. Similar to the data analysis process in Phase II, the units of meaning were identified and given a specific code.

During the coding phase of the data analysis, 249 units of meaning were identified. The units of meaning were then divided into 37 categories. The units of meaning and the coding thereof are attached as Appendix C.

6.7.1.2 Categories based on coding: Phase III

The 249 coded units of meaning were grouped together into 37 categories. Each of the units of meaning resorts under a specific category. The conversion of codes to categories is attached as part of Appendix D. Again the process of converting codes to categories is identical to the process followed during Phase II.

The next step of content analysis involves the grouping of the 37 categories into themes, which forms the basis of discussion and arguments relating to the research findings.

6.7.1.3 Themes based on categories: Phase III

The 37 categories identified in the previous section, were grouped into 15 themes. Table 6.8 lists the 15 themes identified during Phase III of this study.

Table 6.8: Themes: Phase III

THEME NUMBER	THEME
1	Speed and convenience of doing business are likely to influence a client to stay with the organisation.
2	Giving honest advice and explaining the finer details of the insurance contract are likely to influence a client to stay with the organisation.
3	The relevance of a relationship for a client.
4	The influence of price on the decision of a client to stay with the organisation.
5	The knowledge of the consultants representing the organisation.
6	Excellent service is likely to influence a client to stay with the organisation.
7	Effective communication can determine the likeliness of a client to stay in a relationship with the organisation.
8	When an organisation is client-centric, a client is more likely to stay in the relationship with the organisation.
9	The influence of the power balance of the relationship on the decision of a client to stay in the relationship with the organisation.
10	Loyalty towards the organisation is likely to influence a client to stay in the relationship with the organisation.
11	When a client trusts a broker or insurer, the client is more likely to stay in the relationship with the organisation.
12	Feeling satisfied towards the organisation is likely to influence a client to stay in the relationship with the organisation.
13	Mutual commitment towards the relationship is likely to influence a client to stay in the relationship with the organisation.
14	The importance of client retentions in the organisation.
15	Strategic approaches of the organisation towards the retention of clients.

The themes identified in Table 6.8 must be discussed further in order to address the research objectives of this study. The aim is to align these themes with the research objectives as identified in Chapter 1 and relevant literature (Phase I). These themes are discussed in the following section and are also attached as part of Appendix E.

Again, as with Phase II, it must be noted that there are several factors that may influence a client to stay with an organisation or terminate the relationship with the organisation. In order to retain clients effectively,

insurance organisations need to identify these factors and strategically implement it in the everyday functions of the organisation. Most of these factors were identified and included in the integrated approach as discussed in Chapter 4, and are now discussed as themes.

Similar to Phase II, it is important to note that the content of the themes are discussed in a particular order. Firstly, the categories of which the theme consists will be listed, followed by the results of the interviews relating to the specific theme. Then the theme and results will be discussed and brought into context with CRM and PR literature (Phase I). It will be followed by a comparison between the findings of Phase II and III and finally, the discussion of the theme will be concluded by means of a short summary.

None of these themes are regarded as more important than the other and therefore the themes are discussed in no particular order. It is also important to note that although Phases II and III share similar categories, there is no connection between the numbering of the categories of Phases II and III.

- Theme 1

Speed and convenience of doing business are likely to influence a client to stay with the organisation.

Before this theme is discussed further, it is important to indicate of which categories it consists:

- *Category a:* Convenience will or will not influence the respondent's decision to stay with the organisation.
- *Category b:* Speed and promptness of doing business will influence the respondent to stay with the organisation/Consuming time will result in the termination of the policy by the respondent.
- *Category c:* The effective handling of claims will or will not influence the respondent's decision to stay with the organisation.
- *Category d:* Comfort with the relationship will or will not influence the respondent's decision to stay with the organisation.

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Speed and convenience of doing business are concepts that were identified during the interviews with short-term insurance clients (Phase II). During the interviews with brokers, none of them mentioned these concepts as elements that might influence clients to stay with an organisation, or methods that they use to retain clients. It was only when they were asked if these elements might have an influence on client retention that they mentioned it is important. Yet, as determined earlier, clients mention these elements as vital to retain their business in today's rushed lifestyle.

It seems that with regards to the concepts of speed and convenience there is an apparent gap between what the clients want and what the brokers think the clients want. This gap must be illuminated and brokers and insurers alike must implement strategies to increase the speed of everyday dealings with clients as well as the convenience of these dealings.

Of the four categories of which this theme consist, brokers only mentioned category c, which is the effective handling of claims. They agree that the effective handling of claims is vital, as this is the stage where insurers have to prove themselves to the clients. Claiming is already a traumatic experience for a client as it often goes hand in hand with accidents and thefts. Many clients are often left confused and frustrated at this stage, as they don't get paid out what they thought they will get, or they are simply not covered. Often client's excesses are higher than they expected. This will leave a client negative and frustrated and if no relationship exists, as determined by Theme 1 Phases II, it will be extremely difficult to save the client.

Similar to Phase II, the concepts of convenience, speed, promptness and ease of dealings were not identified as elements of CRM or PR and were therefore not included in the integrated approach as discussed in Chapter 4.

To summarise, it seems obvious that claim stage is the most vital period of client retention, and organisations should have strategies in place to make this process and the claims experience as smooth, hassle free and pleasant as

possible. Very few of the clients mentioned this in their interviews, but a lot mentioned that they have not claimed before, therefore, they cannot comment on what influence it will have on their decision to stay in the relationship or not. From the experience of the brokers, it is clear that it the way in which a claim is handled will have an influence on whether a client stays with the relationship or not.

- Theme 2

Giving honest advice and explaining the finer details of the insurance contract are likely to influence a client to stay with the organisation.

Theme 2 consists of three categories which are:

- *Category e:* Quality advice and the explanation of contract details (getting what you thought you will get) will or will not influence the respondent's decision to stay with the organisation.
- *Category f:* Openness and transparency from the broker or insurer and knowing what you are paying for and getting, will or will not influence the respondent's decision to stay with the organisation.
- *Category g:* Honesty from the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

The respondents indicated that it is vital to advise clients correctly and according to their individual needs. They also mention that honesty must be present in the relationship with the clients and that it is the role of a broker to ensure that a client knows what is going on and that time is spend on explaining the policy and terms, together with a full disclosure of what can be expected by the client.

It is also important to make sure that client understand what they are covered for. By doing this, clients have less queries and are less frustrated because they understand their policies and the workings thereof. The FAIS Act (discussed in Chapter 4) regulates financial services providers to advise

clients correctly and brokers or insurers should embrace this effort as it directly contributes to client retentions and in effect reduces queries and administration.

Honesty, openness, transparency and quality advice can be linked to several of the elements of CRM and PR and the integrated approach (Chapter 4). These elements include trust, commitment and knowledge management.

A general consensus exists in the opinions of the respondents of Phases II and III regarding the effectiveness of honesty and proper advice when it comes to client retention efforts. Both Phases II and III agree that honesty and proper advice are essential for effectively retaining clients.

In summary, giving honest advice and explaining the finer detail of an insurance contract, is an excellent client retention management tool which leaves clients informed and empowered whilst transparency creates trust and increases commitment.

- Theme 3

The relevance of a relationship for a client.

Theme 3 consists of ten categories, which are:

- *Category h*: The respondent wants a relationship or not/A relationship will or will not influence the respondent's decision to stay with the organisation.
- *Category i*: The respondent prefers a relationship to know someone carries his/her best interest at heart/respondent is taken care of and can enjoy peace of mind.
- *Category j*: The respondent wants to deal with a single person/call centre/not with call centre.
- *Category k*: The respondent requires a relationship for assistance and to resolve issues.

- *Category l*: A relationship is effective when there is a personal touch and the broker or insurer knows the respondent's situation.
- *Category m*: The respondent puts a price on the relationship/The premium includes a relationship.
- *Category n*: The respondent prefers to handle the policy him/herself on-line rather than using a broker or insurer to assist.
- *Category o*: A negative change in policy circumstances will lead to instant termination of the policy, if no relationship exists.
- *Category p*: A respondent will first try to resolve issues, when there are negative changes on the policy, before terminating the policy, if a good relationship exists.
- *Category q*: The broker or insurer understands the client.

As with Phase II, the relevance of a relationship in the retention of clients cannot be overstated. It seems like brokers understand the importance of creating and maintaining relationships, but the same cannot be confirmed for direct insurers. Firstly, these concepts were not tested among direct insurers and secondly, direct insurers are renowned for treating clients as numbers and not investing personal time with their clients.

As mentioned in Phase II, 2 of the short-term insurance clients did not want relationships, which make retention of those clients very difficult. Not having relationships removes the opportunity to create loyalty and trust, among others. This correlates directly with categories o and p. These categories mention that if no relationship exists, it is easy for a client to immediately terminate the policy. On the other hand, if a good relationship exists, a client will first try to resolve the issue before just terminating a policy.

Brokers seems to agree with this phenomenon and mention that a good relationship will give them the opportunity to offer the client an alternative product if dissatisfied, thereby increasing the retention opportunity. One of the respondents mentioned that if a relationship exists and the broker knows the

client, the broker should be able to retain the client regardless of a bad experience. Direct insurers are normally unable to offer alternative products and would normally offer lower premiums to retain clients.

As determined by means of interviews (Phase III) brokers seem to grasp the concepts of carrying the client's best interest at heart and making them feel looked after very well, in fact, brokers pride themselves in providing this as part of the relationship with the client. Having a relationship with a broker means that a client generally has a single person contact and knows who to speak to. As determined during Phase II, this is important to a number of clients.

Brokers also understand that having a relationship means that they will sort out their client's problems and claims. Brokers also generally strive towards providing a personal relationship where they know the client's personal and financial situation and offer the most suitable cover based on this knowledge. This is line with what clients indicated as important in order to retain them.

Providing clients with a personal touch makes them feel understood. During Phase II, clients indicated that they are willing to pay extra for a relationship and everything that goes with a relationship as mentioned in this theme. Brokers also indicated that clients would want a broker to take control of their insurance portfolio, as brokers have the knowledge and know how to manage the client's affairs.

Another concept that the brokers mentioned is that a broker or insurer must understand a client in order to offer the client the most suitable price, service and ultimately relationship. This is also an interesting concept, as none of the clients mentioned this concept.

The building and maintenance of relationships are at the heart of CRM and PR. Literature (Phase I) also indicates that in order to retain clients,

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relationships have to be maintained. One of the respondents mentioned that the best way to retain clients is to maintain relationships and to create loyalty. This theme can be linked to Theme 5 of Phase II, and both clients and broker agree on similar concepts towards retaining these clients when the categories that resort under the two themes are taken into consideration.

In summary, clients require their broker or insurer to know their situation, but understanding the client involves knowing the client's financial, personal and business situation and also understanding what the client expects from the relationship, from service levels and communication efforts. A client might not want to be communicated with often, or might not want to do business over the phone. A broker must understand every aspect of what the client expects in order to truly satisfy that client.

- Theme 4

The influence of price on the decision of a client to stay with the organisation.

This theme consists of one category:

- *Category r*: Pricing of the policy will or will not influence the respondent's decision to stay with the organisation.

Brokers seem to agree that various factors can contribute to the effective retention of clients, but they continuously mention that if a client is in a financial crisis, that client will move the policy for a cheaper alternative, regardless of a relationship, loyalty or commitment.

In a difficult economic environment, where clients often have to tighten their belts, some clients will look for the cheapest premium. In cases like these a good relationship and loyalty will have no influence on the client staying with the organisation. The client will, however, in the presence of a good relationship, approach the broker first for cheaper alternatives, which gives the

broker an opportunity for retention. This opportunity would have been lost had no relationship exist.

A broker can assist a client to find alternative premiums whereas a direct insurer is sometimes left with reducing the premium as the only alternative for retaining the client. Reducing premiums are not always beneficial for organisational profits, just as losing clients are not beneficial.

Pricing as a method to effectively retain clients are not mentioned by CRM and PR literature.

In summary, it is unfortunate that the concept of pricing is a reality over which there is little control from a broker or insurer's side. If a client is in a financial crisis, no factors will influence the client to stay except premium. This is a bad situation for a brokerage or insurer to be in, as the financial circumstances of the client cannot be controlled by the broker or insurer.

- Theme 5

The knowledge of the consultants representing the organisation.

This theme consists of only one category:

- *Category s*: The knowledge of broker or insurer will or will not influence the respondent's decision to stay with the organisation.

During the reporting of results of Phase II, respondents indicated twice that knowledge has a strong influence on their decision to stay with an organisation. Brokers realise this and also realise that the lack of knowledge can have a ripple effect on the satisfaction of clients. If a client were advised incorrectly, chances are that the client will not be covered correctly, which means claims will not be paid out and clients will be left frustrated. This is an immediate threat to client retention efforts in the organisation and proves the value of knowledge and experience.

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The respondents agree that knowledge is of the essence in the retention of clients. The brokers mention that knowledge is needed to instil trust and that brokers and insurers must know their products and must be able to answer client's questions. A knowledgeable broker or insurer knows which product will cover their clients best and advice their clients correctly.

The concept of knowledge management is suggested by CRM literature and is included in the integrated approach as discussed in Chapter 4.

To summarise, the role of knowledge in the retention of clients cannot be overstated as it controls factors like proper advice, and the efficient handling of claims. The lack of knowledge will leave clients frustrated and ready to leave the broker or organisation.

- Theme 6

Excellent service is likely to influence a client to stay with the organisation.

This theme consists of the following category:

- *Category t*: Excellent service will influence the respondent's decision to stay with the organisation/Bad service will lead to termination of the policy.

Service delivery is regarded as a possible new concept to investigate by CRM and PR literature. The respondents (short-term organisations) agreed that service delivery is of the utmost importance to retain clients. This is in consensus with the opinions of short-term insurance clients as determined during Phase II of this study. The fact that both short-term organisations and short-term clients feel so strong about the influence of service delivery in client retention efforts, justifies further investigation into this concept.

As indicated by the results of Question 1.7 of Phase III, clients regard service levels as most influential when deciding to stay or leave an organisation. Only

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after service levels followed the quality of a relationship, benefits and price followed. It is evident that both the brokers or insurers and the clients agree on the value of service delivery towards the retention of clients. One of the respondents mentioned that a relationship is needed to determine the client's needs and to then offer them suitable service based on their needs.

As discussed in Theme 9, Phase II, service is not mentioned in CRM or PR literature. The reason might be that it is regarded to be part of relationship building and maintenance.

To summarise, since service delivery is regarded higher by clients and insurance organisations than the relationship itself, it is suggested that this concept should be investigated further by both the disciplines of CRM and PR, as a possible contributor towards relationship maintenance and consequently client retentions.

- Theme 7

Effective communication can determine the likeliness of a client to stay in a relationship with the organisation.

Two categories were grouped together to form this theme. Theme 7 consists of:

- *Category u*: An increased premium without any communication from the broker or insurer will make termination of the policy easier for the respondent.
- *Category v*: Effective communication will have an influence on the respondent's decision to stay with the organisation/Bad communication will lead to termination of the policy.

Respondents representing short-term organisations continuously indicated the value of effective communication by mentioning constant feedback, making

clients aware of new and better products and fully disclosing an explaining all aspects of the policy. This correlates with the findings of Phase II, where clients indicated that effective communication is of the utmost importance when attempting to retain them.

Respondents also mention that effective communication reduces queries and frustrations among clients as they always know what is going on with their policies. This increases satisfaction.

It was evident from Questions 9 (rating question) and 10.1 (ranking question) of Phase II, that clients regards effective communication as most important of all factors when deciding whether to stay with an organisation or not. Even though new concepts were not among the factors that had to rated and ranked in these questions, it is still an overwhelming indication of effective communication's influence on the retention of clients.

The respondents indicated that in their opinion, one of the major reasons for cancellations is premium increases. They also state that when premium increases occur and they effectively communicate to the clients by pro-actively explaining the reasons thereof, it is easier to retain clients and they will stay with the organisation. The focus is on pro-actively communicating with clients, before changes are made to their policies. Respondents mention that pro-active communication makes retention of clients easier. This substantiates client's concerns that premium increases without any communication will lead termination of policies.

In summary, it seems that clients and brokers agree on the necessity of effective and pro-active communication in the retention of these clients.

- Theme 8

When an organisation is client-centric, a client is more likely to stay in the relationship with the organisation.

This theme consists of two categories:

- *Category w:* The respondent feels valued and unique and this will or will not influence the respondent's decision to stay with the organisation/The respondent feels like a number and this will or will not influence the respondent's decision to stay with the organisation.
- *Category x:* The broker or insurer going the extra mile will or will not influence the respondent's decision to stay with the organisation.

Respondents agree that by doing more for clients than what is expected, the relationship will be maintained for a longer period of time, but these respondents indicated that going the extra mile for clients, does not guarantee client retentions. Even though making a client feeling valued and unique is a factor that might influence the client to remain in the relationship with the organisation, clients indicated in Questions 9 and 10.1 (Phase II) that off all the factors that will influence them to stay in a relationship, feeling like a valued client will have the least influence on the client to stay in the relationship with the organisation.

Client-centrism is an element regarded by both CRM and PR literature as essential in client retention strategies.

In summary, treating clients as valued and unique will increase client retentions, but if a client is in a financial crisis, the client will leave regardless of feeling unique.

- Theme 9

The influence of the power balance of the relationship on the decision of a client to stay in the relationship with the organisation.

This theme consists of the following categories:

- *Category y:* The respondent or the broker or insurer has the most power in the relationship.
- *Category z:* The respondent wants or does not want the power in the relationship with the broker or insurer.

The respondents had different views about the power balance in the relationship with clients. One respondent indicated that even though the client's needs should always be put first, the client would want the broker to take control of the relationship and the insurance portfolio. Another respondent argues that clients come first in the relationship and the balance should be on their side. Also, the client holds the most power since they are paying a monthly premium which they can cancel at any stage.

This theme is also present in Phase II, and the same occurrence of divided opinions on who holds the power in a relationship is also observed there. This raises the question of the relevance of power balance in terms of a short-term insurance relationship and retention thereof.

Power balance, more specifically the concepts of control mutuality, exchange relationships and communal relationships are present in PR literature and therefore part of the integrated approach as identified in Chapter 4. Control mutuality, exchange relationships and communal relationships are all part of Grunig and Huang's (2000:34) measurement scale to measure the outcomes of relationships.

In summary, similar to Phase II, the relevance of power balance as a factor that might influence client retentions is questioned. This is based on diverse opinions of its relevance by clients and insurance organisations alike. On the

other hand, its importance as part of any relationship might be misunderstood by both clients and insurance organisations.

- Theme 10

Loyalty towards the organisation is likely to influence a client to stay in the relationship with the organisation.

Theme 10 consists of the following category, which is:

- *Category aa:* Loyalty towards the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

Respondents agree that loyalty is vital for the retention of clients. These respondents indicated that in order to create and increase loyalty, brokers or insurers should make sure that certain factors are in place. Some of these factors that were mentioned include prompt service, understanding the client's personal situation and establishing a personal relationship with the client.

Both CRM and PR regard loyalty as vital for client retention efforts and put a high value on the creation growth of loyalty. Loyalty was also included as one of the elements of the integrated approach as discussed in Chapter 4.

In summary, clients (Phase II) also indicated that loyalty has a strong influence on whether they will stay in a relationship with an organisation, and it is evident that brokers and clients are in agreement about the importance of creating loyalty in a relationship.

- Theme 11

When a client trusts a broker or insurer, the client is more likely to stay in the relationship with the organisation.

This theme consists of one category, which is:

- *Category bb:* Trust in the broker or insurer will or will not influence respondent's decision to stay with the organisation.

Respondents representing brokers and insurers continuously indicated that trust is vital in all client retention efforts. These respondents also mention that broken trust and promises not delivered on, are even more devastating to client retention efforts. The respondents argue that no relationship can exist without trust, and the lack of trust in a relationship will leave clients uncomfortable, dissatisfied and disloyal, which will lead to termination of policies.

According to these respondents trust exists when clients feel that they are looked after, that they have been advised correctly and by knowledgeable consultants and that they are insured correctly. Most importantly trust is created when clients know that their claims will be paid out, as this is the sole reason why they have insurance. The respondents continue to add that the sooner trust is created in a relationship, the easier it is to retain the client, throughout the remainder of the relationship.

It is interesting to note that the respondents of Phase III indicated that in their opinion trust influenced the client's initial decision to go with a specific organisation. The responses of clients as reported on during Phase II revealed a different result. All these clients indicated that when they made the initial choice of which broker or insurer to go with, no relationship, trust, loyalty or satisfaction existed at that stage. Their decision was based on factors like the reputation of the organisation, a gut-feeling, trusting the reference by whom they were referred or price and benefits.

There seems to be a difference in the opinions of clients and brokers in this regard, and brokers should strive towards understanding the clients better in order to serve them better. The initial decision on which broker or insurer to choose is more relevant to new sales than the retention of clients, but it is beneficial to know how clients perceive a relationship and at which stage the relationship starts to develop in a client's opinion.

Trust is a concept mentioned throughout CRM and PR literature and is deemed so important that it is regarded by the discipline of PR as one of the six outcomes indicating the quality of relationships (Grunig & Huang, 2000:47). This theme is also discussed during Phase II of this study, but from the client's point of view.

To summarise, the benefit of the concept of trust for the broker or insurer is that trust is solely something that the broker or insurer can control, and the lack thereof can only be blamed on the broker or insurer. By understanding the value of trust and implementing the continuous creation thereof in every aspect of operations within an insurance organisation, control over client retentions can be increased. This argument is substantiated by the results of Questions 9 and 10.1 of Phase II, where clients indicated that trust is the third most influential factor when deciding to stay or leave an organisation.

- Theme 12

Feeling satisfied towards the organisation is likely to influence a client to stay in the relationship with the organisation.

Theme 12 consists of the following category:

- *Category cc*: Being satisfied with the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

The respondents regard satisfaction as crucial and state that satisfied clients are normally happy with the organisation and feel that their needs have being

met, which makes it easier to retain these clients. Having a good relationship with a client will give the broker or insurer the opportunity to provide the client with alternative options, should the client be dissatisfied, thus standing a better chance to retain the client. It is evident that satisfaction is a necessity, but satisfaction is created by means of various elements like excellent service, effective communication and feeling like a valued client among others.

Satisfaction as a factor that would influence a client to remain in a relationship with an organisation was indicated as second most influential by clients during Phase II. This correlates with the responses of short-term insurance organisations.

Satisfaction is considered by the field of communication management (PR) as an element to measure the quality of relationships and is mentioned often throughout CRM literature as vital for maintaining relationships. Satisfaction is also an element of the integrated approach as determined in Chapter 4.

In summary, it is important for organisations to establish what exactly is needed to satisfy clients on an individual basis. This will enable an organisation to serve a client based on a personal profile and individual needs, which should have a significant influence on client retentions. To determine what constitutes to satisfaction on an individual basis, an additional study may be required.

- Theme 13

Mutual commitment towards the relationship is likely to influence a client to stay in the relationship with the organisation.

This theme consists of:

- *Category dd*: Mutual commitment towards the relationship will or will not influence the respondent's decision to stay with the organisation.

The respondents indicated that mutual commitment is an important aspect of retaining clients. They mention that excellent service and effective communication can increase a client's commitment to a relationship. Clients indicated in Phase II that mutual commitment is not regarded as the strongest influence on their decision to stay with an organisation, but it is still relevant and should be implemented as part of an organisation's client retention strategy.

Commitment is mentioned throughout CRM and PR literature as a vital element for maintaining relationships. PR also regards commitment as one of the six measures of a quality relationship as mentioned by Grunig and Huang (2000:47).

To summarise, mutual commitment is vital to make any relationship successful and therefore vital for client retention efforts in any organisation. This is substantiated by both clients and short-term insurance organisations, as both of these groups regard commitment as essential for the effective retention of clients.

- Theme 14

The importance of client retentions in the organisation.

Two categories were grouped together to form Theme 14, which are:

- *Category ee*: The importance of client retentions.
- *Category ff*: The effect of client retentions on organisational profits.

The respondents representing brokers and insurers clearly indicated that retaining clients are crucial for the existence of their organisations. A broker and insurer need a relationship with a client to assist in retaining these clients. It was also mentioned that client retentions efforts should include pro-actively sorting out problems, before a client request a cancellation. It also includes

pro-actively offering alternative options as soon as the broker or insurer is aware of potential problems. The respondents suggest that the only time a client should request a cancellation is when the client is looking for better premiums and the broker is unaware of this because no relationship exists. It is vital to note that this too can be prevented by having a quality relationship, where a client is able to approach the broker or insurer and request a better premium before just terminating a policy.

The respondents argue that the best way to retain a client is to maintain the relationship with the client for as long as possible. This is in line with CRM literature which suggests that a company's ability to retain a client makes good profit and business sense, given that long-time clients are less costly to serve, and smooth-running relationships are less resource-intensive (Crosby, 2002:272). Profitability is also mentioned by both CRM and PR literature as an element of client retentions.

Profitability and the importance of client retentions were not tested among clients during Phase II. The reason for this being that clients have no experience of the inner workings of insurance organisations and their opinions will be uninformed.

In summary, respondents argue that there is a cost linked to the signing up of a new client, and in order to make profit of the client it is necessary to retain the client for as long as possible. Organisational strategy should make it clear that the longer the organisation retains the client, the more profitable the relationship becomes. Profitability is at the heart of every organisation and therefore client retention is vital for the survival of any short-term insurance organisation.

- Theme 15

Strategic approaches of the organisation towards the retention of clients.

This theme consists of five categories:

- *Category gg:* Being a socially responsible organisation will or will not influence the respondent's decision to stay with the organisation.
- *Category hh:* The role of strategy in the retention of clients.
- *Category ii:* The importance of a cross-functional approach to client retentions.
- *Category jj:* The role of segmentation in the retention of clients.
- *Category kk:* The relevance of IT systems in the retention of clients.

Clients are normally unaware of organisational strategies aimed at retaining these clients and could therefore not be tested on these concepts. Broker and insurers normally have strategic approached towards retaining clients implemented into the daily operations of the organisation.

During the interviews of Phase II, only one respondent indicated that an organisation being socially responsible would influence him to stay with that particular organisation. This was tested among respondents, whom indicated that they do not believe that social responsibility will have an influence on the retention of clients. The raises the question of what the benefits of being socially responsible is for an organisation.

In Theme 11 the elements initially influencing a client to take a policy was indicated as among others an organisation's reputation. An organisation being socially responsible might earn the general public's respect and might establish a good reputation. It seems like reputation and respect might have a larger influence on new sales than the retention of clients, based on feedback from the respondents. It is also suggested that the influence of social

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responsibility is investigated further, and whether it will really have an influence on the retention of clients.

The respondents were clear on the importance of strategy in the retention of clients. They mention that a strategic plan must be in place specifically aimed at all client retention approaches, implementation and the execution thereof. In essence this strategy should include a plan to retain clients for as long as possible in order to be as profitable as possible. A client retention strategy must be implemented across the entire organisation, and must be a cross-functional and holistic approach. The respondents mention that it is important that all departments and functions in an organisation work together towards the goal with the same focus, based on the strategic plan. These respondents state that in reality it is a challenge to get all staff members of the organisation to follow the same approach and outlook towards a united goal of retaining clients.

Client retention strategies may differ based in the individual needs of clients. The respondents also mention that strategy can change depending on the reason for cancellation. This indicates the concept of segmentation where clients are divided into groups based on specific traits and then served accordingly. It is interesting to note that all the respondents indicated that segmentation does not really have an influence on the retention of clients.

Another very important element in the retention approaches of an organisation is the use of decent IT systems and procedures. IT systems give the broker or insurer the opportunity to know the clients situation better by immediately being able to view a client's personal information, history, previous issues, previous claims, likes and dislikes among others. It also indicates which segment the client resorts under in order to serve the client effectively. IT systems will tell a consultant how the client prefers to be communicated with, how often and about what. This provides for an opportunity to provide the

client with excellent service and effective communication, which as determined earlier is vital for the retention of clients.

The concepts of strategy, segmentation, cross-functional approaches and the use of IT systems are all elements of CRM and PR relevant to the retentions of clients. The elements were also included in the integrated approach of Chapter 4.

In summary, strategy is the starting point of all client retention efforts and should include cross-functional approaches and IT systems within the organisation. Literature suggests that segmentation also be present, but respondents indicated that its presence is not vital. Respondents also indicated that being a socially responsible organisation will have little influence on a client to remain with an organisation. It is therefore suggested that the relevance of segmentation and social responsibility be investigated further.

6.7.2 Results of ranking questions: Phase III

The interview schedule used for Phase III contained five ranking questions. The results of each these questions are reported separately in tables. Ranking scales were used for Questions 1.10, 7.4, 7.5, 17.1 and 18.1.

Similar to Phase II, a forced ranking scale was used for all five ranking questions. The forced ranking scale indicated a list of items that had to be ranked. The respondent had to decide which of the items would be the most preferred, second most preferred and so forth, until all items were ranked. The ranking for all five questions started with most preferred (1), second choice (2) and so forth.

Question 1.10 asked the respondents to rank four items. This question was also asked in Phase II of this study. However, in Phase III the respondents are asked to indicate, not how they themselves will rank these four items, but how they believe a client will rank the items. The respondents were instructed to

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indicate which of the four items will have the most influence (1) on the a client to stay in a relationship with the client's current short-term insurance organisation, then the second most influence (2) and so forth. Table 6.9 (p. 233) summarises the results of Question 1.10.

Table 6.9: Question 1.10 – Ranking the elements relevant to stay in a relationship: Phase III

Respondent	Quality of relationship	Service level	Pricing of product	Benefits of product
Respondent 1	3	2	1	4
Respondent 2	3	2	1	4
Total	6	4	2	8
Average ranking	3.00	2.00	1.00	4.00
Position	3	2	1	4

By means of average ranking the results indicate that the respondents regard pricing to be most influential when a client decides whether to stay with an organisation or leave the organisation. Results further indicate that the respondents regard service levels as second most relevant to the retention of clients, followed by the quality of a relationship, while the least relevant to the client staying in relationship based on these four options are the benefits of the products.

Table 6.10 indicated the differences between what clients regard as relevant to stay in a relationship and what brokers regard as most relevant to clients to stay in the relationship with the organisation.

Table 6.10: Phase II and III: Differences in the ranking of elements relevant for clients to stay in a relationship

Client's responses: Phase II	Position	Broker's responses: Phases III
Service level	1	Pricing of the product
Quality of the relationship	2	Service level
Benefits of the product	3	Quality of the relationship
Pricing of the product	4	Benefits of the product

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The result of most relevant element influencing a client to stay with an organisation does not match up. While brokers indicated that pricing is most relevant, clients indicated pricing will have the least relevance to them staying in a relationship with an organisation. Clients perceive service levels as most relevant to them staying in a relationship with an organisation.

This indicates that brokers have a misconception of what is most relevant to clients in terms of staying in a relationship and such a misconception can be dangerous for efficient client retentions efforts.

Both brokers and clients seem to agree on the sequence of the rest of the elements which are service levels, followed by quality of the relationship and benefits of the product.

In summary, a clear misconception exists about what is most influential when attempting to retain clients. Insurance organisation regards pricing as most important and client regards it as least influential.

Question 7.4 asks the respondents of Phase III to rank their most preferred (1) communication methods as broker or insurer, followed by the second most preferred (2) communication method and so forth, in terms of communicating with their clients. The ranking scale consisted of five items. Table 6.11 indicates the results of Question 7.4.

Table 6.11: Question 7.4 – Ranking of preferred communication methods: Phase III

Respondent	Phone	E-mail/Fax	SMS	Face-to-face	Post
Respondent 1	2	3	5	1	4
Respondent 2	2	3	1	4	5
Total	4	6	6	5	9
Average ranking	2.00	3.00	3.00	2.50	4.50
Position	1	3	3	2	4

This question differs from Question 7.4 of Phase II, where SMS (short message service via cellular phones) as communication method were not

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included as communication method. It was decided to include SMS as communication method when testing brokers and insurers since it has become a communication medium increasingly used in today's fast paced lifestyles.

Based on the results the respondents' most preferred communication medium is the phone, which is in line with what clients indicated they prefer most. Respondents indicated that face-to-face communication is their second most preferred communication method, which does not correlate with what clients indicated. Clients indicated that face-to-face communication is their third most preferred communication method because of time constraints. E-mail and fax as well as SMS as communication methods are preferred third most by respondents followed by post. Post was also the least preferred communication method of clients.

Question 7.5 on its turn, asks the respondents to rank, what they think would be the client's most preferred (1) communication methods, followed by the second most preferred (2) communication method and so forth, in terms of communicating with their broker or insurer. The ranking scale consisted of five items. Table 6.12 indicates the results of Question 7.5

Table 6.12: Question 7.5 – Ranking of preferred communication methods: Phase III

Respondent	Phone	E-mail/Fax	SMS	Face-to-face	Post
Respondent 1	2	3	5	1	4
Respondent 2	3	4	2	1	5
Total	5	7	7	2	9
Average ranking	2.50	3.50	3.50	1.00	4.50
Position	2	3	3	1	4

Respondents had to indicate what they thought clients' most preferred communication methods were. This was asked to test if insurance organisations had a good idea of what clients' communication needs and preferences were, as it would contribute towards effective communication and client satisfaction.

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The results showed that in the opinion of respondents, clients would prefer face-to-face communication most. Communication via phone would be second most preferred, followed by e-mail and fax communication as well as SMS communication. Post was regarded to be the least preferred communication method.

By comparing the results of what the respondents think clients prefer and what clients really prefer, it is evident that respondents have a misconception that clients would prefer face-to-face communication. Clients only regard face-to-face communication as third most preferred method of communication.

In summary, not understanding clients' communication needs can influence the effectiveness of communication and might leave clients frustrated and dissatisfied. In order to prevent this, insurance organisations must attempt to understand the communication needs of their clients, preferable on an individual level, in order to serve these clients more efficiently.

Question 17.1 asked the respondent to indicate, by means of ranking 11 items based on which item is most likely (1) to, in the opinion of the respondents, influence a client to stay with the client's broker or insurer, second most likely (2) and so forth. These items are also part of the integrated approach as discussed in Chapter 4. Table 6.13 summarises the results of Question 17.1.

Table 6.13: Question 17.1 – Ranking of elements influencing clients to stay in a relationship: Phase III

Elements to be ranked		Respondent 1	Respondent 2	Average ranking	Position
a.	Dynamics of relationship	7	10	8.50	6
b.	Quality of relationship	8	4	6.00	4
c.	Loyalty	2	9	5.50	3
d.	Satisfaction	4	1	2.50	1
e.	Trust	3	2	2.50	1
f.	Commitment	1	5	3.00	2
g.	Valued client	6	6	6.00	4
h.	Effective communication	11	7	9.00	7
i.	Knowledge ability of broker	5	8	6.50	5

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Elements to be ranked		Respondent 1	Respondent 2	Average ranking	Position
j.	Pricing of products	9	3	6.00	4
k.	Benefits of product	10	11	10.5	8

Question 17.1 is similar to Question 10.1 of Phase II, where clients were asked to rank the same elements based on the influence those elements would have on their decision to stay with an organisation. The only difference between the two questions being that Question 17.1 asks respondents to indicate what they think clients would regard as most influential to their decision to stay with an organisation. Table 6.14 indicates the differences in results of Question 17. 1 (Phase III) and Question 10.1 (Phase II).

Table 6.14: Phase II and III: Differences in the ranking of elements influencing a client to stay in a relationship

Client's responses: Phase II	Position	Broker's responses: Phases III
Effective communication	1	Satisfaction
		Trust
Satisfaction	2	Commitment
Trust	3	Loyalty
Knowledge ability of broker	4	Quality of relationship
		Valued client
		Pricing of products
Loyalty	5	Knowledge ability of broker
Pricing of products	6	Dynamics of relationship
Commitment	7	Effective communication
Quality of relationship	8	Benefits of product
Dynamics of relationship	9	
Benefits of product	10	
Valued client	11	

Clients indicated that effective communication is most relevant to staying in a relationship, whereas respondents ranked effective communication as having the second least influence on clients to stay in a relationship. The respondents seem completely out of touch with what clients regard as important to stay with the organisation. This misconception about client's needs will have a direct influence on client retentions in an organisation.

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Respondents indicated that satisfaction and trust are most influential, followed by commitment, this is in line with what clients indicated. Commitment was ranked in second place by respondents, but only in seventh place by the clients.

This also indicates that brokers and insurers are seemingly concentrating on factors to be utilised in client retention efforts which does not influence clients as much as other aspects.

The ranking of almost all the concepts were in line with each other, except for the quality of a relationship and feeling like a valued client. The quality of relationships and feeling like a valued client, were ranked in a combined fourth position as the most influential on a client's decision to stay with an organisation by respondents. However, clients indicated that the quality of a relationship is only the eight most influential elements out of eleven elements, while feeling like a valued clients is the least influential element potentially influencing these clients to remain with a specific organisation.

Question 18.1 is also a ranking question. The respondents were asked to rank 15 items based on which item is most relevant (1) in assisting the broker or insurer to retain a client, second most relevant (2) and so forth. These items are also part of the integrated approach as discussed in Chapter 4. Table 6.15 summarises the results of Question 18.1.

Table 6.15: Question 18.1 – Ranking of elements influencing clients to stay in a relationship: Phase III

Elements to be ranked		Respondent 1	Respondent 2	Average ranking	Position
a.	Dynamics of relationship	9	12	10.50	8
b.	Quality of relationship	4	3	3.50	3
c.	Effective segmentation of clients	13	13	13.00	11
d.	Strategic orientation of organisation	14	14	14.00	12
e.	Holistic, cross-functional approach to retention	12	7	9.50	7
f.	Effective use of IT	15	6	10.50	

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Elements to be ranked		Respondent 1	Respondent 2	Average ranking	Position
g.	Loyalty	6	2	4.00	4
h.	Satisfaction	2	1	1.50	1
i.	Trust	3	5	4.00	4
j.	Commitment	1	4	2.50	2
k.	Valued client	5	8	6.50	5
l.	Effective communication	11	11	11.00	9
m.	Knowledge ability of broker	8	9	8.50	6
n.	Pricing of products	7	10	8.50	6
o.	Benefits of product	10	15	12.50	10

Respondents point towards satisfaction as the factor that they see as most influential for retaining a client. This is in line with what clients indicated. Commitment is indicated as second most influential for retaining. Clients, on the other hand, only regard commitment as seventh (out of eleven elements) most influential when deciding to stay with an organisation.

The quality of a relationship is also regarded highly by respondents, while clients ranked it in eighth place out of eleven elements for retaining them as clients. Again, this is not a good sign for brokers and insurers, as clearly a gap exists between what clients regard as important and what brokers and insurers regard as important, which is not beneficial for retaining these clients.

Loyalty and trust are ranked higher by the respondents which are in line with what clients indicated. The respondents also ranked the element of feeling like a valued client as the fifth most influential element, whereas clients regard it as the least influential element with regards to staying with an organisation. The knowledge ability of the consultants and pricing of products were ranked in a combined sixth place, this seems to be in line with what clients indicated.

The dynamics of the relationship and the benefits of the products were, like in the case of clients, ranked as having less influence on the clients to stay with the organisation.

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Once again effective communication was ranked in ninth place by respondents as a means to retain clients, whereas clients indicated that effective communication is the most influential element for convincing them to stay with an organisation. A clear misconception exists among insurance organisations about what is deemed necessary to retain clients.

It is interesting to note that the strategic approaches to client retentions were ranked very low by the respondents. These approaches include organisational strategy towards retaining clients, segmentation and a holistic cross functional approach.

What is a concern is that any organisation striving towards retaining clients, should have a decent client retention strategy in place, which should include plans on which element to use to retain clients and should carry the support of the entire organisation. Without a strategic plan, client retention efforts will not be successful. Therefore strategic approaches should probably be regarded as more important towards the retention of clients. But, as is evident from the results, brokers might not regard these concepts as important enough.

6.7.1 Results of rating questions: Phase III

During Phase III of this study, two rating questions were posed to the respondents. A Likert scale was used as measuring instrument for both questions. The results of the rating questions are reported in this section, supported by tables summarising the results separately for both questions.

Question 15 asked the respondents to indicate whether a specific concept (as identified in the integrated approach) in their opinion will influence a client to remain in a relationship with their broker or insurer, by indicating if the concept will strongly (1) influence a client to stay, somewhat (2) or not at all (3). An eleven-item, 3-point Likert scale was used. The results of Question 15 are summarised in Table 6.16 (p. 240).

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Table 6.16: Question 15 – Rating of items influencing clients to stay in a relationship: Phase III

Elements to be rated		Strongly (1) influence client to stay in relationship	Somewhat (2) influence client to stay in relationship	Not at all (3) influence client to stay in relationship	Average rating	Position
a.	Dynamics of relationship	1/2	1/2	0/2	1.50	2
b.	Quality of relationship	2/2	0/2	0/2	1.00	1
c.	Loyalty	2/2	0/2	0/2	1.00	1
d.	Satisfaction	2/2	0/2	0/2	1.00	1
e.	Trust	2/2	0/2	0/2	1.00	1
f.	Commitment	2/2	0/2	0/2	1.00	1
g.	Valued client	2/2	0/2	0/2	1.00	1
h.	Effective communication	1/2	1/2	0/2	1.50	2
i.	Knowledge ability of broker	2/2	0/2	0/2	1.00	1
j.	Pricing of products	0/2	2/2	0/2	2.00	3
k.	Benefits of product	0/2	2/2	0/2	2.00	3

The same question was also posed to clients during Phase II. The idea of posing the same question to brokers or insurers is to determine their perspectives of what clients' needs and believes are in terms of staying with the organisation. This is also to determine if there are differences in the perspectives of the clients and brokers or insurers. Should differences exists between what the clients want and what the broker or insurer offer, it can be devastating to retention efforts in an organisation as these efforts will not reach the clients, depending on how far these perspectives are removed from each other.

Average rating indicated that respondents regard the quality of a relationship, loyalty, satisfaction, trust, commitment, feeling like a valued client and the knowledge ability of the broker as having a strong influence on the decision of the client to stay in the relationship with the organisation. The results of the same question asked to clients indicated that clients agree that loyalty,

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satisfaction, trust, commitment, the quality of a relationship and the knowledge ability of the broker strongly influences them to stay with an organisation, but clients mention that effective communication has the strongest influence on them to remain in the relationship.

Clients also regard feeling like a valued client to only have somewhat of an influence of their decision to stay with an organisation. Respondents further indicated that the dynamic of the relationship and the benefits as well as pricing of products only somewhat affected them to remain with an organisation. This is in line with what clients indicated during Phase II.

Question 16 is a 15-item, 3-point Likert scale. The respondents were requested to indicate whether a specific concept (item) (as identified in the integrated approach) can assist a broker or insurer in the retention of clients, by indicating if the item will strongly (1) influence a client to stay, somewhat (2) or not at all (3). Table 6.17 summarises the results of Question 16.

Table 6.17: Question 16 – Rating of items which can assist in retaining clients: Phase III

Elements to be rated		Strongly (1) influence client to stay in relationship	Somewhat (2) influence client to stay in relationship	Not at all (3) influence client to stay in relationship	Average rating	Position
a.	Dynamics of relationship	2/2	0/2	0/2	1.00	1
b.	Quality of relationship	2/2	0/2	0/2	1.00	1
c.	Effective segmentation of clients	1/2	1/2	0/2	1.50	2
d.	Strategic orientation of organisation	1/2	0/2	1/2	2.00	3
e.	Holistic, cross-functional approach to retention	1/2	1/2	0/2	1.50	2
f.	Effective use of IT	2/2	0/2	0/2	1.00	1
g.	Loyalty	2/2	0/2	0/2	1.00	1

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Elements to be rated		Strongly (1) influence client to stay in relationship	Somewhat (2) influence client to stay in relationship	Not at all (3) influence client to stay in relationship	Average rating	Position
h.	Satisfaction	2/2	0/2	0/2	1.00	1
i.	Trust	2/2	0/2	0/2	1.00	1
j.	Commitment	2/2	0/2	0/2	1.00	1
k.	Valued client	2/2	0/2	0/2	1.00	1
l.	Effective communication	1/2	1/2	0/2	1.50	2
m.	Knowledge ability of broker	2/2	0/2	0/2	1.00	1
n.	Pricing of products	0/2	2/2	0/2	2.00	3
o.	Benefits of product	0/2	2/2	0/2	2.00	3

By using average rating to determine results, respondents indicated that loyalty, satisfaction, trust, commitment, the knowledge ability of the broker or insurer and the effective use of IT, would assist them to have a strong influence on clients to stay with their organisation. This correlates with the responses of clients during Phase II. Results also indicated that respondents thought that the dynamics of relationships and the quality thereof will also have a strong influence on their efforts to retain clients.

Respondents also indicated that segmentation of clients, strategy, the price and benefits of products, following a holistic and cross functional approach and effective communication with clients, will only have somewhat of an influence on their client retention efforts.

6.8 INTERPRETATION OF FINDINGS

The findings of this study, in general, indicated that all of the elements as identified throughout CRM and PR literature as well as the integrated approach suggested in Chapter 4 are relevant and necessary for the effective retention of clients. Although some of the elements are more relevant to the effective retention of clients than others. The findings also indicated that other

elements not mentioned in literature might influence the retention of clients. The main findings of this study are discussed in this section.

6.8.1. Existing concepts revisited

This section revisits existing elements of client retention as suggested by CRM and PR literature and includes interesting findings contributing to the relevance and effectiveness of these elements.

6.8.1.1. The relevance of a relationship

Findings clearly pointed out that if a client is dissatisfied with any aspect of the insurance policy, and no relationship exists, the client will terminate the policy easier and quicker. Whereas when the client is dissatisfied with any aspect of the policy and a good relationship exists, the clients will first approach the broker or insurer to try and resolve the issue before cancelling the policy.

Clients, who experience a good relationship with their broker or insurer felt valued and unique, committed and also indicated that they feel loyalty and trust towards their broker or insurer. On the other hand, clients who had no relationship or a bad relationship with their broker or insurer, felt like just a number, not committed to the relationship, did not trust the broker or insurer and did not feel loyal towards that broker or insurance, which makes cancellation of the policy easier.

This proves that the existence of a good relationship gives the insurance organisation an opportunity to retain the client when other factors influencing the client to stay with the broker or insurer, have failed to retain the client. Without a relationship the opportunity will be lost and the client cannot be retained.

6.8.1.2. Clients will pay more for a relationship

Results indicate that clients want a relationship with their broker or insurer. By investing in a relationship, the broker or insurer is available to sort out their issues and problems and will carry their best interest at heart. Clients are willing to pay more to have a relationship, thus placing a value on a relationship with the broker or insurer.

Clients wanting a relationship require a personal touch where the broker or insurer understands the client's financial, personal and business situation and provides service and advice accordingly. Even though clients are generally willing to pay extra for a relationship and the perceived benefits thereof, every client has a threshold of how much they are willing to pay for the relationship. If that threshold is reached, premium wise, the client will cancel the policy and start a new relationship.

6.8.1.3. Some clients are not interested in having a relationship

Generally clients want a relationship, but findings also indicate that not all clients are interesting in having or building a relationship with a broker or insurer. This makes effective retention of clients difficult as the existence of a good relationship creates opportunities to retain clients.

Not being able to build relationships can create a ripple effect, since it influences effective communication and as a result the creation of loyalty and trust, which is detrimental to effective retention efforts. Clients not interested in having relationships must be retained making use of the other factors mentioned throughout literature.

As determined earlier, there are various factors that may influence clients to remain with an organisation. The challenge for brokers and insurers alike are to establish with of these factors influence which clients and retain clients in a pro-active manner, before it gets to a stage where having a good relationship is last alternative. It will be extremely difficult to save a client who is not

interested in having a relationship, when having a good relationship is the last alternative to retain the clients. Not having a relationship with clients, removes the opportunity to create loyalty and trust. When a relationship does exist, the broker or insurer should be able to retain a client regardless of a bad experience and the failure of pro-active client retention elements.

6.8.1.4. The role of effective communication

Findings indicate that the role of effective communication cannot be overestimated. Clients ranked effective communication as the element that will have the most influence on them to stay with the organisation. According to findings, effective communication in the insurance industry is regarded as continuous feedback on claims or instructions, pro-active communication about increases or changes, information on better products relevant to clients and fully disclosing and explaining all aspects of the policy.

Effective communication is a pro-active method of preventing clients to get to a stage of considering cancellation. It also assists with building relationships, which is essential for retaining clients, making it twice as essential for the effective retention of clients. Effective communication keeps clients informed which reduces queries and frustration, resulting in increased satisfaction.

One of the major reasons for cancellations is premium increases. Premium increases, without any communication thereof from the broker or insurer, will lead to termination by the clients. This, once again, shows the importance of communication in the retention of clients.

Findings indicate that although clients agree that face to face communication is best for building relationships, they prefer communication via telephone, e-mail and fax before face to face communication. This is in line with the argument that today's fast pace and convenient lifestyle influences and changes client retention efforts.

6.8.1.5. Concepts of which the relevance are questioned

Findings revealed that both the clients and brokers regarded the power balance to have less of an influence on client retention efforts. Various opinions and ideas exist about what the power balance in a relationship between the client and broker or insurer should be like. This questions the relevance of power balance in the retention of clients which is supported by the clients' and brokers' indication that the power balance might have less of an influence on the retention of clients.

Findings showed that brokers regard segmentation as not important in the retention of clients. Segmentation as a method to increase client retention efforts is an element of CRM and PR, as identified in the literature review. Further investigation is suggested to determine its relevance to the effective retention of clients.

6.8.1.6. Most relevant concepts

According to the findings the five concepts that will have the most influence on the retention of clients are effective communication, satisfaction, loyalty, trust and knowledge of the broker or insurer. Knowledge of the broker or insurer is a vital element for retaining clients, as the lack of knowledge will have a negative ripple effect on retentions. If a client was advised incorrectly, the client will not be covered correctly, which means claims will be a frustrating process for the client and will probably not be paid out. Lack of knowledge is an immediate threat to client retentions.

Brokers did, however, indicate that effective IT systems are essential for the retention of clients. IT systems give the broker or insurer the opportunity to instantly know a client's situation by being able to view personal information, history, previous issues and claims as well as the client's preferences. This provides the opportunity to provide excellent service and effective communication vital for client retentions.

In general, brokers ranked strategic approaches like strategy, segmentation and a holistic, cross-functional approach very low. This is reason for concern, as these strategic approaches should essentially form the basis of client retention plans.

6.8.2. Possible new concepts

Findings also revealed some concepts mentioned by clients and brokers to have an influence on client retention attempts, which were not mentioned in CRM or PR literature. These concepts are discussed further in this section.

6.8.2.1. Efficient service

Results indicated that effective and prompt service is essential for the retention of clients, especially when clients do not want a relationship. Efficient service delivery can assist in keeping these clients satisfied and comfortable for longer. Clients indicated that the speed of service will increase their satisfaction and commitment. Service levels were regarded by clients as more influential for remaining in the relationship, than the relationship itself.

Brokers also mentioned the relevance and necessity of service in the retention of clients. Yet, it is not mentioned by CRM or PR literature and it is therefore suggested that this concept should be investigated further

6.8.2.2. Convenience and speed

Other concepts identified by the findings of this study include convenience and speed (promptness). Clients revealed that they are extremely set on convenience when it comes to the everyday dealings with their broker or insurer.

This is in line with today's fast pace lifestyle where speed, promptness and ease play a fundamental part. The short-term insurance industry and

academic fields alike should adapt to ever changing circumstances. Time consuming and inconvenient dealings are likely to influence clients to terminate policies, since it leaves a client frustrated and dissatisfied.

The concepts of convenience and speed (promptness) are not mentioned in CRM and PR literature and should therefore be investigated as possible elements that might influence the retention of clients. It is also interesting to note that brokers did not mention these concepts during their interviews, which indicate a possible gap between what clients want and what brokers think these clients want.

6.8.2.3. Comfort

Comfort was also identified as a possible new concept. Findings indicated that when a client is not satisfied with a broker or insurer, or dissatisfied either, but comfortable, the client will choose to remain with the insurer. Even though the client does not feel favourable to an insurer, or unfavourable, it would be too much trouble, inconvenient and an administrative hassle to move a policy. This normally happens in the absence of a relationship, making satisfaction extremely important as it will keep comfort levels high. As long as the client feels comfortable, the client will remain with the organisation.

6.8.2.4. Honesty, transparency and openness

Findings also revealed that clients put a high regard on honesty, transparency and openness, and these elements are crucial for retaining clients. Although honesty, transparency and openness are linked to trust, these concepts should be investigated in their own right and must be considered in retention strategies. Clients who feel that their broker or insurer are not honest, transparent or open with them, will terminate their policies easier. Clients want to be informed about the policy, terms and conditions thereof and any aspects of the policy that might influence them negatively when a claim has to be paid. Broken trust and promises not delivered on, are devastating for client

retention efforts. Lack of trust leaves clients uncomfortable, dissatisfied and disloyal, which lead to termination.

It is vital that clients understand what they are covered for. This calls for honest, transparent and open advice. Proper advice from the broker or insurer means fewer queries from the clients and less frustration, since clients understand their policies and the terms and conditions thereof. When clients are informed it creates transparency, loyalty and commitment.

6.8.2.5. The relevance of claims stage

Findings based on interviews have also shown that the claims stage is critical in the retention of clients, as this stage proves to either dissatisfy or satisfy a client. Clients take out insurance policy for the sole purpose of claiming in the event of anything happening to the items insured. If claims are not handled properly, prompt and without administration hassles, clients will be dissatisfied and terminate the policy after the claim has been paid. Clients indicated that should a claim not be paid for what the client thought they were covered for, they will terminate immediately.

Effective handling of claims will increase their satisfaction and commitment. Brokers agreed that the claims stage is the most vital period for client retentions and organisational strategies should be in place to make the claims process smoother, hassle free and as pleasant as possible.

6.8.2.6. The role of pricing

Findings also revealed that the price of the insurance policy can have an influence on the retention of clients, but is not a major role player. Effective communication, satisfaction, trusts, loyalty and knowledge of the consultant are regarded to have more of an influence on the retention of clients than price. Brokers and insurers have control over the knowledge of consultants,

communication efforts and the creation of loyalty, trust and satisfaction, but they have no control over pricing and economic circumstances.

Price is not necessarily the driving force behind cancellations. The power of price lies in the suggestions that if a client is in a financial crisis, the client will move for a cheaper premium regardless the relationship, loyalty or commitment or any other client retention strategy or element. Price is something that the broker or insurer does not have control over.

6.8.3. Misconceptions between clients and insurance organisations

The findings also reveal a convincing concern. A gap seems to exist between what clients regard as essential for them to remain in a relationship and what brokers or insurers regards as essential for retaining clients.

6.8.3.1. Misconception 1: Communication

The most vital inconsistency being that clients regard effective communication to be most influential on their decision to stay with an organisation, whereas brokers indicated that effective communication is second least influential on client retention efforts. Clearly brokers do not understand their clients. Brokers also indicated that face to face communication is their clients' most preferred communication method whereas clients really prefer phone, e-mail and fax. Again this indicates an inconsistency in the communication needs of clients, which can leave clients frustrated and dissatisfied and influence the effectiveness of communication efforts, which can be fatal to retention efforts.

6.8.3.2. Misconception 2: Feeling valued and unique, commitment and the quality of relationships

Clients surprisingly indicated that feeling valued and unique will have the least influence on them to stay in a relationship. Brokers indicated that feeling like a

valued client will have a strong influence on client retention efforts. This indicates yet another gap.

The same inconsistency exists with regards to commitment and the quality of relationships. Both of these elements were ranked by brokers as having a major influence on the client to remain in the relationship, whilst clients indicated that these elements have less of an influence on them to stay with the organisation.

6.8.3.3. Misconception 3: Pricing

Brokers regard pricing to be most influential when a client decides to stay with an organisation, whereas clients regard it as least influential. This shows another clear misconception on the side of the broker indicating a gap in retention efforts.

However, if pricing does have such small influence on clients to remain in a relationship, it is beneficial to the brokers as pricing and affordability is difficult for any brokerage to control. Regardless, a misconception exists and these misconceptions about the needs of clients indicate that brokers do not understand their clients, which is can be fatal to retention strategies.

Client retentions will never be successful if these gaps are not bridged. Brokers seem to be focusing on factors that have less of an influence on clients to remain in a relationship, making their client retention efforts weak and inappropriate.

6.9 INTER-CODER RELIABILITY

The process of inter-coder reliability and the necessity thereof were discussed in Chapter 5. This section is dedicated to the actual calculations to confirm reliability and a discussion of the inter-coder reliability results

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In order to calculate inter-coder reliability specialised software is necessary. Therefore, ReCal2 (Reliability Calculator for 2 coders) will be most suitable for the purpose of this study. ReCal2 is an online utility that calculates inter-coder reliability coefficients for nominal data coded by two coders (Freelon, 2011). These coefficients were discussed in Chapter 5. ReCal2 can calculate the reliability coefficient of percent agreement, Scott's pi (π), Cohen's kappa (κ) and Krippendorff's alpha (Freelon, 2011). As determined earlier, only percent agreement, Scott's pi (π), Cohen's kappa (κ) and Holsti's method are suitable as measure for reliability relating to this study, but since ReCal2 is unable to calculate Holsti's methods, it will be left out as measurement utility for inter-coder reliability testing. Lombard *et al.* (2002:600) suggests the approach of calculating and reporting two (or more) indices, taking into account each other's assumptions and weaknesses. For the purpose of this study percentage agreement, Scott's pi (π) and Cohen's kappa (κ) will be used.

Before reliability can be determined it is important to know what an acceptable level of reliability is for each of the reliability indices. According to Lombard *et al.* (2002:593), 0.70 (70%) is an appropriate level of agreement in the case of exploratory research, as the case is with this study. It is also suggested that a lower criteria can be used for indices known to be more conservative, like Scott's pi (π) and Cohen's kappa (κ). All the sets of variables were tested relating to all the respondents (Phases II and III) and the results of the inter-coder reliability calculations for Phase II (by means of ReCal2) are summarised in Table 6.18.

Table 6.18: Results of inter-coder reliability measures: Phase II

Nr.	Theme	Percent agreement	Scott's pi (π)	Cohen's kappa (κ)
1	Clients are more likely to terminate a policy if no relationship exists and negative changes in policy circumstances occur.	100	undefined*	undefined*
2	Ease, speed and convenience of doing business are likely to influence a client to stay with the organisation.	71.43	0.30	0.36

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Nr.	Theme	Percent agreement	Scott's pi (π)	Cohen's kappa (κ)
3	A client who is comfortable is more likely to stay with the organisation.	100	1	1
4	Giving honest advice and explaining the finer details of the insurance contract are likely to influence a client to stay with the organisation.	100	1	1
5	The relevance of a relationship for a client.	100	undefined*	undefined*
6	The benefits and price of the insurance policy and excesses payable when a claim arises.	85.71	0.69	0.70
7	The knowledge and competency of the consultants representing the organisation.	100	undefined*	undefined*
8	How a client chooses a specific broker or insurer.	100	undefined*	undefined*
9	Excellent service is likely to influence a client to stay with the organisation.	100	undefined*	undefined*
10	Effective communication can determine the likeliness of a client to stay in a relationship with the organisation.	100	undefined*	undefined*
11	When an organisation is client centric, a client is more likely to stay in the relationship with the organisation.	100	undefined*	undefined*
12	The influence of the power balance of the relationship on the decision of a client to stay in the relationship with the organisation.	100	undefined*	undefined*
13	Loyalty towards the organisation is likely to influence a client to stay in the relationship with the organisation.	100	undefined*	undefined*
14	When a client trusts a broker or insurer, the client is more likely to stay in the relationship with the organisation.	100	undefined*	undefined*
15	Feeling satisfied towards the organisation is likely to influence a client to stay in the relationship with the organisation.	100	undefined*	undefined*
16	Mutual commitment towards the relationship is likely to influence a client to stay in the relationship with the organisation.	100	undefined*	undefined*

Themes 1, 5 and 7 to 16 obtained a 100% score for percent agreement, but were undefined for Scott's pi (π) and Cohen's kappa (κ). A 100% percent agreement indicates that both coders have attained a 100% agreement that they have selected the same variable value for every unit of analysis. Results for Scott's pi (π) and Cohen's kappa (κ) were undefined which is ReCal2

error, occurring when two conditions apply simultaneously to data. It occurs when both coders attained 100% percent agreement and when both coders have selected the same variable value for every unit of analysis, which means the mathematical calculations of the ReCal2 leads to division by zero which is undefined based on basic arithmetic (Freelon, 2011). It is, however, clear that a 100% agreement between the two coders exists and therefore the measure is accepted as reliable.

Themes 3 and 4 indicated a percent agreement of 100%, Scott's pi (π) of 1, and Cohen's kappa (κ) of 1 respectively. This indicates that both coders attained a 100% agreement which is regarded as reliable.

Theme 2 obtained a percent agreement of 71.43%, Scott's pi (π) of 0.30, and Cohen's kappa (κ) of 0.36 respectively. The percent agreement is higher than 0.70 (70%) which makes it reliable. The Scott's pi (π) and Cohen's kappa (κ) are both lower than the acceptable level of 0.70, therefore the reliability was also measured by means of calculation by hand. By hand calculation, the Scott's pi (π) measured 0.30, which is in correlation with ReCal2. When calculated by hand, the Cohen's kappa (κ) is 0.67, and since it is so close to 0.70 it will be accepted as reliable. As mentioned earlier Lombard *et al.* (2002:593) suggests that a lower criteria can be used for indices known to be more conservative, like Scott's pi (π). Since both the percent of agreement and the Cohen's kappa (κ) is regarded as reliable and lower criteria can be used for Scott's pi (π), this measure is accepted as reliable.

Theme 6 attained a percent agreement of 85.71% which is higher than the accepted level of 0.70 (70%), which indicates that it is reliable. The Scott's pi (π) and Cohen's kappa (κ) were 0.69 and 0.7 respectively. The Scott's pi (π) is very close to 0.7 and therefore still accepted as reliable. The Cohen's kappa (κ) is at the acceptable level of reliability.

In summary, inter-coder reliability testing revealed that coding during Phase II of this study can be regarded as reliable. In order to test the reliability of coding during Phase III, the same principles will be followed.

CHAPTER 6

Research results

As with Phase II, all the sets of variables were tested relating to all the respondents and the results of the inter-coder reliability calculations for Phase III (by means of ReCal2) are summarised in Table 6.19.

Table 6.19: Results of inter-coder reliability measures: Phase III

Nr.	Theme	Percent agreement	Scott's pi (π)	Cohen's kappa (κ)
1	Speed and convenience of doing business are likely to influence a client to stay with the organisation.	100	undefined*	undefined*
2	Giving honest advice and explaining the finer details of the insurance contract are likely to influence a client to stay with the organisation.	100	undefined*	undefined*
3	The relevance of a relationship for a client.	100	undefined*	undefined*
4	The influence of price on the decision of a client to stay with the organisation.	100	undefined*	undefined*
5	The knowledge of the consultants representing the organisation.	100	undefined*	undefined*
6	Excellent service is likely to influence a client to stay with the organisation.	100	undefined*	undefined*
7	Effective communication can determine the likeliness of a client to stay in a relationship with the organisation.	100	undefined*	undefined*
8	When an organisation is client centric, a client is more likely to stay in the relationship with the organisation.	100	undefined*	undefined*
9	The influence of the power balance of the relationship on the decision of a client to stay in the relationship with the organisation.	100	undefined*	undefined*
10	Loyalty towards the organisation is likely to influence a client to stay in the relationship with the organisation.	100	undefined*	undefined*
11	When a client trusts a broker or insurer, the client is more likely to stay in the relationship with the organisation.	100	undefined*	undefined*
12	Feeling satisfied towards the organisation is likely to influence a client to stay in the relationship with the organisation.	100	undefined*	undefined*
13	Mutual commitment towards the relationship is likely to influence a client to stay in the relationship with the organisation.	100	undefined*	undefined*
14	The importance of client retentions in the organisation.	100	undefined*	undefined*
15	Strategic approaches of the organisation towards the retention of clients.	100	undefined*	undefined*

The results of ReCal2 revealed that all the themes obtained a 100% score for percent agreement, but were undefined for Scott's pi (π) and Cohen's kappa (κ). A 100% percent agreement indicates that both coders have attained a 100% agreement that they have selected the same variable value for every unit of analysis. Results for Scott's pi (π) and Cohen's kappa (κ) were undefined which is explained by Freelon (2011) to be a ReCal2 error occurring when two conditions apply simultaneously to data. It occurs when both coders attained 100% percent agreement and when both coders have selected the same variable value for every unit of analysis, which means the mathematical calculations of the ReCal2 leads to division by zero, which is undefined based on basic arithmetic (Freelon, 2011).

Nonetheless, it is evident that inter-coder reliability testing indicated that a 100% agreement between the two coders exists and therefore the measures of Phase III are accepted as reliable.

6.10 CONCLUSION

The aim of this chapter is to report the research results, based on a preferred method of data analysis and to interpret the findings. Qualitative content analysis was mainly used to analyse data collected from the respondents and the reliability thereof confirmed by means of inter-coder reliability testing. After the analysis of data, the research findings were discussed and interpreted. The relation of the findings to the literature review was also considered, together with the interpretation thereof.

Based on the literature review of Phase I in combination with the findings of Phases II and III (as discussed in this chapter), a conceptual framework for the implementation of client retention strategies relevant to the short-term insurance industry is presented in the following chapter. This conceptual approach is also based on Niemann's (2004) conceptual model of IC, but contains all concepts suggested by theory and practice to be relevant to the retention of clients in the short-term insurance industry.

CHAPTER 6

Research results

This conceptual approach may assist short-term organisation to better understand and serve their clients in order to boost client retention efforts, and ultimately increase the profitability of the organisation.

CHAPTER 7

An integrated communication framework to client retention

7.1. INTRODUCTION

Phase I of this study involved a literature review, where the academic fields of marketing and communication management were explored for possible suggestions on the effective retention of clients. Both the fields of marketing and communication management presented strong arguments towards the retention of clients and certain fundamental elements necessary to retain clients, were identified from both fields. Based on suggestions of IM, IMC and IC, these fundamental elements obtained from CRM and PR literature were combined to form a proposed conceptual integrated framework towards the retentions of clients as discussed in Chapter 4. In order to make the framework relevant to the short-term insurance industry, the integrated approach as identified in Chapter 4 was tested among short-term insurance clients and short-term insurance brokers (representing both brokers and direct insurers).

All of the elements identified throughout the literature study (Phase I) were tested in order to determine its relevance to the retention of clients in the short-term insurance industry. These elements were tested by means of interviews with short-term insurance clients and short-term insurance organisations which represented Phases II and III respectively. Clients and brokers alike confirmed the importance of the elements identified in the literature and also indicated its relevance measured against one another. The findings of the interviews were linked back to the relevant literature and will play an integral part in answering the research objectives of this study.

Based on the findings of Phases II and III and theory including CRM, PR, the stakeholder theory and IC (Phase I), a conceptual integrated framework for the implementation of client retention strategies, relevant to short-term insurance organisations is presented in Figure 7.1 (p. 260).

7.2. NIEMANN'S CONCEPTUAL MODEL OF IC AND SYSTEMS

THEORY AS FOUNDATION

The conceptual integrated framework for the implementation of client retention strategies relevant to short-term insurance organisations is a combination of Niemann's (2005:244) conceptual model for the implementation of strategic IC, the integrated approach as identified in Chapter 4 and additional new concepts identified in interviews conducted with clients and insurance organisations during Phases II and III of this study.

The conceptual framework for the implementation of client retention strategies is also based on the systems theory as discussed in Chapter 1. The systems theory is the grand theory which forms the basis of this study. The graphical representation of the conceptual integrated framework illustrates the systems theory and all interdependent parts (sub-systems) that form part of the bigger system, which is the holistic organisation. In essence, the organisation is dependent on the sub-systems as it determines the strength of client retention efforts and the success thereof.

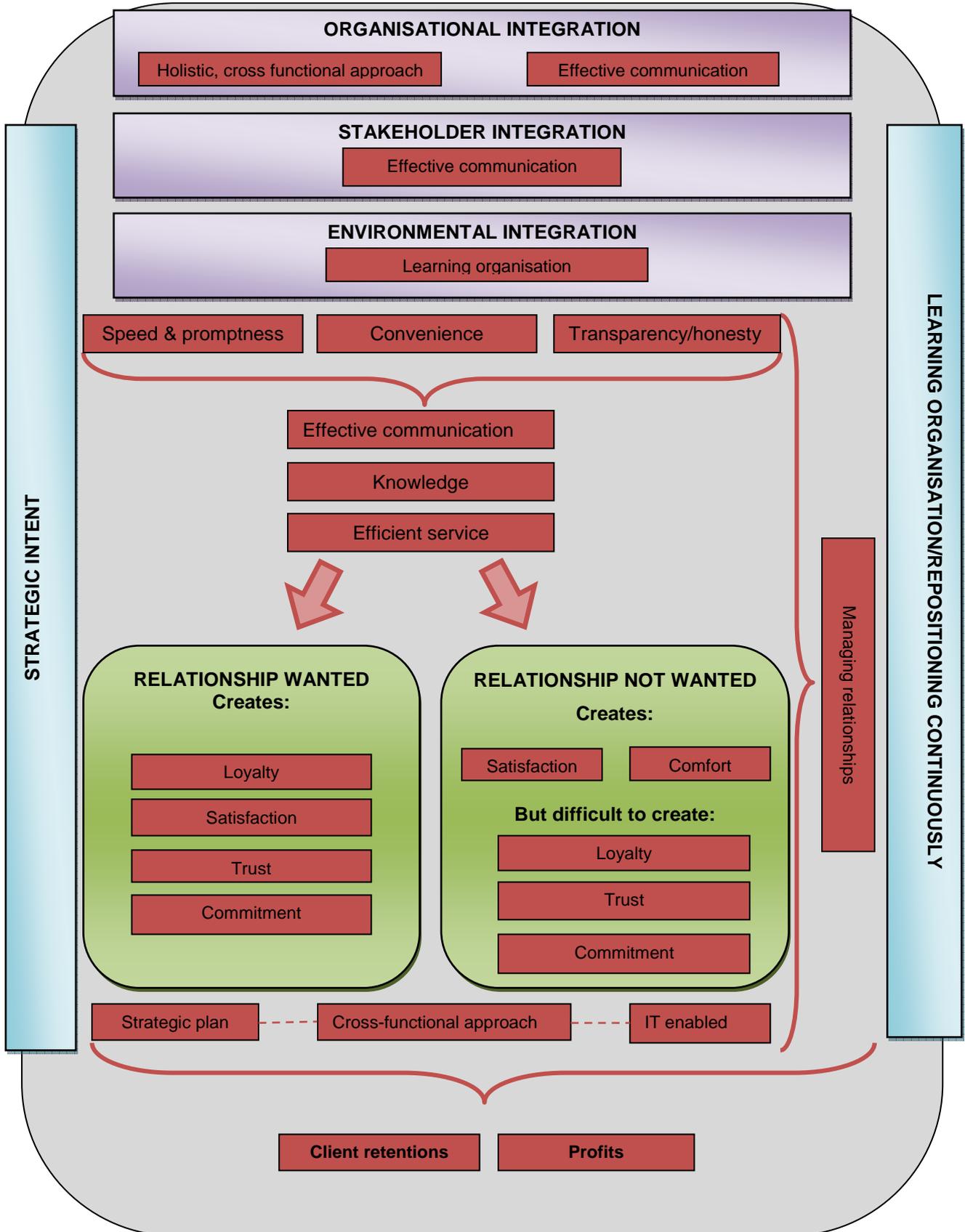
7.3. PRESENTING A CONCEPTUAL FRAMEWORK FOR THE IMPLEMENTATION OF CLIENT RETENTION STRATEGIES

The discussion of the conceptual framework for the implementation of client retention strategies, relevant to short-term insurance organisations will be addressed as follows: firstly, an explanation of the illustrated framework is presented. Secondly, a detailed discussion of the conceptual framework for the implementation of client retention strategies, relevant to short-term insurance organisations is presented.

The conceptual framework for the implementation of client retention strategies relevant to short-term insurance organisations is presented in Figure 7.1 (p. 260).

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Figure 7.1: A conceptual integrated approach for the implementation of client retention strategies



Source: Own conceptualisation.

7.4. EXPLANATION OF THE ILLUSTRATED FRAMEWORK

The conceptual integrated framework consists of various elements, but is, in essence, based on Niemann's (2004) conceptual model of IC as mentioned in the previous section. The two pillars namely, the strategic intend of the organisation and a learning organisation (continuously repositioning the organisation) are illustrated on the sides of the figure (i.e. pillars). Niemann's (2005:244) conceptual model also indicates three areas of integration which are also relevant to the proposed conceptual framework towards the implementation of client retention strategies of this study. These areas are organisational integration, stakeholder integration and environmental integration. Integration in these areas are essential before client retention strategies can be successful, therefore these areas are illustrated at the top of the figure.

All the elements relevant to the effective retention of clients as identified throughout CRM and PR literature (Phase I), including possible new concepts (identified during in-depth interviews with short-term insurance clients and short-term insurance organisations), are specified by means of red blocks in Figure 7.1 (p. 260).

Underneath the three areas of integration, three concepts are illustrated which are essential in any client retention efforts. These three concepts should be included from the beginning in every strategy, function, action or approach the organisation follows. These concepts are speed and promptness, convenience for the client as well as transparency and honesty.

Effective communication, knowledgeable consultants and efficient service are necessary to build quality relationships. As established earlier, some clients do want a relationship with their broker or insurer and other clients do not. In cases where clients do want a relationship, loyalty, satisfaction, trust and commitment will be established if the organisation communicates effectively, is knowledgeable and provides excellent service. In cases where relationships are not wanted, effective communication, knowledge and efficient service will

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create satisfaction and comfort, which is essential to retain clients who are not interested in having a relationship. It is difficult to create loyalty, trust and commitment among these clients, even if effective communication, knowledge and efficient service are evident in all dealings with the clients.

All of the previously mentioned elements must be part of a strategic plan, which must be implemented holistically over the entire organisation and supported by proper IT systems. These three elements (i.e. strategy, holistic efforts and IT systems) together with all the other elements mentioned thus far, will contribute towards the effective management of relationships and will most certainly lead to increased client retentions and ultimately increased profits.

All of these elements mentioned in this section are discussed in detail in the following section.

7.5. PRINCIPLES OF THE CONCEPTUAL FRAMEWORK

It is imperative to discuss all the elements of the conceptual integrated framework in detail as to clearly understand the relevance thereof in terms of the effective retention of clients. The following section will discuss these elements in terms of Niemann's contribution, and all the elements (as currently mentioned by CRM and PR literature and new concepts) relevant to the retention of clients, specifically in the short-term insurance industry.

7.5.1. Niemann's contribution

The conceptual framework as presented in this chapter is based on Niemann's (2004) conceptual model of IC, and more specifically on the suggested two pillars of a strategic organisation which are:

- *The strategic intent of an organisation:*

As established throughout the study, organisational strategy is of essence in order for any client retention efforts to succeed.

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- *A learning organisation, continuously repositioning itself:*

The organisation should also continuously scan the environments it operates in as these environments change and the organisation should be able to adapt to these environmental changes and benefit from it. It also means being in touch with the needs of clients and continuously learn from them.

Niemann's (2005:244) conceptual model also indicated three areas of integration which are also relevant to the proposed conceptual framework towards the implementation of client retention strategies of this study.

- *Organisational integration:*

Organisational integration correlates with the element of a holistic, cross-functional approach and communication and suggests total integration across all business functions, units, systems, procedures and communication efforts.

- *Stakeholder integration:*

Stakeholder integration as explained by Niemann (2005:255) includes interaction with clients based on two-way communication and personalised interaction. Two-way communication gives the organisation an opportunity to learn from clients, understand them better in order to provide them with personalised service and communication. This correlates directly with CRM and PR literature as well as findings based on interviews conducted during Phases II and III of this study.

- *Environmental integration:*

Environmental integration is the third area of integration and involves keeping abreast of environmental changes in order to survive. In summary, Niemann (2005:246) suggests that the strategic intents of an organisation drives all the communication efforts in order to ensure unity in effort based on what was learned from the clients and environments alike.

Niemann (2005:61) also mentions five theoretical components of IC. These theoretical components all correlate with the fundamental elements as identified in the integrated approach of Chapter 4 and additional elements

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identified during interviews. The components are two-way symmetrical communication (effective communication), managing stakeholder relationships (relationship management) and brand relationship and equity (relationship management). The remaining components include one voice, one look vs. sophisticated IC (effective communication) and cross-functional processes and planning (holistic, cross-functional approaches).

In summary, any organisation wanting to adopt an IC approach should strive towards cross-functional planning and processes, two-way symmetrical communication, the management of stakeholders and relationships and sophisticated and integrated communication practises. All of these components are either an element of CRM and PR pertaining to the retention of clients or relates to an element of the integrated approach. Therefore these components were not included in the conceptual approach to implement client retention strategies as indicated in Figure 7.1 (p. 260).

Niemann (2005:80) also mentions ten strategic drivers of IC that must be in place in order to benefit from IC. Not all ten drivers have to be in place to benefit from IC. Table 4.5 (p. 136) in Chapter 4 identifies these strategic drivers and links all of the drivers to at least one element of the integrated approach.

The conceptual framework for the implementation of client retention strategies is only a proposed framework and must be investigated further to determine its relevance, validity and reliability for the effective implementation of client retention strategies, based on the conceptual model for IC implementation of Niemann (2005:244).

7.5.2. Concepts relevant to the retention of clients

When looking at the fundamental elements of the integrated framework, Figure 7.1 (p. 260) in essence indicates that communication efforts, service levels and knowledge are only effective and efficient when it is conducted in a speedy and prompt, convenient and transparent manner and included in

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organisational strategies, supported by the entire organisation and all IT systems.

- *Speed, convenience and transparency:*

All the client retention efforts within an organisation should be conducted in a manner that portrays speed and promptness, convenience and transparency or openness. These concepts should be at the centre of the organisation's entire client retention approach.

- *Effective communication, knowledge and efficient service:*

Effective communication, knowledge and efficient service are needed to build relationships. These concepts create and increase concepts like loyalty, satisfaction, trust and commitment, which in turn contribute to the strength and relevance of relationships. When communication, service and knowledge are conducted in prompt, convenient and transparent manner, clients will be satisfied, loyal, committed and will trust the organisation.

- *Building relationships:*

As established earlier, some clients are interested in a relationship with their broker or insurer and other clients are not interested. In cases where clients do want relationships, loyalty, satisfaction, trust and commitment will be established if the organisation communicate effectively, are knowledgeable and provide excellent service. In cases where relationships are not wanted, effective communication, knowledge and efficient service will create satisfaction and comfort, which is essential to retain clients who are not interested in having a relationship. It is difficult to create loyalty, trust and commitment among clients who are not interested in a relationship, even if effective communication, knowledge and efficient service are evident in all dealings with the clients. Satisfaction and comfort are particularly important when clients are not interested in having a relationship. This means that in cases where relationships cannot be built, comfort and satisfaction are the only elements that will retain these clients and increase profits.

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- *Strategic plan, cross-functional approach and IT enabled:*

All of the previously mentioned concepts must be part of a strategic plan, which must be implemented holistically over the entire organisation and supported by proper IT systems.

- *Client retentions and profits:*

When all the concepts necessary to manage relationships, are combined with the organisation's organisational-wide strategy and supported by trustworthy IT systems, the result will be increased retention figures which ultimately contribute to the profitability of the organisation.

Although the element of segmentation was suggested by both CRM and PR literature as essential for client retention efforts, it was decided that this element should be left out of the conceptual integrated framework as brokers indicated that segmentation was not relevant to the retention of clients. Even though segmentation was left out, it can be included in client retention efforts, by including it as part of the strategic plan towards the retention of clients.

During the interviews clients indicated that feeling like a valued client had least influence on them to stay in a relationship with the organisation, therefore this element (i.e. valued client) as identified in CRM and PR literature was left out of the conceptual framework.

The element of power balance in a relationship was also left out as clients and brokers alike had various and controversial views on its role in the retention of clients.

7.6. CONCLUSION

Chapter 7 presents a conceptual integrated framework for the implementation of client retention strategies in the short-term insurance industry as suggested by CRM and PR literature and new concepts (as identified by means of interviews with short-term insurance clients and organisations). It is

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anticipated that this conceptual framework can add value to short-term insurance organisations and theoretical bodies of knowledge in terms of the effective retention of clients.

Chapter 8 will conclude this study by providing conclusions and recommendations based on research findings. The research findings will be related back to the research questions of this study in order to complete the full circle. Chapter 8 will also consider the limitations of this study and recommendations for future research.

CHAPTER 8

Conclusion and recommendations

8.1. INTRODUCTION

Chapter 8 attempts to complete this study by returning to the general research aim and research objectives set in Chapter 1 and addressing these research objectives. In this chapter, the contribution of the study will be discussed together with the limitations of the study. The chapter will conclude with recommendations for future research.

8.2. CONCLUSION OF FINDINGS RELATED TO THE GENERAL RESEARCH AIM

The general research aim of this study as identified in Chapter 1 is:

To *develop* an integrated communication framework to effectively retain clients in the short-term insurance industry.

To address the general research objective, the ground theory of this study was indicated as the general systems theory approach. From the discipline of marketing the concept of CRM was investigated, whereas the concept of PR was relevant from the discipline of communication management. In order to obtain an integrated approach between the two academic fields, theory suggested the integrated communication approach (IC) as discussed in Chapter 4. During Phase I, CRM, PR, stakeholder theory and IC literature were scrutinised in the attempt to identify all elements relevant to the retention of clients.

These fundamental elements from the fields of marketing and communication management were compared and later integrated, based on IC principles as mentioned by Niemann (2004) in Chapter 4. An integrated approach was identified in Chapter 4 and was then applied to formulate research questions

to be used during Phase II and III of this study, which included the conducting of in-depth interviews. The in-depth interviews implied possible new concepts relevant to the retention of clients. It was decided to incorporate possible new concepts identified during interviews with respondents, with elements currently mentioned by CRM and PR literature as relevant to client retention efforts. All of these elements were combined with Niemann's (2004) conceptual model of IC to present a conceptual integrated framework to implement client retention strategies in the short-term insurance industry. This conceptual integrated framework as presented in Chapter 7, thus addresses the general research aim.

As this is a conceptual framework its relevance, validity and reliability were not tested among respondents and its effectiveness for the retention of clients cannot be confirmed. It is, however, suggested that this framework be explored, discussed and refined further in future research.

8.3. CONCLUSION OF FINDINGS RELATED TO RESEARCH OBJECTIVES

All the research objectives were addressed and the results thereof are discussed in the following sections.

8.3.1. Research objective 1

- To *determine* the perspectives from the disciplines of marketing management and communication management toward client retention.

Marketing and communication management literature were scrutinised in order to determine the perspectives these disciplines have on the retention of clients. In Chapter 2 and Chapter 3 the most fundamental elements of both CRM, from a marketing management perspective and PR (including the stakeholder theory), from a communication management were identified

respectively. Chapter 2 and 3 forms part of Phase I of this study and conclusively addresses research objective 1.

8.3.2. Research objective 2

- To *compare* the perspectives from the disciplines of marketing management and communication management toward client retention.

The perspectives, more specifically the elements, suggested by marketing and communication management, which were identified in Chapters 2 and 3, were compared in Chapter 4 of this study, which forms part of Phase I. These fundamental elements were compared with the aim to identify similarities and differences. Several differences and similarities between the fundamental elements of the two disciplines were identified and these differences and similarities were investigated further. The purpose of comparing CRM and PR elements was to reach the point as suggested by Kitchen (1993:20), where marketing and communication management can benefit from each other's skills and abilities by combining efforts and at the same time eliminating each other's limitations and weaknesses.

It was also clear that almost all the core elements of CRM and PR are related, and that in fundamental nature the two disciplines mostly comprised of the same fundamental building blocks (i.e. the same elements). Research objective 2 was addressed in Chapter 4.

8.3.3. Research objective 3

- To *integrate* these perspectives toward client retention from the two disciplines of marketing management and communication management *developing* an integrated approach specific to the short-term insurance industry.

Research objective 2 revealed that the perspectives from the academic fields of marketing (CRM) and communication management (PR) towards the retention of clients are in essence the same. Based on theory, researchers (Kitchen, 1993:20; Ströh, 2005:121) mention that the fields of relationship marketing (CRM) and relationship management (PR) started to overlap. Therefore, the two fields can be integrated in order to provide a competitive advantage. This integration refers to the concept of integrated communication (Niemann, 2005:27).

By combining CRM and PR (supported by the stakeholder theory) and specifically the elements that differ, relationship building and more specifically client retentions can be more effective (Niemann, 2005:27). An integrated approach towards the retention of clients was formulated in Chapter 4 (Phase I), thus addressing research objective 3.

8.3.4. Research objective 4

- To *test* the integrated approach towards client retentions in the short-term insurance industry among current short-term insurance *clients*, in order to determine the effectiveness of client retentions if the integrated approach is implemented in a short-term insurance organisation.

The integrated approach towards client retentions as identified in Chapter 4 was used as basis to formulate the interview schedule to be used during Phase II of this study. Phase II involved in-depth interviews with specifically short-term insurance clients, in order to test the integrated approach and to determine the relevance of the elements suggested by the integrated approach.

Findings of Phase II are reported on in Chapter 6, thus addressing research objective 4. In addition to the elements of the integrated approach, several other elements not mentioned in theory but relevant to the retention of clients, were also identified.

8.3.5. Research objective 5

- To *test* the integrated approach towards client retentions in the short-term insurance industry among short-term *insurance organisations*, in order to determine the effectiveness thereof on client retentions if implemented in a short-term insurance organisation.

In order to address research objective 5, the integrated approach towards client retentions, as identified in Chapter 4 also served as basis for the interview schedule used during Phase III of this study. The interview schedule used to test the integrated approach among short-term insurance organisations was similar to the schedule used during Phase II of this study. Phase III involved in-depth interviews with specifically short-term insurance organisations (brokers and insurers), in order to test the integrated approach and to determine the relevance of the elements suggested by the integrated approach. In addition to testing the elements of the integrated approach, insurance organisations were also asked to comment on new concepts relevant to the retention of clients, as identified during Phase II of this study.

The results of Phase III and the interpretation of findings are part of Chapter 6 and consequently address research objective 5.

8.3.6. Research objective 6

- To *present* an integrated communication framework for the implementation of client retention strategies specific to the short-term insurance industry.

This research objective was addressed by combining the fundamental elements suggested by the fields of marketing and communication management relevant to the retention of clients (integrated approach of Chapter 4), with new concepts identified by means of in-depth interviews. All of these elements were combined with Niemann's (2004) conceptual model of

IC to present a conceptual integrated framework to implement client retention strategies in the short-term insurance industry as presented in Chapter 7.

8.3.7. Research objective 7

- To make *recommendations* to both the short-term insurance industry and the academic fields of marketing and communication management, in terms of an integrated approach towards client retention based on the findings of this study.

Based on the results of the in-depth interviews and the findings thereof, certain interpretations can be drawn for this study. Possible new approaches and misconceptions alike were identified and recommendations based on these findings will be made in this conclusive chapter, thus addressing research objective 7. Recommendations relevant to both the short-term insurance industry and the academic fields of marketing and communication management, based on the findings of this study, are discussed in the following section.

8.4. CONTRIBUTION OF THE STUDY

This aim of this study was to address the general research aim and the seven research objectives. This resulted in the conceptualisation of an integrated implementation framework of client retention strategies specific to the short-term insurance industry. Although this conceptual framework still has to be tested among short-term insurance organisations, it can already contribute to both the short-term insurance industry and the academic fields of marketing and communication management. The conceptual integrated framework contributes to this study in various ways:

- The conceptual integrated framework for the implementation of client retention strategies is an integration between current academic suggestions (from the fields of CRM, PR and the systems theory) and

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new concepts from the practical side of the short-term insurance industry, as well as IC theory, thus covering all possible suggestions towards the effective retention of clients.

- Based on research from three sources, namely current literature, clients and short-term insurance organisations, this approach is current, relevant and incorporates environmental, organisational and economic circumstances. Thus, this conceptual integrated framework for the implementation of client retention strategies should be able to assist organisations to effectively implement and sustain efficient client retention efforts and consequently increase organisational profits.

This study also contributes to the short-term insurance industry in several ways:

- This study identifies possible new concepts during Phase II interviews with clients. These new concepts are suggested as possible client retention tools by clients themselves, which adds to the relevance of these concepts, since it is these specific clients who need to be retained. These new concepts include speed, promptness, convenience, transparency, service and comfort and are included in the conceptual framework for the implementation of client retention strategies as discussed previously. Short-term organisations might be familiar with these concepts, but it is important to include these concepts in all client retention strategies and utilise these concepts in line with what clients suggested.
- This study also indicated that numerous serious gaps exist between what short-term organisation regards as essential to retain clients, and what clients regard as necessary for them to stay in the relationship with the organisation. Clear inconsistencies are evident and may explain why so many client retention strategies are unsuccessful. This study identifies some gaps between the perceptions of clients and organisations, and suggests ways to overcome these gaps. Organisations must be aware of their clients' personal, financial and business situations, as well as

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environmental trends by being a learning organisation. This entails the continuous scanning of the organisation's environments in order to identify new trends or threats. Continuous communication with clients is also vital, as it assists with understanding clients' needs and concerns and consequently client retention strategies can be adapted accordingly. The ideal would be to adjust client retention strategies on an individual basis, but this might not be practical in larger organisations. Organisations are in some cases completely out of touch with their clients and this will influence client retention strategies, even if the organisation offers the lowest premiums.

This study also attempts to contribute to the academic fields of marketing and communication management and specifically CRM and PR by suggesting the following:

- New concepts were identified during interviews with short-term insurance clients (Phase II). These are the clients who have to be retained and their perspectives and needs carry a lot of weight. Clients indicated that in addition to the fundamental elements as suggested by the integrated approach (Chapter 4), concepts like speed, convenience, efficient service delivery and transparency are also essential as client retention tools. It is suggested that the fields of marketing and communication management also research the possibility of these concepts having any relevance in the retention of clients in the short-term insurance industry. These concepts might be essential for retention strategies and can possibly contribute to effective client retention strategies.
- During Phases II and III of this study it was also established that certain concepts, as identified throughout literature, might not be as relevant to client retention efforts in the short-term insurance industry as indicated throughout literature. The concepts of 'power balance' and 'feeling like a valued client' come to mind. Various opinions exist around the relevance of the power balance in a relationship. As with 'feeling like a valued client', clients indicated that this concept is least influential on them to

remain in a relationship. It is therefore suggested that the relevance of these concepts in the retention of clients, specifically pertaining to the short-term insurance industry, should be investigated further. This investigation is suggested in order to determine if these concepts should be left out in future client retention approaches.

- This study indicated that, according to short-term insurance clients, effective communication is the most influential element when attempting to retain clients. Effective communication is also particularly effective as a pro-active client retention tool. The field of communication management, specifically PR, substantiates the value and effectiveness of communication as client retention and relationship building tool. On the other hand marketing communication, specifically CRM, does not closely endorse communication as much as the field of PR. It is suggested that the field of marketing elaborates more on the value and effectiveness of effective communication in client retention efforts.
- The concept of knowledge management and the role of IT in the retention of clients are regarded as vital by the field of marketing management (CRM) as client retention tools. The discipline of PR, does not mention these two concepts as essential for the retention of clients, yet clients and insurance organisation alike confirmed the relevance of these items. It is suggested that the field of PR investigates the relevance of these two concepts as possible client retention tools.

8.5. LIMITATIONS OF THE STUDY

Limitations are always a reality in any study. As for this study, the following limitations were identified:

- The sampling method of judgement sampling is deemed most suitable for this study, but may cause the samples to not accurately represent the entire target population.
- During Phase III, in-depth interviews were conducted with only 2 respondents. This was deemed suitable for Phase III, as this phase

served to test the concepts and perceptions of the clients interviewed during Phase II. The fact that only 2 respondents were interviewed might influence the validity and reliability of the results obtained from these respondents.

- Phase III had the purpose to interview brokers and direct insurers. Only brokers were interviewed during this test phase, which means that the perceptions of the direct insurers in terms of client retentions in general are not investigated. This might leave a gap as direct insurers might have a different take on the retentions of clients than brokers. Although it is indicated in the study that Phase III interviews only represent brokers and not the opinions of direct insurers, the voice of direct insurers being absent, may pose as a limitation.

8.6. RECOMMENDATIONS FOR FUTURE RESEARCH

This study has identified five topics for possible future research:

- Firstly, research should be conducted to test the proposed conceptual integrated framework for the implementation of client retention strategies in short-term insurance organisations, in order to move from merely being a conceptual framework to being a relevant academic and practical model. It is suggested that research should be conducted in order to develop and refine the conceptual framework into a model suitable for implementation by short-term insurance organisation. The model should also be able to sustain client retention efforts and continuously adapt to internal and external environments, as well as the needs of clients. It is also suggested that every concept which is part of the conceptual framework must be investigated further, to suggest holistic and practical ways to reach the intentions of those concepts aimed at the retention of clients.
- Secondly, it is suggested that research should be conducted to determine all the barriers that might influence the implementation of the proposed conceptual integrated framework for the implementation of

Conclusion and recommendations

client retentions strategies. These barriers may include internal and external resistance, environmental, political, organisational and economic barriers among others, and must be identified in order to successfully overcome these barriers.

- Thirdly, all the new concepts aimed at retaining clients as identified throughout the in-depth interviews with clients and brokers, should be researched in order to determine its relevance and validity towards the effective retention of clients. These concepts include speed and promptness, convenience, comfort and transparency. It also includes the concept of efficient service. It is suggested that, should these concepts bare any relevance towards the effective retention of clients, these concepts should be included in CRM and PR literature as fundamental elements aimed at the effective retention of clients.
- Fourthly, based on the findings of this study, various vital gaps were identified between what clients deem as influential retention efforts and what brokers think clients deem as essential for their retention. Research should be conducted to identify the reasons for these major gaps and how to bridge these gaps as the inconsistencies can be detrimental to client retention efforts. It is vital that brokers and insurers understand their clients' needs, thereby serving and retaining them accordingly.
- Fifthly, it is suggested that more brokers and specifically direct insurers, are interviewed in order to achieve more reliable and representing results.

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APPENDIX A
Interview schedule for short-term insurance clients

INTERVIEW SCHEDULE (Final version 29.11)
SHORT-TERM INSURANCE CLIENTS

H. LOOTS

Personal details:

Name of respondent:

Age of respondent:

Designation:

Male/Female:

Short-term commercial/personal policy:

Using broker/direct insurer:

Make respondent aware of:

- You are hereby requested to participate in a one-on-one personal interview and are required to answer the questions as completely and honestly as possible. The interview should not take more than 45 minutes of your time.
- You will stay anonymous and that the answers given by you treated as strictly confidential.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.

Sign informed consent form:

Thank you for participating; we do however need your consent to participate by signing an informed consent form. Please sign the form to indicate that:

- You have read and understand the information provided on the form.
- You give your consent to participate in the study on a voluntary basis.

APPENDIX A

Interview schedule for short-term insurance clients

PART I

Testing current concepts toward client retention as identified in the literature study:

1. *Relationship dynamics:*

- 1.1 Is it important for you to have a relationship with your broker/insurer?
- 1.2 Why do/don't you want a relationship with a broker?
- 1.3 How would you describe your relationship with your broker/insurer?
- 1.4 Do you think that having a relationship with your broker/insurer (good or bad) might influence you to either remain in the relationship or leave the relationship?
- 1.5 In the relationship with your broker/insurer, do you feel that your broker will go the 'extra mile' for you?
- 1.6 Based on Yes/No – will this be a determinant for you to stay in a relationship or terminate it?
- 1.7 Rank: What do you think will weigh heavier when deciding to stay in a relationship? Use 1 to indicate the factor most likely to make you stay in a relationship and 2 the next most relevant factor.
 - a. The quality of the relationship
 - b. Service levels
 - c. Pricing of the product
 - d. Benefits of the products.
- 1.8 Do you regard yourself to have power in the relationship (i.e. do you control the relationship or your broker)?
- 1.9 How would you like the control balance to be like?

Interview schedule for short-term insurance clients

2. Loyalty:

2.1 Would you regard yourself as loyal to your broker/insurer?

2.2 If YES – why are you loyal/what made you loyal?

If NO – what would make you have loyalty towards your broker?

2.3 Will loyalty towards your broker/insurer influence your decision to stay with the broker/insurer?

3. Satisfaction:

3.1 Are you satisfied with your broker in terms of the product or service provided?

3.2 Is there room to be more satisfied?

3.3 If you are dissatisfied with any aspect of your relationship with the broker, will it lead to you terminating the relationships?

3.4 What in the relationship have to present in order for you to be satisfied?

4. Trust:

4.1 Do you feel that you trust your broker/insurer?

4.2 Does trust influence whether you would stay in a relationship with the broker/insurer?

4.3 Did trust influence the initial decision to start a relationship with the broker/insurer?

5. Commitment:

5.1 Are you committed to the relationship with your broker/insurer?

5.2 Do you think your broker/insurer is committed to the relationship?

5.3 Is it important to you that both you and the broker are committed to the relationship?

5.4 Would mutual commitment make you want to stay in a relationship, if you can get a cheaper premium or better benefits elsewhere?

Interview schedule for short-term insurance clients

5.5 What would increase your commitment to a relationship with your broker/insurer?

6. Client focus:

6.1 Do you feel that you are treated as a valued and unique client by your broker/insurer or do you feel like a number?

6.2 Will this (valued client/just a number) influence you stay in a relationship even if you can get a cheaper premium or better benefits elsewhere?

7. Communication:

7.1 How often do you communicate with your broker/ insurer?

7.2 Do you think communication contributes to the strength and relevance of your relationship?

7.3 How do you communicate with your broker/insurer?

7.4 Please rank the following methods of communication in order of preference to yourself: Use 1 as most preferred, 2 as second most and so on.

a. Telephone

b. E-mail/fax

c. Face to face

d. Post

7.5 Which of these elements or combination of them will according to you have the strongest influence on the quality of relationship between a broker/insurer and you as the client?

8. Knowledge management:

8.1 In your opinion, is your broker/insurer knowledgeable about insurance and the products he/she offers you?

Interview schedule for short-term insurance clients

- 8.2 If you had a very knowledgeable broker with whom you have a good relationship, will you terminate your policy for a cheaper premium or better benefits?

9. *Rating the elements:*

Each of the following has been identified as determinants of client retention. Using your own experience, for each of the factors please tell me whether the factor is strongly influential, somewhat or not at all.

- a. Dynamics of the relationship (you having most of the say)
- b. Quality of the relationship
- c. Loyalty
- d. Satisfaction
- e. Trust
- f. Commitment
- g. Valued client
- h. Effective communication
- i. Knowledge ability of the broker
- j. Pricing of the products
- k. Benefits of the product

10. *Ranking the elements:*

- 10.1 Please rank in order of most relevant to you staying in a relationship with a broker. Use 1 as most relevant, 2 second most relevant and so on.

- a. Quality of the relationship
- b. Dynamics of the relationship (you having most of the say)
- c. Loyalty

Interview schedule for short-term insurance clients

- d. Satisfaction
- e. Trust
- f. Commitment
- g. Valued client
- h. Effective communication
- i. Knowledge ability of the broker
- j. Pricing of the products
- k. Benefits of the product

10.2 Why is the specific element ranked as 1 the most relevant determinant of you staying in a relationship?

PART II

Possible new concepts leading to retention:

- 11. What is it that makes you stay in a relationship with your broker/insurer or would make you stay in a relationship with your broker/insurer?
- 12. What will possibly make you leave or terminate the relationship with the broker?
- 13. If you had to choose between two brokers/direct insurers with whom hypothetically you were about to start a relationship with (take out insurance) what will determine which broker you will choose?
- 14. If pricing and benefits were not the issue (i.e. all options offered the same premium & benefits), what will influence which broker/insurer you will choose?
- 15. Do you prefer to work with a broker/insurer or would you choose to do everything with regards to your policy on-line if you could?

APPENDIX B
Interview schedule for short-term insurance
organisations

INTERVIEW SCHEDULE (Final version 08.12)
SHORT-TERM INSURANCE ORGANISATIONS
H. LOOTS

Personal details:

Name of respondent:

Age of respondent:

Designation:

Male/Female:

Short-term commercial/personal policy:

Broker/direct insurer:

Make respondent aware of:

- You are hereby requested to participate in a one-on-one personal interview and are required to answer the questions as completely and honestly as possible. The interview should not take more than 45 minutes of your time.
- You will stay anonymous and that the answers given by you treated as strictly confidential.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.

Sign informed consent form:

Thank you for participating; we do however need your consent to participate by signing an informed consent form. Please sign the form to indicate that:

- You have read and understand the information provided on the form.
- You give your consent to participate in the study on a voluntary basis.

Interview schedule for short-term insurance organisations

PART I

Testing current concepts toward client retention as identified in the literature study:

1. *Relationship dynamics:*

- 1.1 Is it important for you to have a relationship with your client?
 - 1.2 Do you think it is important for clients to have relationships with the broker/insurer?
 - 1.3 Why do/don't you want a relationship with a client?
 - 1.4 Why do think clients would want relationships with the broker/insurer?
 - 1.5 How would you describe the ideal relationship with your clients?
 - 1.6 Do you think that having a relationship with your clients (good or bad) might influence them to either remain in the relationship or leave the relationship?
 - 1.7 Will you go the 'extra mile' for your clients?
 - 1.8 Do you think you clients feel that you as the broker/insurer, will go the 'extra mile' for them?
 - 1.9 Based on Yes/No – Do you think this will be a determinant for the client to stay in a relationship or terminate it?
 - 1.10 Rank: What do you think will weigh heavier when a client decides to stay in a relationship? Use 1 to indicate the factor most likely to make a client stay in a relationship and 2 the next most relevant factor.
 - a. The quality of the relationship
 - b. Service levels
 - c. Pricing of the product
 - d. Benefits of the products.
 - 1.11 Do you regard yourself to have power in the relationship (i.e. do you control the relationship or your client)?
-

Interview schedule for short-term insurance organisations

- 1.12 How would you like the control balance to be?
- 1.13 How do you think the client would want the control balance to be like?
- 2. Loyalty:**
- 2.1 Do you think that clients are in general loyal to you as broker/insurer?
- 2.2 If YES – why do you think they are loyal/what made them loyal?
- If NO – what would make them more loyal towards you as the broker/insurer?
- 2.3 Do you think loyalty towards you as broker/insurer will influence a client's decision to stay with the broker/insurer?
- 2.4 Does loyalty play any part in the retention of clients in your opinion?
- 3. Satisfaction:**
- 3.1 Do you feel that clients are satisfied with you as broker/insurer in terms of the product or service provided?
- 3.2 Is there more room to satisfy clients?
- 3.3 Do you think that a client dissatisfied with aspect of the relationship with the broker/insurer, will it lead to the client terminating the relationships?
- 3.4 What in the relationship have to present in order for a client to be satisfied?
- 3.5 Does satisfaction play any part in the retention of clients?
- 4. Trust:**
- 4.1 Do you feel that your clients trust you as the broker/insurer?
- 4.2 Do you think that trust influences whether a client will stay in a relationship with the broker/insurer?
- 4.3 Do you think trust influenced the initial decision of the client to start a relationship with the broker/insurer?

Interview schedule for short-term insurance organisations

4.4 Does trust play any role in the retention of clients?

5. Commitment:

5.1 Are you committed to the relationship with your client?

5.2 Do you think your clients are committed to the relationship?

5.3 Is it important to you that both you and the client are committed to the relationship?

5.4 Do you think that mutual commitment would make the client want to stay in a relationship, if he/she can get a cheaper premium or better benefits elsewhere?

5.5 What do you think would increase a client's commitment to a relationship with the broker/insurer?

5.6 Does commitment to the relationship play any part in the retention of clients?

6. Client focus:

6.1 Do you treat your clients as a valued and unique client or are they treated as just a number?

6.2 Do you think that treating a client as a valued client will influence the client to stay in a relationship even if he/she can get a cheaper premium or better benefits elsewhere?

7. Communication:

7.1 How often do you communicate with your clients?

7.2 Do you think communication contributes to the strength and relevance of your relationship?

7.3 How do you communicate with your clients?

7.4 Please rank the following methods of communication in order of preference to you as broker/insurer: Use 1 as most preferred, 2 as second most and so on.

Interview schedule for short-term insurance organisations

- a. Telephone
 - b. E-mail/fax
 - c. Face to face
 - d. Post
- 7.5 Please rank the following methods of communication in order of what you think a client would prefer: Use 1 as most preferred, 2 as second most and so on.
- a. Telephone
 - b. E-mail/fax
 - c. Face to face
 - d. Post
- 7.6 Which of these elements or combination of them will according to you have the strongest influence on the quality of relationship between a broker/insurer and a client?
- 8. Knowledge management:**
- 8.1 In your opinion, are you as the broker/insurer knowledgeable about insurance and the products you offer to clients?
 - 8.2 Do you think that clients perceive you as knowledgeable?
 - 8.3 Do you think the knowledge ability of the broker/insurer will influence the client to stay in relationship?
- 9. Client retention:**
- 9.1 What is your idea around retaining clients?
 - 9.2 How do you as broker/insurer currently approach client retention?
- 10. Strategic orientation:**
- What is the role of strategy in retaining clients?
-

Interview schedule for short-term insurance organisations

11. *Holistic cross-functional approach:*

Is there significance in having cross functional approach towards client retention?

12. *Segmentation:*

12.1 Do you segment your client in any way?

12.2 How will this help with client retention?

13. *Profits:*

Does client retention have an influence on company profits in your opinion?

14. *Information technology:*

14.1 What part according to you, does IT play in client retention?

14.2 Do your organisation currently utilise IT for client retention?

15. *Rating the elements:*

Each of the following has been identified as determinants of client retention. Using your own experience, for each of the factors please tell me whether the factor going to have a strongly (1) influence, be somewhat (2) influential or not at all (3) in terms of determining whether a client would stay in a relationship or not.

- a. Dynamics of the relationship (client having most of the say)
- b. Quality of the relationship
- c. Loyalty
- d. Satisfaction
- e. Trust
- f. Commitment
- g. Valued client
- h. Effective communication

Interview schedule for short-term insurance organisations

- i. Knowledge ability of the broker
- j. Pricing of the products
- k. Benefits of the product

16. Rating the elements:

Each of the following has been identified as determinants of client retention. Using your own experience, for each of the factors please tell me whether the factor going to have a strongly (1) influence, be somewhat (2) influential or not at all (3) in terms of determining whether a client would stay in a relationship or not from a broker/insurer's perspective:

- a. Dynamics of the relationship (client having most of the say)
- b. Quality of the relationship
- c. Effective segmentation of clients
- d. Strategic orientation of organisation
- e. Holistic, cross-functional approach to retention
- f. Effective use of IT
- g. Loyalty
- h. Satisfaction
- i. Trust
- j. Commitment
- k. Valued client
- l. Effective communication
- m. Knowledge ability of the broker
- n. Pricing of the products
- o. Benefits of the product

Interview schedule for short-term insurance organisations

17. *Ranking the elements:*

17.1 Please rank in order of most relevant in terms of a client staying in a relationship with a broker/insurer. Use 1 as most relevant, 2 second most relevant and so on.

- a. Quality of the relationship
- b. Dynamics of the relationship (you having most of the say)
- c. Loyalty
- d. Satisfaction
- e. Trust
- f. Commitment
- g. Valued client
- h. Effective communication
- i. Knowledge ability of the broker
- j. Pricing of the products
- k. Benefits of the product

17.2 Why is the specific element ranked as 1 the most relevant determinant of a client in a relationship?

18. *Ranking the elements:*

18.1 Please rank in order of most relevant in terms of a client staying in a relationship with a broker/insurer. Use 1 as most relevant, 2 second most relevant and so on.

- a. Dynamics of the relationship (client having most of the say)
- b. Quality of the relationship
- c. Effective segmentation of clients
- d. Strategic orientation of organisation

Interview schedule for short-term insurance organisations

- e. Holistic, cross-functional approach to retention
 - f. Effective use of IT
 - g. Loyalty
 - h. Satisfaction
 - i. Trust
 - j. Commitment
 - k. Valued client
 - l. Effective communication
 - m. Knowledge ability of the broker
 - n. Pricing of the products
 - o. Benefits of the product
- 18.2 Why is the specific element ranked as 1 the most relevant determinant of a client in a relationship?

PART II

Possible new concepts leading to retention:

- 19.** What is it that makes client stay in a relationship with the broker/insurer or would make the client stay in a relationship with your broker/insurer?
- 20.** What will possibly make clients leave or terminate the relationship with the broker/insurer?
- 21.** If a client had to choose between two brokers/direct insurers with whom hypothetically they are about to start a relationship with (take out insurance) what will determine which broker/insurer the client will choose?
- 22.** If pricing and benefits were not the issue (i.e. all options offered the same premium & benefits), what will influence which broker/insurer the client will choose?

APPENDIX B

Interview schedule for short-term insurance organisations

- 23.** Do you think clients prefer to work with a broker/insurer or would they choose to do everything with regards to their policies on-line if they could?

PART III

Testing of new concepts as identified in Phase II during interviews with clients:

- 24.** Convenience
- 25.** Comfort
- 26.** Clients putting a price on the relationships (percentage that they are willing to pay for)
- 27.** Speed/promptness
- 28.** Social responsibility
- 29.** Honesty
- 30.** Personal touch
- 31.** Consistency (work with same person not call centre agents)
- 32.** Effective service delivery & after sale service
- 33.** Transparency
- 34.** Ease of doing business
- 35.** Incorrect advice

APPENDIX C
Data analysis: Coding

PHASE II
CONTENT ANALYSIS: CODING

RESPONDENT 1

1. Wants relationship with insurance.
2. One way relationship from his side.
3. Using broker, but broker not involved.
4. Not comfortable dealing directly with insurer, wants broker involved.
5. Bad Relationship will make him shop around.
6. Relationship factor present will make him stay.
7. Broker not going extra mile.
8. Broker going the extra mile will lead to loyalty.
9. If premium is too much, and there is no relationship it is easier to move.
10. If premium is too much, but there is a relationship, it is more difficult to leave.
11. Premium includes relationship.
12. Relationship is an added value; he will pay more for it.
13. He adds a price tag to relationship with broker.
14. He will pay more for service – relatively.
15. Client will determine relationship value.
16. Rand/cent value can be determined by client in terms of relationship.
17. Benefits of product are more important than relationship.
18. Excess of policy more important than relationship.
19. He will first choose a broker based on benefits, and then build relationship.
20. If he can get the same benefits elsewhere for a better premium, he will move.
21. He wants benefits and pricing then build relationship.
22. Client empowered to dictate the broker.
23. Direct insurer does not give power to the client.

24. He feels like just a number.
25. Client wants power in relationship (Control Balance).
26. Will pay 10% - 20% higher premium for a good relationship.
27. Easy to built relationship.
28. He will build a new relationship, if benefits and pricing are better elsewhere.
29. He is not loyal to broker.
30. Broker keeping his best interest at heart will make him loyal.
31. Receiving good service from broker will increase loyalty.
32. Loyalty will influence him to stay.
33. Bad service will lead to him not being satisfied.
34. Room for satisfaction.
35. Dissatisfaction will lead to termination.
36. Good after sale service will increase satisfaction.
37. Courtesy call biannually will increase satisfaction.
38. Broker phoning to ask about new items to insure, will increase satisfaction.
39. Broker reminding client to update policy will increase satisfaction.
40. On revision date broker must phone call/email communication.
41. No feeling of trust, because of bad relationship.
42. No trust because there is no relationship.
43. Trust did not influence his decision when policy incepted.
44. Relationship built on referral that the client trusts.
45. Not committed the relationship.
46. Mutual commitment will make him stay in relationship.
47. Commitment from broker will increase commitment.
48. Added value will increase commitment.
49. Good service will increase commitment.
50. Pricing will increase client commitment.
51. Not feeling valued or unique.
52. Not feeling valued/unique makes it easier to terminate.
53. He never communicates with broker.
54. Communication contributes to strength/relevance of relationship.
55. Do not know if broker is knowledgeable.

APPENDIX C

Data analysis: Coding

56. Knowledge of broker will make him stay in relationship.
57. Effective communication will make him stay.
58. If he makes changes and only get feedback in 2 weeks he will not stay.
59. Effective communication is the result of effective service.
60. If the instruction given was executed he will stay easier.
61. If high premium goes off and he does not know why, because of no communication, he will leave easier.
62. He wants a relationship to have someone who has his best interest at heart.
63. Dealing with different people will make him terminate easier.
64. Dealing with one person is important for having relationship.
65. Relationship means effective communication of risk and benefits.
66. Relationship includes service.
67. No effective communication – will make you leave.
68. Benefits not satisfactory – will make you leave.
69. When choosing broker first look at benefits.
70. When choosing broker first look at pricing.
71. Client wants to know/be aware of broker before starting relationship.
72. Word of mouth referral creates trust.
73. Knowledge of broker will influence which broker he chooses.
74. Prefer broker before managing policy on line.
75. Having a relationship must make it comfortable to do business.

RESPONDENT 2

76. Relationship with broker is important.
77. Want to deal with one person only.
78. Want relationship in order to phone anytime for assistance.
79. Relationship must exist to have his best interest at heart.
80. Professional relationship - communication regularly.
81. Ineffective communication made him leave previous brokerage.
82. Increased premium with no contact made him leave relationship.
83. Instruction to broker, no feedback failure to implement – client left relationship.
84. A good relationship is when the broker knows your situation.

85. Broker will go extra mile.
86. Proper advice means going extra mile.
87. Going the extra mile will influence client to stay.
88. Communication leads to him being happy in relationship.
89. Good relationship - will not move for cheaper premium.
90. Does not use direct marketers because of non disclosure on their side.
91. Personal relationship with broker leads to trust.
92. Most relevant to making him stay with the broker is having a relationship.
93. As client he wants no power – broker must guide and advice.
94. Client wants broker to control the relationship.
95. Loyal to broker, good relationship does exist.
96. Prompt service makes him loyal.
97. Good client experiences increases loyalty.
98. Effective advice increases loyalty.
99. Loyalty will influence him to stay.
100. Satisfied with product and service (good relationship).
101. No more room for satisfaction (good relationship).
102. Dissatisfaction will not make him leave; will first sort it out with broker.
103. Trust leads to satisfaction.
104. Transparency and know what you are in for increases satisfaction.
105. Know what you are paying for increases satisfied.
106. Know what you are getting increases satisfied.
107. Frequent communication increases satisfied.
108. He trusts his broker.
109. Trust will influence client to stay.
110. Trust was not part of initial decision to incept policy.
111. Trusted referral that referred him to this broker.
112. He is committed to relationship.
113. Broker is committed to relationship.
114. His commitment to broker is result of service.
115. Mutual commitment is important.
116. Mutual commitment will make client stay.
117. Commitment will make him stay, regardless of premium.

118. Service levels increases commitment.
119. He feels like a valued client.
120. Feeling like a valued client will make client stay.
121. Communication with broker 4 times a year.
122. Communication contributes to strength of relationship.
123. Prompt feedback leads to stronger relationship.
124. Prompt service leads to stronger relationship.
125. Communication makes client committed.
126. Convenience is important to him.
127. His broker is knowledgeable.
128. Will stay for knowledgeable broker regardless price.
129. Trust will make him stay.
130. Honesty will make him stay.
131. Transparency will make him stay.
132. Service will make him stay.
133. Regular communication will make him stay.
134. Feedback on changes will make him stay.
135. Personal touch, feeling belonging will make him stay.
136. Peace of mind will make him stay.
137. Wrong advice will make him leave.
138. Dishonesty will make him leave.
139. Bad service experience will make him leave.
140. Bad reputation of broker will make him leave.
141. Good relationship, dissatisfaction won't just leave because of good relationship will discuss with broker.
142. He made the initial decision to go with this broker based on gut feel.
143. Will go with broker client feels comfortable with.
144. Will go with most knowledgeable broker.
145. Prefer using broker even if he can manage own policy.
146. Rely on broker's knowledge.
147. Willing to pay extra for knowledge.
148. Making it difficult to do business will make client move.
149. Make it time consuming to do business will make client leave.

RESPONDENT 3

150. Do not want a relationship at all.
151. He is with direct insurer to not have a relationship.
152. Do not know if they will go the extra mile.
153. Extra mile will him make stay.
154. Sorting out his claims are more important than premium.
155. Sort out claims without hassles will make him stay easier.
156. Service weighs heaviest for staying with insurer.
157. Pricing important to stay in relationship.
158. Do not know what power balance is like.
159. Not loyal to insurer.
160. Good service will increase loyalty.
161. Accommodating to him will increase loyalty.
162. Loyalty will make moving more difficult.
163. He is satisfied with service and product.
164. Dissatisfaction will lead to easy termination.
165. If loyal he will first try to resolve the dissatisfaction with insurer.
166. Good communication if he requires it will lead to satisfaction.
167. Quality service leads to satisfaction.
168. Claims paid out quickly leads to satisfaction.
169. He trusts insurer.
170. Trust will influence him to stay.
171. Trust insurer because of word of mouth.
172. Trust referral therefore he took insurance.
173. Not committed to relationship.
174. Insurer not committed to relationship.
175. Mutual commitment not important.
176. Good service increases commitment.
177. Feels like a number.
178. Because not unique will leave earlier.
179. Communication with insurer = never.
180. Communication contributes to strength/relevance of relationship.
181. Insurer is knowledgeable.
182. 25% price on knowledge ability plus service.

-
- 183. Knowledge more important than pricing or benefits.
 - 184. Not interested in being valued client.
 - 185. Speed of service will make client stay.
 - 186. Speed of claims will make client stay.
 - 187. Speed of service will lead to satisfaction.
 - 188. Speed of claims will lead to satisfaction.
 - 189. Not covered for something he thought he was covered for will make him leave.
 - 190. Word of mouth will influence which insurer to choose.
 - 191. Knowledge of insurer will influence which insurer to choose.
 - 192. Preferred to manage own policy on-line, but still have option to get advice.

RESPONDENT 4

- 193. Relationship is important.
- 194. Want relationship to help when she needs help.
- 195. Broker will go extra mile.
- 196. Will stay in relationship regardless of premium and benefits.
- 197. Broker going extra mile will make client stay.
- 198. Service level most important to stay.
- 199. Client feels they have power.
- 200. Client prefers to have power.
- 201. Loyalty towards broker.
- 202. Brilliant service increases loyalty.
- 203. Broker always helping increases loyalty.
- 204. Loyalty will make client stay.
- 205. Not always satisfied with broker.
- 206. Room for more satisfaction.
- 207. What you think you are covered for, must be covered.
- 208. Dissatisfied – will first try to work out before just leaving.
- 209. Trust her broker.
- 210. Trust will influence her to stay.
- 211. Price made her decide which policy to take.
- 212. Committed to relationship.

-
- 213. Broker is committed.
 - 214. Mutual commitment is important.
 - 215. Commitment will make her stay.
 - 216. Feel like another number.
 - 217. Satisfied with being a number.
 - 218. Communication once a month.
 - 219. Communication contributes to strength.
 - 220. Regular communication = good relationship.
 - 221. Broker not seen as knowledgeable.
 - 222. Will stay even if she is not confident that broker is knowledgeable.
 - 223. Rather work on the relationship than just terminating.
 - 224. Gut feel will determine which broker to choose.
 - 225. Will not prefer managing policy on line.

RESPONDENT 5

- 226. Relationship is important.
- 227. Resolve issue quicker is reason for relationship.
- 228. Having a specific person to contact is reason for relationship.
- 229. Relationship is good.
- 230. Broker will go extra mile.
- 231. Will stay if broker goes extra mile.
- 232. Service level most important to stay in relationship.
- 233. Broker plays advising role.
- 234. Broker has more power.
- 235. Prefer broker to have more power because of her lack of knowledge.
- 236. Feels loyalty towards broker.
- 237. Broker sorts out issues = makes loyalty.
- 238. Loyalty will determine if client will stay.
- 239. Feel satisfied with broker.
- 240. No room for more satisfaction.
- 241. Dissatisfaction will first consult with broker to resolve.
- 242. Relationship will make her stay.
- 243. Updating with progress = satisfaction.
- 244. Trust broker.

-
245. Trust will influence her to stay in relationship.
 246. Knowledge of broker made her take the policy.
 247. Committed to relationship.
 248. Broker is committed to relationship.
 249. Mutual commitment will make her stay.
 250. Keeping her updated with new products = more committed.
 251. Feel like unique client.
 252. Feeling like valued client will make her stay.
 253. Communication with broker is every 2 months.
 254. Communication contributes to strength/relevance of the relationship.
 255. Broker is knowledgeable.
 256. Will stay with broker with knowledge regardless of price.
 257. Good advice will make her stay.
 258. Knowledge of broker will stay.
 259. Price increase without communication will make her leave.
 260. Knowledge of brokers will determine who she uses.
 261. Gut feel will determine who she uses as broker.
 262. Prefer using broker instead of managing it herself due to lack of knowledge.
 263. Interaction with clients can built relationships.
 264. Broker needs knowledge to make right decisions and manage portfolio.

RESPONDENT 6

265. Relationship is important.
266. Want relationship to have a single person that he can talk to.
267. Want relationship as he is not comfortable sharing personal information with a stranger.
268. Current relationship is distant (bad relationship).
269. Bad relationship because he has to work through a call centre.
270. Relationship is bad because there is no personal touch.
271. He is willing to pay more premiums for a good relationship.
272. Having a good relationship makes termination more difficult for him.
273. A good relationship means openness to resolve problems.

274. Openness.
275. Non existence of a relationship makes is easier to terminate the relationship.
276. Insurer does not go the extra mile.
277. Insurer cannot help him with individual needs.
278. Insurer not going the extra mile will make him terminate easier.
279. Service levels are most important to stay in relationship with insurer.
280. Brilliant service will make him stay, even without a good relationship.
281. Client does not control the relationship, insurer does.
282. Insurer does not care for losing him as a client.
283. Premium increase without communication thereof or consultation will make him leave.
284. Not loyal to insurer.
285. Personal approach will make him loyal.
286. Regular communication will make him loyal.
287. Single contact person will increase loyalty.
288. Courtesy calls to check satisfaction will increase loyalty.
289. Loyalty towards an insurer will make him stay in the relationship.
290. He stays because it is an admin "slep" to move elsewhere.
291. Satisfied with product.
292. There is room to be more satisfied.
293. Dissatisfaction will lead to termination.
294. Honesty from beginning of relationship will lead to satisfaction.
295. Explaining the finer details of the contract will lead to satisfaction.
296. Effective communication leads to satisfaction.
297. He does not trust the insurer.
298. Trust in a relationship will influence him to stay in the relationship.
299. Trust was not involved in the making of the initial decision.
300. He is not committed to the relationship.
301. He will terminate the policy if not satisfied.
302. The insurer is not committed to the relationship.
303. Mutual commitment is important to him.
304. Mutual commitment will make him stay in a relationship.
305. Personal touch will increase commitment.

306. Call centre agent will decrease commitment.
307. He feels like a number.
308. Because he feels like a number he will not stay if there is a better deal elsewhere.
309. Never communicates with insurer.
310. Communication is necessary for strong and relevant relationships.
311. Insurer is knowledgeable about standard products.
312. Having a knowledgeable insurer will make him stay easier.
313. Before terminating a policy he will consult with insurer first if a good relationship exists.
314. Good service leads to a quality relationship.
315. Effective communication must be timely and when needed.
316. Getting the best out of the premium will make him stay.
317. Having an open relationship will make him stay.
318. If the insurer informs him of better products for his needs he will stay.
319. Insurer who keeps his best interest at heart will make him stay.
320. Call centre agents will make him terminate.
321. Incompetence of call centre agents will make him terminate.
322. Agents not having authority to do things will make him terminate easier.
323. Consistency of working with one person will make him stay.
324. Consuming time every time something must happen on policy will make him leave.
325. When initially deciding who to go with he will look at costs.
326. When initially deciding who to go with he will look at benefits.
327. Then he will look for good communication when choosing an insurer with same premium and benefits.
328. He will look for a single point of contact when choosing an insurer with same premium and benefits.
329. Prefer to do admin and add-ons online.
330. To find new quotes is time consuming and a “slep”, therefore he would rather stay.
331. Advice is more important than a consultant just trying to sell something.
332. He is not satisfied and not dissatisfied; therefore it is comfortable to stay.

-
- 333. Convenience of doing business will make him stay.
 - 334. When doing business is not time consuming he will stay.
 - 335. More can be done on-line for convenience sake, but in combination with advice.
 - 336. Relationships should automatically be part of the insurance package.
 - 337. Having a strong relationship will first lead to negotiations before just terminating the policy if broker can assist to keep the policy.

RESPONDENT 7

- 338. For short-term insurance a relationship is not needed.
- 339. No need for a relationship because it is low maintenance insurance.
- 340. There is no relationship with insurer.
- 341. Receives very good service from insurer when he requires it.
- 342. If he had a good relationship with an insurer it will influence him stay.
- 343. If there is no relationship, but the service is great he will also stay.
- 344. He will stay with the insurer because of good service.
- 345. Insurer increased his premium, but he was able to negotiate a better premium with same cover.
- 346. Having a relationship means insurer giving him a courtesy call every 6 months.
- 347. Insurer will not go the extra mile.
- 348. No relationship exists, he phones them when he requires something.
- 349. He will terminate the policy for a better premium.
- 350. Pricing is the most important for making him stay in a relationship.
- 351. There is power on his side as he can negotiate for better premiums.
- 352. Insurer holds most of the power.
- 353. Loyal towards the insurer.
- 354. Loyalty because all business are with this insurer for last 6 years.
- 355. Loyalty will not influence him to stay in the relationship if there is a better product elsewhere.
- 356. He is satisfied with the insurer.
- 357. No more room for satisfaction.

358. Dissatisfaction will lead to termination depending on the degree of dissatisfaction.
359. Paying a claim quickly increases satisfaction.
360. Least amount of admin increases satisfaction.
361. Do trust insurer.
362. Trust them because they provide brilliant service.
363. If trust is broken he will terminate the policy.
364. Trust had no influence when he made the initial decision to go with the insurer.
365. He is committed to the relationship.
366. He feels the insurer is also committed.
367. Mutual commitment is important.
368. Mutual commitment is not really relevant for him to stay in a relationship.
369. He feels that the money he pays goes to charity that increases his commitment.
370. Does not care if he is a valued client of just a number – just want service.
371. Feeling like a valued client will not influence him to stay in a relationship.
372. He communicates with his insurer every month and a half.
373. Communication does contribute to the strength and relevance of a relationship.
374. He wants low maintenance insurance.
375. Client wants as little admin as possible.
376. Client wants convenience.
377. His insurer is knowledgeable.
378. Having a knowledgeable insurer, will mean a 10% saving in premium before he will consider moving for premium.
379. It is a “slep” and inconvenient to change insurers, he is comfortable.
380. Pricing is most relevant for him to stay.
381. Effective handling of claims will make him stay.
382. Wrongdoing in term of the contract will make him leave.
383. Difficulty and time frame with regards to claim will make him leave.

APPENDIX C

Data analysis: Coding

384. Price will be the first thing he looks at when deciding to choose an insurer.
385. Benefits will be the first thing he looks at when deciding to choose and insurer.
386. Reputation of the company and credibility is next when deciding who to choose for insurance.
387. Easier to just tell insurer what to do instead of doing it yourself online.
388. Premium plus benefits combined with satisfaction will make him stay.
389. Convenience is important for client to stay.
390. Speed is important when deciding to stay.
391. Comfort is important when deciding to stay.

PHASE III
CONTENT ANALYSIS: CODING

RESPONDENT 1

1. Relationship with clients is important.
2. Relationship means broker understands client.
3. Broker needs to understand client's financial situation.
4. Broker needs to understand client's personal needs.
5. Broker needs to understand client's situation to offer the correct product.
6. A relationship is needed to offer the correct product and service.
7. Clients want relationships to trust broker.
8. Client needs relationships to get service that they need.
9. A client needs to know that in a time of crises they will be looked after.
10. Even is the client uses a direct insurer, a relationship is required.
11. Relationships with direct insurers are not as strong as with brokers.
12. A broker wants a relationship to retain clients for as long as possible.
13. The best way for brokers to retain clients is by maintaining relationships.
14. Maintaining relationships makes clients loyal.
15. A client wants a relationship for trust.
16. A client wants a relationship to know that he is looked after.
17. The ideal relationship from a broker's perspective is to know your client.
18. A broker needs to know the client's individual needs.
19. The broker needs to have a personal relationship with the client.
20. A broker needs to know the client's financial situation.
21. Brokers need to know where a client stands in order to plan with the client.
22. A client is not just a number.
23. A bad experience will lead to instant termination of a client's policy.
24. If a relationship exists and the broker knows the client, the broker should be able to retain the client, irrelevant of the bad experience.
25. A broker must always go the extra mile for the client.

26. The broker feels that she goes the extra mile for her clients.
27. Going the extra mile will in majority of cases maintain a relationship over a period of time.
28. Some clients will move irrelevant of the relationship for financial reasons.
29. Going the extra mile does not guarantee client retention.
30. Service levels are important.
31. Broker needs to control the client's relationship experience.
32. Broker should be advising the client.
33. The client's needs should always be first even if the broker holds most of the power.
34. A client does not want to worry about anything regarding his insurance.
35. The broker must take control of the client's portfolio and sort out insurance issues.
36. With direct insurers the client are not put first.
37. Direct insurers do not offer direct contacts.
38. When working with direct insurers a client will speak to a different person every time.
39. Direct insurers do not know the client needs individually.
40. Clients normally do not have close relationships with direct insurers.
41. Clients would want more control in a relationship when working with direct insurers.
42. Clients are normally loyal to brokers.
43. Service in time of crises makes clients loyal.
44. Broker being there for clients will increase loyalty.
45. Understanding clients and what they are going through makes clients loyal.
46. Helping clients through a crisis makes them loyal.
47. Clients with financial problems will move for a better premium no matter how loyal they are.
48. Loyalty will influence a client to remain with a broker.
49. Loyalty definitely plays a part in client retentions.
50. A relationship will help in the retention of clients.
51. Clients require service from brokers.

52. Brokers cannot always give the client the most suitable product.
53. There is always more room to satisfy clients.
54. If a client does not trust a broker, the client will move easier.
55. If a client is happy with what a broker is doing the client will stay easier.
56. Trust is important to maintain a relationship and client.
57. Trust is most important in a relationship.
58. Satisfied clients will stay on the book a lot longer.
59. Trust will definitely influence a client to stay with the broker.
60. Trust did play a role in the initial decision to take the policy.
61. A client will not take a product from someone that he does not trust.
62. Trust is relevant for the retentions of clients.
63. The broker is committed to the relationship with the client.
64. The broker feels that clients are also committed to the broker.
65. Mutual commitment is important to the broker.
66. Mutual commitment is a big aspect of the client staying in the relationship with the broker.
67. If a client is in a financial crisis he will move for better premium regardless of the relationship.
68. If a brokerage proves itself at claims stage it will increase commitment.
69. If trust exists it will increase commitment.
70. A proven relationship will increase commitment.
71. Commitment influences client retentions.
72. A broker must treat each client as unique.
73. Being treated as a unique client will increase client retention.
74. If a client is in financial crisis he will move regardless of feeling unique.
75. Communication with client must happen at least once a year.
76. Communication happens as and when the client needs to be informed.
77. Communication contributes to the strength and relevance of a relationship.
78. The broker feels that she is knowledgeable.
79. The broker thinks that the clients perceive her as knowledgeable.
80. The knowledge of a broker plays a big part in the client staying in the relationship.
81. A knowledgeable broker creates trust.

82. If the client trusts a broker he will stay.
83. If a client believes that he is receiving correct advice he will stay.
84. Knowledge creates a feeling of being looked after and will influence the client to stay.
85. Pro-active communication is required by a broker when a problem arises.
86. A broker should not wait for a client to cancel if a problem arises but pro-actively sort the problems out.
87. Client should pro-actively be offered alternative options in the case of potential problems on a policy.
88. The only time a client should request cancellation is when the client looked for better premiums and the broker was unaware of this.
89. When a client is happy about the service, but is looking for better premiums, it is difficult to be pro-active and to know this.
90. If a good relationship existed, a client will first approach the broker for alternative options before just cancelling.
91. Client looking for alternative options without having the broker involved is not committed to the relationship.
92. A relationship is vital for retaining clients.
93. If a client expresses dissatisfaction with the progress of a claim a broker must immediately offer alternative options.
94. In the case of premium being too high, the client must be offered alternative premiums.
95. Strategy is important for retaining clients.
96. Client retention is a function on its own.
97. The cost of signing up a client is made; to make money off the client means to retain the client for as long as possible.
98. Strategy means the longer the broker keeps the client the more profit it makes off the client.
99. A strategic plan must be in place for the retentions of clients for as long as possible.
100. Cross-functional approaches are very important for retaining clients.
101. It does not help the retentions department saves a client, but the claims department let the client down by not delivering on promises.

102. It is important for all departments to work together.
103. All departments must have the same goal and focus with regards to retaining clients.
104. Not all staff members approach client retentions in the same manner.
105. Clients need to be segmented.
106. Clients are grouped into segments based on premium and products.
107. Segmentation is relevant to client retentions.
108. Segmentation indicates client's needs and service to be provided.
109. Client retention means profits for the organisation.
110. The longer a client stays on the book, the more profit the broker makes.
111. IT systems are critical for client retentions.
112. IT systems provide instant access to client's information.
113. IT systems assist in knowing how to approach a client and what the client's situation is instantly.
114. It is vital for insurers to have proper IT systems and processes in place.
115. Trust in a broker will influence a client to stay.
116. Broker trust or promises will lead to termination.
117. Pricing that is too high will make client leave.
118. Some client will prefer to do their insurance by themselves but the majority requires a broker's knowledge and advice.
119. Convenience is important for client retentions.
120. Clients want to phone once and have everything sorted once.
121. Being comfortable is important for client retentions.
122. Clients want comfort in knowing they are looked after.
123. Clients want comfort in knowing they are given correct advice and they will not have problems at claims stage.
124. The feeling of being looked after weighs heavy in client retentions.
125. Clients are willing to pay extra for a relationship with a broker.
126. Speed and promptness are relevant to retaining clients.
127. Speed and promptness are how client lifestyles are nowadays.
128. Broker need to deliver services fast and promptly as it will influence clients to stay.
129. Social responsibility of broker will not have an influence on a client staying or not.

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- 130. Honesty must be part of a relationship.
 - 131. Personal touch makes a client feel that they are understood.
 - 132. Personal touch is important for retaining clients.
 - 133. Working with a single person contact does not have a huge influence on client retentions.
 - 134. Some clients prefer working with only one person.
 - 135. Service delivery plays a vital part in client retentions.
 - 136. Good service and delivery on promises builds a stronger relationship.
 - 137. Good service and delivery on promises creates trust which adds to a relationship.
 - 138. Transparency creates understanding between a broker and client which increases trust.
 - 139. Incorrect advice leads to broken trust.
 - 140. No price or product can make up for the absence of trust.
 - 141. Clients will go to someone they can trust.

RESPONDENT 2

- 142. Relationship with clients is important.
- 143. A happy client will always stay.
- 144. It is important for clients to have a relationship too.
- 145. A relationship means a client have someone to phone or to contact.
- 146. The existence of a relationship means it is easier for the client to correspond with the broker.
- 147. Having a relationship means it is not always about the premium but about the service.
- 148. Having a relationship means knowing the people that works on the client's policy.
- 149. A relationship means that the client knows he will receive good service.
- 150. Having a relationship means that someone will sort out claims.
- 151. Having a relationships means that someone will look after the policy.
- 152. Having a relationship means that someone will make sure that the client has the best cover.
- 153. The ideal relationship includes constant feedback.
- 154. The ideal relationship means the insurer understands the client.

APPENDIX C

Data analysis: Coding

155. The ideal relationship includes the broker looking after the client's policy and providing the best cover.
156. If there is no relationship it is easier for a client to cancel and find other insurance.
157. The broker will go the extra mile.
158. Going the extra mile will help build a relationship.
159. Doing the bare minimum as the broker will make it easier for the client to terminate the policy.
160. Pricing is important because of the economy.
161. The client has the power because the client will leave if the broker can't keep them satisfied.
162. The client comes first in the relationship; balance must on the client's side.
163. Client would want the most say in the relationship as broker must do as the client instructs, since client pays for that.
164. Clients are loyal because of service.
165. Clients are loyal because they feel important and unique and not just like a policy number.
166. Clients are loyal because a personal relationship exists.
167. Loyalty will influence a client to stay.
168. Service makes client loyal which makes them stay.
169. To keep clients satisfied brokers must always look for the best product for the client's needs.
170. Dissatisfied clients will terminate their policies.
171. Clients are dissatisfied when things were not explained properly.
172. Not being aware of excesses will leave clients dissatisfied and they will leave.
173. Premium increases with no communication about it from the broker will lead to dissatisfaction and the client will leave.
174. A good relationship will give the opportunity to place a client somewhere else if he is dissatisfied.
175. Making a client aware is important in the retaining clients.
176. A relationship can help in satisfying clients better.
177. Honesty must be present in order to satisfy clients.

APPENDIX C

Data analysis: Coding

178. To satisfy a client the broker must fully disclose and explain all aspects of the policy.
179. By fully disclosing and explaining all aspects of the policy, the client will also have less queries and issues.
180. Satisfied clients will stay.
181. If a client's needs are met, they are satisfied and easier to retain.
182. Trust is important in any relationship.
183. Broken trust or not delivering on promises will lead to no trust and no relationship.
184. Trust influences the initial decision to take the policy.
185. Clients need to know that a broker will look after their policy and claims will be paid out.
186. A client will not take out a policy if no trust exists.
187. Trust in the relationship from the beginning will mean retention.
188. Mutual commitment exists.
189. Mutual commitment is important in the retention of clients.
190. Good service will make a client stay even if the premium is higher.
191. Loyalty will make a client stay even if a premium is higher.
192. A client stays where he knows he is getting what he wants.
193. Good service will increase commitment.
194. Being professional will increase commitment.
195. Constant feedback will increase commitment.
196. Committing to doing everything that the broker promised plays a part in retention.
197. Broker treats clients as unique.
198. Clients want personal attention to make them feel valued and important.
199. A valued client who feels important will stay.
200. Fast turnaround time will make a client feel valued and it will make him stay.
201. Broker communicates as and when needed with the client, but at least once a year.
202. Communication contributes to a relationship if the client knows what going on with regards to his policy.

APPENDIX C

Data analysis: Coding

203. Knowledge is needed to instil trust and for the client to take the policy.
204. The knowledge ability of the broker will influence the client to stay.
205. A client wants to know that a broker knows what is best for the client.
206. The broker knows products and is able to answer questions the client may have.
207. Client retention means good service.
208. Client retention means fast turnaround times.
209. Client retention means no opportunities should be left open for clients to look for other insurance.
210. Broker contacts clients who did not pay their premiums or want to cancel, and offer alternatives.
211. Strategy is important in the retention of clients.
212. Strategies of client retentions will differ based on individual clients.
213. Retention strategies should include personal touch on an individual basis to assist with retention.
214. Retention strategy differs depending on why a client wants to cancel.
215. Cross-functional approaches are vital for client retentions.
216. All department must work together to serve and retain the client as best as possible.
217. Segmentation is used based on premium and product.
218. Segmentation does not really influence retentions as all clients should be treated as vitally important anyway.
219. IT systems indicated what the client's situation is by providing quick access to all of the client's information.
220. IT systems assist with a client's history, previous issues and claims.
221. IT systems are vital for better service delivery and client retention.
222. IT systems will allow a broker to serve a client with speed and promptness.
223. Clients stay with broker because they are taken care of.
224. A client will leave the broker because of incorrect advice and not disclosing all information.
225. Clients will leave a broker because of slow turnaround time and no feedback.
226. A client will choose a broker based on honesty.

APPENDIX C

Data analysis: Coding

227. A client will choose a broker based on the explanation of the product and full disclosure thereof.
228. Price does not play such a big role as the product.
229. A client will choose a broker for knowledge.
230. Client will choose a broker based on the assistance that the broker provides.
231. Convenience means fast service which will make a client stay.
232. Comfort means trust in the broker which will make client stay.
233. Price does not always play a role if clients understand the product and know what they are covered for.
234. Speed and promptness are important, especially with claims.
235. Claims sorted out quickly with less hassles will influence clients to stay.
236. Social responsibility of brokers does not influence clients to stay with the broker.
237. Honesty plays a big role in the client staying with the broker.
238. No honesty means that a client will leave.
239. Personal touch by helping clients and communicating regularly will make clients stay.
240. It is not always possible for a client to work with one person, it depends on the numbers.
241. One contact person increases trust.
242. Service delivery and after-sale service are very important to retain clients.
243. Transparency means the client knows what the broker is doing and cannot do.
244. Incorrect advice influences client retentions.
245. If a broker tells a client something is covered and it is not, the client suffers a loss and will terminate the policy.
246. Clients cancel their policies because of premium increases.
247. Clients cancel their policies because of claims not paid out or excesses that were not explained properly.
248. If a premium increases and the broker explains it to the client, retention will be easier because a relationship exists.
249. Pro-active communication will make client retentions easier.

APPENDIX D
Data analysis: Categories

PHASE II
CONTENT ANALYSIS: CATEGORIES

- a. A negative change in policy circumstances will lead to instant termination of the policy, if no relationship exists.
- b. A respondent will first try to resolve issues, when there are negative changes on the policy, before terminating the policy, if a good relationship exists.
- c. An increased premium without any communication from the broker or insurer will make termination of the policy easier for the respondent.
- d. The ease of doing business will or will not influence the respondent's decision to stay with the organisation.
- e. Convenience will or will not influence the respondent's decision to stay with the organisation.
- f. Speed and promptness of doing business will influence the respondent's decision to stay with the organisation/Consuming time will result in the termination of the policy by the respondent.
- g. The least amount of administration will or will not influence the respondent's decision to stay with the organisation.
- h. The effective handling of claims will or will not influence the respondent's decision to stay with the organisation.
- i. Comfort with the relationship will or will not influence the respondent's decision to stay with the organisation.
- j. If the respondent is not satisfied, or dissatisfied, but comfortable, this will or will not influence the respondent's decision to stay with the organisation.
- k. Quality advice and the explanation of contract details (getting what you thought you will get) will or will not influence the respondent's decision to stay with the organisation.

APPENDIX D
Data analysis: Categories

- l. Openness and transparency from the broker or insurer and knowing what you are paying for and getting, will or will not influence the respondent's decision to stay with the organisation.
- m. Honesty from the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- n. The respondent wants a relationship or not/A relationship will or will not influence the respondent's decision to stay with the organisation.
- o. The respondent prefers a relationship to know someone carries his/her best interest at heart/the respondent is taken care of and can enjoy peace of mind.
- p. The respondent wants to deal with a single person/call centre/not with call centre.
- q. The respondent requires a relationship for assistance and to resolve issues.
- r. A relationship is effective when there is a personal touch and the broker or insurer knows the respondent's situation.
- s. The respondent puts a price on the relationship/The premium includes a relationship.
- t. The respondent prefers to handle the policy him/herself on-line rather than using a broker or insurer to assist.
- u. The benefits of the policy will or will not influence the respondent's decision to stay with the organisation.
- v. Pricing of the policy will or will not influence the respondent's decision to stay with the organisation.
- w. The excesses on the policy will or will not influence the respondent's decision to stay with the organisation.
- x. The knowledge of the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- y. Incompetence of the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- z. The reputation and credibility of a broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- aa. What made the respondent decide which broker or insurer to go with initially?

APPENDIX D
Data analysis: Categories

- bb. Excellent service will influence the respondent's decision to stay with the organisation/Bad service will lead to termination of the policy.
- cc. Effective communication will have an influence on the respondent's decision to stay with the organisation/Bad communication will lead to termination of the policy.
- dd. The respondent feels valued and unique and this will or will not influence the respondent's decision to stay with the organisation/The respondent feels like a number and this will or will not influence the respondent's decision to stay with the organisation.
- ee. The broker or insurer going the extra mile will or will not influence the respondent's decision to stay with the organisation.
- ff. How accommodating the broker or insurer is will or will not influence the respondent's decision to stay with the organisation.
- gg. The respondent or the broker or insurer has the most power in the relationship.
- hh. The respondent wants or does not want the power in the relationship with the insurer.
- ii. Loyalty towards the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- jj. Trust in the broker or insurer will or will not influence respondent's decision to stay with the organisation.
- kk. Being satisfied with the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- ll. Mutual commitment towards the relationship will or will not influence the respondent's decision to stay with the organisation.

PHASE III
CONTENT ANALYSIS: CATEGORIES

- a. Convenience will or will not influence the respondent's decision to stay with the organisation.
- b. Speed and promptness of doing business will influence the respondent's decision to stay with the organisation/Consuming time will result in the termination of the policy by the respondent.
- c. The effective handling of claims will or will not influence the respondent's decision to stay with the organisation.
- d. Comfort with the relationship will or will not influence the respondent's decision to stay with the organisation.
- e. Quality advice and the explanation of contract details (getting what you thought you will get) will or will not influence the respondent's decision to stay with the organisation.
- f. Openness and transparency from the broker or insurer and knowing what you are paying for and getting, will or will not influence the respondent's decision to stay with the organisation.
- g. Honesty from the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- h. The respondent wants a relationship or not/A relationship will or will not influence the respondent's decision to stay with the organisation.
- i. The respondent prefers a relationship to know someone carries his/her best interest at heart/the respondent is taken care of and can enjoy peace of mind.
- j. The respondent wants to deal with a single person/call centre/not with call centre.
- k. The respondent requires a relationship for assistance and to resolve issues.
- l. A relationship is effective when there is a personal touch and the broker or insurer knows the respondent's situation.
- m. The respondent puts a price on the relationship/The premium includes a relationship.

APPENDIX D

Data analysis: Categories

- n. The respondent prefers to handle the policy him/herself on-line rather than using a broker or insurer to assist.
- o. A negative change in policy circumstances will lead to instant termination of the policy, if no relationship exists.
- p. A respondent will first try to resolve issues, when there are negative changes on the policy, before terminating the policy, if a good relationship exists.
- q. The broker or insurer understands the client.
- r. Pricing of the policy will or will not influence the respondent's decision to stay with the organisation.
- s. The knowledge of the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- t. Excellent service will influence the respondent's decision to stay with the organisation/Bad service will lead to termination of the policy.
- u. An increased premium without any communication from the broker or insurer will make termination of the policy easier for the respondent.
- v. Effective communication will have an influence on the respondent's decision to stay with the organisation/Bad communication will lead to termination of the policy.
- w. The respondent feels valued and unique and this will or will not influence the respondent's decision to stay with the organisation/The respondent feels like a number and this will or will not influence the respondent's decision to stay with the organisation.
- x. The broker or insurer going the extra mile will or will not influence the respondent's decision to stay with the organisation.
- y. The respondent or the broker or insurer has the most power in the relationship.
- z. The respondent wants or does not want the power in the relationship with the insurer.
- aa. Loyalty towards the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- bb. Trust in the broker or insurer will or will not influence respondent's decision to stay with the organisation.

APPENDIX D
Data analysis: Categories

- cc. Being satisfied with the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- dd. Mutual commitment towards the relationship will or will not influence the respondent's decision to stay with the organisation.
- ee. The importance of client retentions.
- ff. The effect of client retentions on organisational profits
- gg. Being a socially responsible organisation will or will not influence the respondent's decision to stay with the organisation.
- hh. The role of strategy in the retention of clients.
- ii. The importance of a cross-functional approach to client retentions.
- jj. The role of segmentation in the retention of clients.
- kk. The relevance of IT systems in the retention of clients.

APPENDIX E
Data analysis: Themes

PHASE II
CONTENT ANALYSIS: THEMES

THEME 1: CLIENTS ARE MORE LIKELY TO TERMINATE A POLICY IF NO RELATIONSHIP EXISTS AND NEGATIVE CHANGES IN POLICY CIRCUMSTANCES OCCUR.

- *Category a:* A negative change in policy circumstances will lead to instant termination of the policy, if no relationship exists.
- *Category b:* A respondent will first try to resolve issues, when there are negative changes on the policy, before terminating the policy, if a good relationship exists.
- *Category c:* An increased premium without any communication from the broker or insurer will make termination of the policy easier for the respondent.

THEME 2: EASE, SPEED AND CONVENIENCE OF DOING BUSINESS ARE LIKELY TO INFLUENCE A CLIENT TO STAY WITH THE ORGANISATION.

- *Category d:* The ease of doing business will or will not influence the respondent's decision to stay with the organisation.
- *Category e:* Convenience will or will not influence the respondent's decision to stay with the organisation.
- *Category f:* Speed and promptness of doing business will influence the respondent to stay with the organisation/Consuming time will result in the termination of the policy by the respondent.
- *Category g:* The least amount of administration will or will not influence the respondent's decision to stay with the organisation.
- *Category h:* The effective handling of claims will or will not influence the respondent's decision to stay with the organisation.

THEME 3: A CLIENT WHO IS COMFORTABLE IS MORE LIKELY TO STAY WITH THE ORGANISATION.

- *Category i:* Comfort with the relationship will or will not influence the respondent's decision to stay with the organisation.
- *Category j:* If the respondent is not satisfied or dissatisfied, but comfortable, this will or will not influence the respondent's decision to stay with the organisation.

THEME 4: GIVING HONEST ADVICE AND EXPLAINING THE FINER DETAILS OF THE INSURANCE CONTRACT ARE LIKELY TO INFLUENCE A CLIENT TO STAY WITH THE ORGANISATION.

- *Category k:* Quality advice and the explanation of contract details (getting what you thought you will get) will or will not influence the respondent's decision to stay with the organisation.
- *Category l:* Openness and transparency from the broker or insurer and knowing what you are paying for and getting, will or will not influence the respondent's decision to stay with the organisation.
- *Category m:* Honesty from the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

THEME 5: THE RELEVANCE OF A RELATIONSHIP FOR A CLIENT.

- *Category n:* The respondent wants a relationship or not/A relationship will or will not influence the respondent's decision to stay with the organisation.
- *Category o:* The respondent prefers a relationship to know someone carries his/her best interest at heart/respondent is taken care of and can enjoy peace of mind.
- *Category p:* The respondent wants to deal with a single person/call centre/not with call centre.
- *Category q:* The respondent requires a relationship for assistance and to resolve issues.
- *Category r:* A relationship is effective when there is a personal touch and the broker or insurer knows the respondent's situation.

APPENDIX E

Data analysis: Themes

- *Category s:* The respondent puts a price on the relationship/The premium includes a relationship.
- *Category t:* The respondent prefers to handle the policy him/herself on-line rather than using a broker or insurer to assist.

THEME 6: THE BENEFITS AND PRICE OF THE INSURANCE POLICY AND EXCESSES PAYABLE WHEN A CLAIM ARISES.

- *Category u:* The benefits of the policy will or will not influence the respondent's decision to stay with the organisation.
- *Category v:* Pricing of the policy will or will not influence the respondent's decision to stay with the organisation.
- *Category w:* The excesses on the policy will or will not influence the respondent's decision to stay with the organisation.

THEME 7: THE KNOWLEDGE AND COMPETENCY OF THE CONSULTANTS REPRESENTING THE ORGANISATION.

- *Category x:* The knowledge of broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- *Category y:* Incompetence of broker or insurer will or will not influence the respondent's decision to stay with the organisation.

THEME 8: HOW A CLIENT CHOOSES A SPECIFIC BROKER OR INSURER.

- *Category z:* The reputation and credibility of the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- *Category aa:* What made the respondent decide which broker or insurer to go with initially?

THEME 9: EXCELLENT SERVICE IS LIKELY TO INFLUENCE A CLIENT TO STAY WITH THE ORGANISATION.

- *Category bb:* Excellent service will influence the respondent's decision to stay with the organisation/Bad service will lead to termination of the policy.

THEME 10: EFFECTIVE COMMUNICATION CAN DETERMINE THE LIKELINESS OF A CLIENT TO STAY IN A RELATIONSHIP WITH THE ORGANISATION.

- *Category c:* An increased premium without any communication from the broker or insurer will make termination of the policy easier for the respondent.
- *Category cc:* Effective communication will have an influence on the respondent's decision to stay with the organisation/Bad communication will lead to termination of the policy.

THEME 11: WHEN AN ORGANISATION IS CLIENT CENTRIC, A CLIENT IS MORE LIKELY TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category dd:* The respondent feels valued and unique and this will or will not influence the respondent's decision to stay with the organisation/The respondent feels like a number and this will or will not influence the respondent's decision to stay with the organisation.
- *Category ee:* The broker or insurer going the extra mile will or will not influence the respondent's decision to stay with the organisation.
- *Category ff:* How accommodating the broker or insurer is will or will not influence the respondent's decision to stay with the organisation.

THEME 12: THE INFLUENCE OF THE POWER BALANCE OF THE RELATIONSHIP ON THE DECISION OF A CLIENT TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category gg:* The respondent or the broker or insurer has the most power in the relationship.
- *Category hh:* The respondent wants or does not want the power in the relationship with the broker or insurer.

THEME 13: LOYALTY TOWARDS THE ORGANISATION IS LIKELY TO INFLUENCE A CLIENT TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category ii:* Loyalty towards the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

THEME 14: WHEN A CLIENT TRUSTS A BROKER OR INSURER, THE CLIENT IS MORE LIKELY TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category jj:* Trust in the broker or insurer will or will not influence respondent's decision to stay with the organisation.

THEME 15: FEELING SATISFIED TOWARDS THE ORGANISATION IS LIKELY TO INFLUENCE A CLIENT TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category kk:* Being satisfied with the broker or insurer will or will not influence the respondent's decision to stay with the organisation.
- *Category j:* If the respondent is not satisfied or dissatisfied, but comfortable, it will or will not influence the respondent's decision to stay with the organisation.

THEME 16: MUTUAL COMMITMENT TOWARDS THE RELATIONSHIP IS LIKELY TO INFLUENCE A CLIENT TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category ll:* Mutual commitment towards the relationship will or will not influence the respondent's decision to stay with the organisation.

PHASE III
CONTENT ANALYSIS: THEMES

THEME 1: SPEED AND CONVENIENCE OF DOING BUSINESS ARE LIKELY TO INFLUENCE A CLIENT TO STAY WITH THE ORGANISATION.

- *Category a:* Convenience will or will not influence the respondent's decision to stay with the organisation.
- *Category b:* Speed and promptness of doing business will influence the respondent to stay with the organisation/Consuming time will result in the termination of the policy by the respondent.
- *Category c:* The effective handling of claims will or will not influence the respondent's decision to stay with the organisation.
- *Category d:* Comfort with the relationship will or will not influence the respondent's decision to stay with the organisation.

THEME 2: GIVING HONEST ADVICE AND EXPLAINING THE FINER DETAILS OF THE INSURANCE CONTRACT ARE LIKELY TO INFLUENCE A CLIENT TO STAY WITH THE ORGANISATION.

- *Category e:* Quality advice and the explanation of contract details (getting what you thought you will get) will or will not influence the respondent's decision to stay with the organisation.
- *Category f:* Openness and transparency from the broker or insurer and knowing what you are paying for and getting, will or will not influence the respondent's decision to stay with the organisation.
- *Category g:* Honesty from the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

THEME 3: THE RELEVANCE OF A RELATIONSHIP FOR A CLIENT.

- *Category h:* The respondent wants a relationship or not/A relationship will or will not influence the respondent's decision to stay with the organisation.

APPENDIX E

Data analysis: Themes

- *Category i:* The respondent prefers a relationship to know someone carries his/her best interest at heart/respondent is taken care of and can enjoy peace of mind.
- *Category j:* The respondent wants to deal with a single person/call centre/not with call centre.
- *Category k:* The respondent requires a relationship for assistance and to resolve issues.
- *Category l:* A relationship is effective when there is a personal touch and the broker or insurer knows the respondent's situation.
- *Category m:* The respondent puts a price on the relationship/The premium includes a relationship.
- *Category n:* The respondent prefers to handle the policy him/herself on-line rather than using a broker or insurer to assist.
- *Category o:* A negative change in policy circumstances will lead to instant termination of the policy, if no relationship exists.
- *Category p:* A respondent will first try to resolve issues, when there are negative changes on the policy, before terminating the policy, if a good relationship exists.
- *Category q:* The broker or insurer understands the client.

THEME 4: THE INFLUENCE OF PRICE ON THE DECISION OF A CLIENT TO STAY WITH THE ORGANISATION.

- *Category r:* Pricing of the policy will or will not influence the respondent's decision to stay with the organisation.

THEME 5: THE KNOWLEDGE OF THE CONSULTANTS REPRESENTING THE ORGANISATION.

- *Category s:* The knowledge of broker or insurer will or will not influence the respondent's decision to stay with the organisation.

THEME 6: EXCELLENT SERVICE IS LIKELY TO INFLUENCE A CLIENT TO STAY WITH THE ORGANISATION.

- *Category t:* Excellent service will influence the respondent's decision to stay with the organisation/Bad service will lead to termination of the policy.

THEME 7: EFFECTIVE COMMUNICATION CAN DETERMINE THE LIKELINESS OF A CLIENT TO STAY IN A RELATIONSHIP WITH THE ORGANISATION.

- *Category u:* An increased premium without any communication from the broker or insurer will make termination of the policy easier for the respondent.
- *Category v:* Effective communication will have an influence on the respondent's decision to stay with the organisation/Bad communication will lead to termination of the policy.

THEME 8: WHEN AN ORGANISATION IS CLIENT CENTRIC, A CLIENT IS MORE LIKELY TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category w:* The respondent feels valued and unique and this will or will not influence the respondent's decision to stay with the organisation/The respondent feels like a number and this will or will not influence the respondent's decision to stay with the organisation.
- *Category x:* The broker or insurer going the extra mile will or will not influence the respondent's decision to stay with the organisation.

THEME 9: THE INFLUENCE OF THE POWER BALANCE OF THE RELATIONSHIP ON THE DECISION OF A CLIENT TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category y* The respondent or the broker or insurer has the most power in the relationship.

APPENDIX E

Data analysis: Themes

- *Category z:* The respondent wants or does not want the power in the relationship with the broker or insurer.

THEME 10: LOYALTY TOWARDS THE ORGANISATION IS LIKELY TO INFLUENCE A CLIENT TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category aa:* Loyalty towards the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

THEME 11: WHEN A CLIENT TRUSTS A BROKER OR INSURER, THE CLIENT IS MORE LIKELY TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category bb:* Trust in the broker or insurer will or will not influence respondent's decision to stay with the organisation.

THEME 12: FEELING SATISFIED TOWARDS THE ORGANISATION IS LIKELY TO INFLUENCE A CLIENT TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category cc:* Being satisfied with the broker or insurer will or will not influence the respondent's decision to stay with the organisation.

THEME 13: MUTUAL COMMITMENT TOWARDS THE RELATIONSHIP IS LIKELY TO INFLUENCE A CLIENT TO STAY IN THE RELATIONSHIP WITH THE ORGANISATION.

- *Category dd:* Mutual commitment towards the relationship will or will not influence the respondent's decision to stay with the organisation.

THEME 14: THE IMPORTANCE OF CLIENT RETENTIONS IN THE ORGANISATION.

- *Category ee:* The importance of client retentions.
- *Category ff:* The effect of client retentions on organisational profits.

***THEME 15: STRATEGIC APPROACHES OF THE ORGANISATION
TOWARDS THE RETENTION OF CLIENTS.***

- *Category gg:* Being a socially responsible organisation will or will not influence the respondent's decision to stay with the organisation.
- *Category hh:* The role of strategy in the retention of clients.
- *Category ii:* The importance of a cross-functional approach to client retentions.
- *Category jj:* The role of segmentation in the retention of clients.
- *Category kk:* The relevance of IT systems in the retention of clients.