

**LOYALTY INTENTIONS AND SELECTED RELATIONSHIP QUALITY
CONSTRUCTS – THE MEDIATING EFFECT OF CUSTOMER ENGAGEMENT**

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Abstract

Purpose – The study assesses the mediating effect of customer engagement on the relationships between selected relationship quality and value antecedents (commitment, customer satisfaction, trust and customer value), and the consequence (loyalty intentions) within the short-term insurance industry.

Design/methodology/approach – A descriptive research design that is quantitative in nature was followed and 491 responses from insurance customers were analysed.

Findings – Short-term insurers should facilitate customer engagement by implementing strategies that foster customer commitment, ensure customer satisfaction, build trust and create customer value. Facilitating customer engagement may lead to stronger loyalty intentions amongst customers towards the short-term insurer.

Research implications – The investigation offers a greater understanding of the relevance and importance of the customer engagement theory and the impact it may have in strengthening the relationships between factors of the relationship marketing domain and customer loyalty.

Practical implications – From a managerial perspective, it is evident that short-term insurers should facilitate customer engagement carrying out strategies that foster customer commitment, ensure customer satisfaction, build trust and create customer value.

Originality/value – Building on the work of earlier relationship and quality management scholars, the study provides new insight into the role and relevance of relationship quality and value factors and customer engagement, while simultaneously being assessed for their contribution to customer loyalty.

Keywords – loyalty intentions; commitment; customer engagement; customer satisfaction; customer value; trust; short-term insurance industry.

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1 Introduction

Understanding customer loyalty is not a new research question, but rather one that continues to garner interest among relationship and quality management scholars. Customer loyalty – referring to customers' commitment to rebuy or repatronise a given product or service regardless of external influences – is well recognised as a strategic tool to increase sales and profit margins, reduce marketing and operational costs, and benefit from advocacy and customers who are less price-sensitive and who will resist competitor offerings (Aaker, 1991; Biscaia *et al.*, 2017:1510-1511; Caceres and Paparoidamis, 2007; Dick and Basu, 1994; Izogo, 2017:19; Oliver, 1999; Reichheld, 1996; Reichheld and Scheffer, 2000). Accordingly, customer loyalty research remains a core focus of relationship and quality management (Boakye *et al.*, 2017:21; Cheng *et al.*, 2013:463), and is increasingly being studied

to advance knowledge on its antecedents and to enable organisations to take full advantage of its benefits.

Among the studies conducted in recent years, an emerging school of thought was noticed, where it is believed that customers' level of engagement may contribute to them remaining loyal towards the organisation. Thus far, a number of research models have been identified, confirming the relationship between customer engagement and customer loyalty (Hapsari *et al.*, 2017; O'Brien *et al.*, 2015; So *et al.*, 2016).

These findings are interesting, seeing that customer engagement is perceived as an outcome of relationship quality and customers' perceptions of value, while it is also well recognised that relationship quality and value may affect customer loyalty (Hollebeek *et al.*, 2016; Islam and Rahman, 2016; Lai *et al.*, 2009; Ndubisi, 2007; Pansari and Kumar, 2017; Van Doorn *et al.*, 2010). The quality of relationships between partners (businesses and customers) indicates the extent to which the relationships would endure over the long term (Caceres and Paparoidamis, 2007:837). Several scholars have confirmed the positive connection between relationship quality and customer loyalty (Bojei and Alwie, 2010; Lian and Yoong, 2017; Ruswanti and Lestari, 2016), as well as between value and customer loyalty (Lin and Wang, 2006; Van Tonder, 2016). Hence, it is plausible that in addition to being a direct antecedent of customer loyalty, customer engagement may also serve a mediating role and strengthen the relationship between relationship quality and value with customer loyalty.

To a large extent, these relationships have been overlooked in quality and relationship marketing research, which has only been concerned with the direct relationship of relationship quality, value and customer engagement with customer loyalty. Extant research has not yet provided a comprehensive account of the role

and relevance of relationship quality and value factors and customer engagement, while simultaneously being assessed for their contribution to customer loyalty.

To assist in addressing this research gap, the main purpose of this study was to investigate the mediating effect of customer engagement on the relationships between its antecedents (three selected relationship quality factors and perceived value) and customer loyalty as a consequence. The context of the present study is the South African short-term insurance industry. This industry is characterised by fierce competition, undifferentiated offerings and low switching barriers for customers, where the loyalty of customers is critical to business survival and growth (Mackay *et al.*, 2015). Customers are typically price-sensitive, will shop around for the best deals, and tend to believe there are not many differences between the basic short-term insurance products available on the market (MarketLine, 2016). For this reason, it has become increasingly important for short-term insurers to engage with customers and build solid relationships with them. Snyders (2014) asserts that organisations like short-term insurers will benefit if they place customers at the centre of their business strategies, and in the long run customers who are engaged may remain loyal towards them. However, this assertion requires further investigation in respect of the South African short-term insurance industry and the extent to which quality relationship and perceptions of value would foster greater engagement, contributing to enhanced customer loyalty.

Therefore, from a theoretical perspective, the research findings may explain the significance of the customer engagement theory in strengthening the relationship between selected relationship quality factors and value with customer loyalty. From a managerial perspective, the study may strategically guide short-term insurers in understanding the extent to which relationship quality, value and engagement should be prioritised when building relationships with customers, to the benefit of the organisations concerned.

The remainder of this article is structured as follows: a theoretical framework is presented first, providing more insight into the South African short-term insurance industry, customer engagement, relationship quality, the constructs investigated as well as the theoretical model and research hypotheses formulated. Thereafter, the research methodology is outlined. The article concludes with a discussion of the research findings as well as the theoretical and managerial implications of the study.

2 Theoretical framework

2.1 *The South African short-term insurance industry in perspective*

The South African short-term insurance industry comprises 92 short-term insurers and seven reinsurers (Financial Services Board, 2015). Approximately 40% of short-term insurance customers are older than 50 years, followed by 37% aged 35 to 49, 19% between 25 and 34 years old, and 5% aged 15 to 24 years (Insight Survey, 2016:9). Because short-term insurers do not transact with life-insurance businesses, they are regarded as non-life (property) insurers (Sibindi and Zingwevu, 2015:100). In South Africa, Santam holds the largest market share (24%), followed by Mutual & Federal (11%), Hollard (9%), Outsurance (7%), Guardrisk (7%), Zurich (4%), Absa (6%), Telesure (7%), AIG (3%), Standard Insurance (2%), and other smaller insurers (20%). The motor and property risk segment contributes 77.5% of the total net written premiums, while four insurers dominate the market and are responsible for 51.7% of the gross written premium in the market (KPMG, 2015:92-93). As positioned in the introduction, the South African short-term insurance industry is further characterised by intense competition, where consumers can easily switch between short-term insurers providing similar offerings (Mackay *et al.*, 2015). In this environment, customer engagement and customer loyalty may be essential for business survival over the long term.

2.2 Customer engagement

Customer engagement has become a well-recognised concept within the marketing discipline and is increasingly receiving attention in academic literature (Brodie *et al.*, 2011; Chathoth *et al.*, 2016; Hollebeek, 2011; Mollen and Wilson, 2010; O'Brien *et al.*, 2015; Patterson *et al.*, 2006; Vivek *et al.*, 2012). At present, there is no consensus on a generally accepted definition of customer engagement (So *et al.*, 2014). Brodie *et al.* (2011), informed by the findings of a systematic review of the concept, concluded that:

“[c]ustomer engagement (CE) is a psychological state that occurs by virtue of interactive, cocreative customer experiences with a focal agent/object (e.g., a brand) in focal service relationships. It occurs under a specific set of context-dependent conditions generating differing CE levels; and exists as a dynamic, iterative process within service relationships that cocreate value.”

Hence, customer engagement is seen as a multidimensional construct that describes a customer's state of mind resulting from experiences of a particular relationship with a service provider (Brodie *et al.*, 2011; So *et al.*, 2014).

So *et al.* (2014) validated five dimensions of the customer engagement scale in a services context (hotel and airline industries):

- **Identification:** This relates to the extent to which a customer will identify with the organisation or brand. Identification occurs when the customer's self-image and the brand's image align (So *et al.*, 2014; So, King, Sparks, *et al.*, 2014).
- **Enthusiasm:** This dimension can be described as the customer's excitement level and interest towards the organisation's brand or engaged object. Enthusiasm is regarded as a positive affective state that is active and enduring (Grillo and Damacena, 2015; So *et al.*, 2014).

- **Attention:** Customers engaged with the company's brand may also focus a lot of attention on the brand or object of engagement. Attention refers to a customer's attentiveness towards the organisation's brand and may occur at a conscious and an unconscious level (Grillo and Damacena, 2015; So *et al.*, 2014; So, King, Sparks, *et al.*, 2014).
- **Absorption:** Absorption is a more advanced state of attention, referring to a high level of attention and fixation by the customer when interacting with the organisation's customers and brand. Engagement through absorption is facilitated when the customer is deeply immersed in the task, time passes quickly, and the customer is fixated and happy while interacting with the brand (So *et al.*, 2014; So, King, Sparks, *et al.*, 2014).
- **Interaction:** This relates to a customer's participation in both offline and online activities relating to the organisation's brand, and may include the sharing of thoughts, ideas, feelings and experiences. Interaction occurs between two individuals with a common interest in the object of engagement (Grillo and Damacena, 2015; So *et al.*, 2014).

The present study focused on all the dimensions of the customer engagement construct as postulated above.

2.3 Relationship marketing, relationship quality and perceived value

According to Grönroos (1994), relationship marketing aims “to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met”. Relationship quality relates to “the dynamics of long-term quality formation in ongoing customer relationships” (Grönroos, 2007). Moreover, it provides an indication of the strength of a relationship (Garbarino and Johnson, 1999; Izogo, 2016). Relationship quality is also believed to represent a bundle of intangible value that enhances the product or service offering (Giovanis *et al.*, 2015; Levitt, 1986). Therefore, relationship quality can be viewed as

an intangible value offering that indicates the strength of an organisation's relationship with customers and that is treasured over the long term.

Further, researchers seem to agree that customer satisfaction, trust and commitment remain central components of the relationship quality domain (Crosby *et al.*, 1990; Dorsch *et al.*, 1998; Hennig-Thurau *et al.*, 2002; Smith, 1998).

2.3.1 *Customer satisfaction*

Customer satisfaction has been acknowledged as:

- “the buyer’s cognitive state of being adequately or inadequately rewarded in a buying situation for the sacrifice he has undergone” (Howard and Sheth, 1969);
- “the consumer’s evaluation of the extent to which the product or service fulfils the complete set of wants and needs” (Czepiel *et al.*, 1974); and
- “the summary psychological state resulting when the emotion surrounding disconfirmed expectation is coupled with the consumer’s prior feeling about the consumption experience” (Oliver, 1981).

These seminal contributions support the widely accepted view that the expectancy/disconfirmation paradigm model grounds customer satisfaction (Caruana, 2002; Pizam and Ellis, 1999). Customers will hold certain expectations about a service and will evaluate the performance received on these.

Some scholars believe that the evaluation of the service delivery is a cognition-based phenomenon relating to a customer’s psychological interpretations of any differences between services expected and the performance delivered. Other researchers believe that the customer’s feelings during and after the consumption process may impact the satisfaction levels reported (an affect-based phenomenon). Customer satisfaction may also be regarded as transaction-specific or cumulative, referring to the overall evaluation of the service delivered (Ekinci *et al.*, 2008; Homburg *et al.*, 2006; Narteh, 2015; Westbrook, 1987).

Regardless of the evaluation approach followed, not all customers have the same level of expectation regarding service delivery. Customer expectations may be influenced by personal needs, objectives and past experiences (Torres, 2014). For the purpose of this study, all three perspectives of customer satisfaction, namely cognitive, affective and behavioural satisfaction, were considered.

2.3.2 *Trust*

Trust is best described as the inclination to depend on another entity (service provider) in which the customer has faith (Moorman *et al.*, 1993), a belief that the service provider will act in a predictable manner (Grönroos, 2000), and confidence that the service provider will always act reliably and with integrity (Morgan and Hunt, 1994).

The concept of trust further comprises two dimensions: performance or credibility trust and benevolence trust. Performance trust relates to a customer's confidence in the service provider's ability to offer good-quality services. Benevolence trust refers to the customer's confidence that the service provider will deliver a reliable and competent service with care, concern, honesty and compassion towards the consumer (Kandampully *et al.*, 2015). This study considers trust from both performance and benevolence trust perspectives.

2.3.3 *Commitment*

Customer commitment is defined as a consumer's aspiration to maintain a valued relationship with another party, such as a service provider (Jones *et al.*, 2010; Moorman *et al.*, 1992). Customers displaying commitment believe that the relationship with the service provider is so important that it would be beneficial to make an effort to maintain it (Dwyer *et al.*, 1987; Morgan and Hunt, 1994).

Commitment to various entities, such as people, organisations, goals, pets, groups and ideals, leads to different relationship-related outcomes and comprises three

dimensions: affective, calculative and normative commitment (Jones *et al.*, 2010). *Affective commitment* relates to the customer's feelings and emotional attachment towards the service provider. *Calculative commitment* (also referred to as continuance commitment or cognitive commitment) is more functional in nature and refers to the customer's inclination to remain with the organisation, because the alternatives are less attractive. Therefore, customers need to make a calculative decision on what would be lost should the relationship be terminated. *Normative commitment* relates to the customer's feeling of obligation to remain in a relationship with the service provider and could be influenced by the social environment. This social environment may pressure the customer to perform in a certain manner or to adhere to specific standards of behaviour (Jones *et al.*, 2010; Shukla *et al.*, 2016).

In this study, only the affective and calculative dimensions of commitment were considered, as it is believed that customers of short-term insurers are not really obliged to remain committed to the insurer. Customers are under no contractual obligation to stay committed to the insurer in the long term.

2.3.4 *Customer perceived value*

Customer value is classically perceived to be “the fundamental basis for all marketing activity” (Holbrook, 1994), and “an element of the first order within relationship marketing” (Roig *et al.*, 2006). Customer value may assist a service provider in obtaining a competitive advantage over its rivals. The reciprocity between two parties in a business relationship leads to the development of customer value that is assessed on the basis of the consumer's consumption experience (Chen, 2015). More specifically, customer value involves consumers' judgement regarding the usefulness of an offering, as guided by their perceptions of what is being received (benefit) and what is being given in return (sacrifice) (Zeithaml, 1988).

Perceived value comprises a functional dimension and an affective dimension. The *functional dimension* relates to the consumer's economic assessment of the

organisational offering, while the *affective dimension* is associated with the emotional and social valuations of the individual (Chai *et al.*, 2015; Eggert and Ulaga, 2002). In this study, only the functional dimension of customer value was considered, as it was argued that price-sensitive customers would prefer to base their decisions on an economic assessment of the short-term insurer's offering.

2.4 Customer loyalty

Loyalty is viewed as a consequence of relationship marketing practices that have been implemented successfully (Ndubisi, 2007). The concept is defined as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand-set purchasing, despite situational influences and marketing efforts that have the potential to cause switching behavior" (Oliver, 1997).

Customer loyalty is measured from both behavioural and attitudinal perspectives. *Behavioural loyalty* relates to the repeat purchase frequency of the customer, while *attitudinal loyalty* is grounded in the consumer's feelings towards a brand and confirmed intention. However, most research studies focus only on the attitudinal measurement of loyalty, relating to repurchase and recommendation intentions (Chiou *et al.*, 2002; Kandampully and Suhartanto, 2000; Sondoh *et al.*, 2007). It seems that behavioural loyalty can be regarded as the outcome of attitudinal loyalty that is observable, and that an understanding of the attitude towards the act is required to influence behavioural loyalty (Bennett and Rundle-Thiele, 2002).

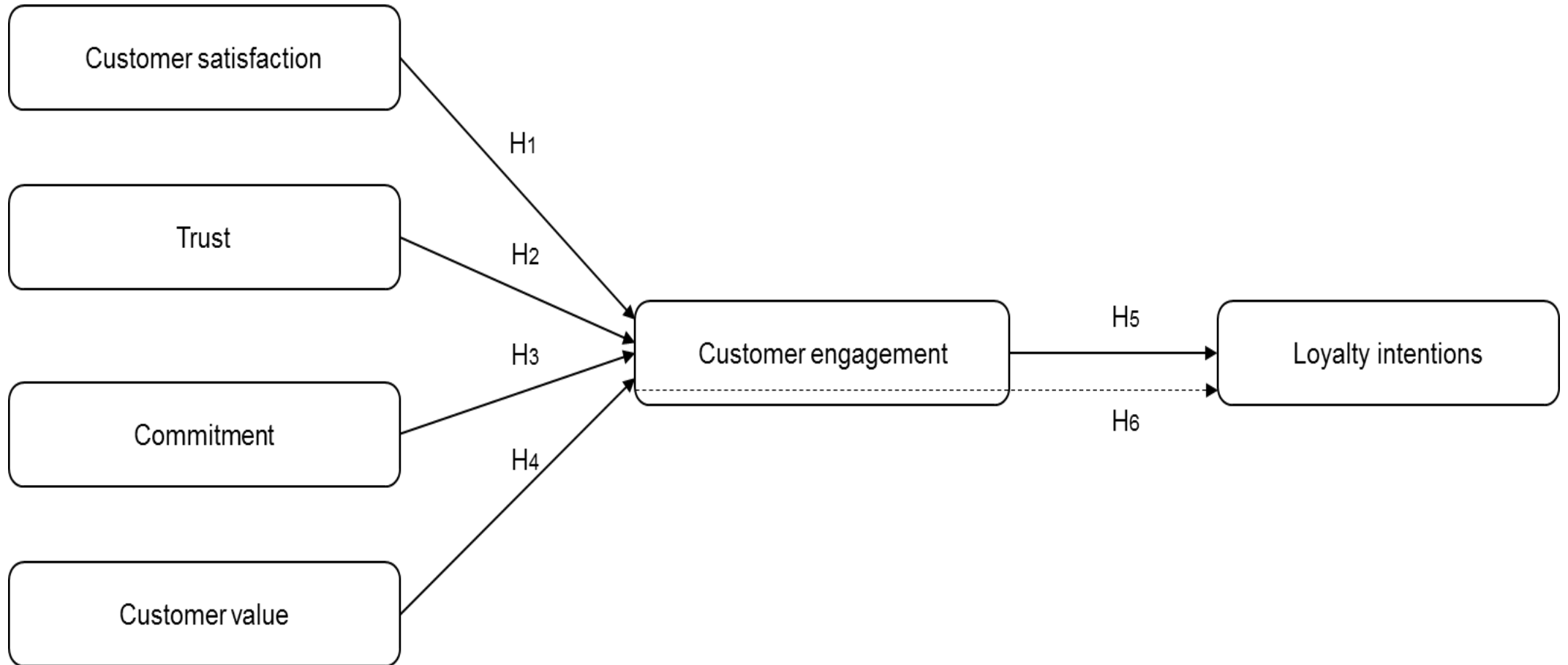
Consequently, for the purpose of this study, it was decided to follow convention and to focus on the attitudinal dimension of customer loyalty, referred to in this study as loyalty intentions.

Table 1 provides a brief summary of the six research constructs selected for further investigation.

Table 1: Summary of constructs investigated

Construct	Definition	Source
Customer satisfaction	Relates to customers' cognitive, affective and behavioural evaluation of a service compared to predetermined expectations.	Ekinci et al. (2008) Homburg et al. (2006) Narteh (2015) Westbrook (1987)
Trust	Relates to customers' confidence in the service provider's ability to offer good-quality services (performance) and the customers' confidence that the service provider will deliver a reliable and competent service with care, concern, honesty and compassion towards the consumer (benevolence).	Kandampully et al. (2015)
Commitment	Relates to customers' feelings and emotional attachment towards the service provider (affective) as well as their inclination to remain with the organisation, because the alternatives are less attractive (calculative).	Jones et al. (2010) Shukla et al. (2016)
Customer perceived value	Relates to customers' economic assessment of the organisational offering (functional).	Chai et al. (2015) Eggert and Ulaga (2002)
Customer engagement	Relates to a customer's state of mind resulting from experiences of a particular relationship with a service provider.	Brodie et al. (2011) So et al. (2014a)
Loyalty intentions	Relates to customers' repurchase and recommendation intentions (attitudinal)	Chiou et al. (2002) Kandampully and Suhartanto (2000) Sondoh et al. (2007)

Figure 1: Conceptual model



Source: Researchers' own construct

2.5 Proposed integrative model

The proposed integrative model and hypothesised relationships are depicted in Figure 1.

Several researchers have argued that customer satisfaction, trust, commitment and customer value may serve as independent variables (antecedents) that could impact on a customer's level of engagement with an organisation (Brodie *et al.*, 2011; Hollebeek, 2011; So *et al.*, 2014; Van Doorn *et al.*, 2010).

It is believed that a relationship formed on trust and commitment may lead to engagement, which is the next logical step in the process (Pansari and Kumar, 2017:300). Trust may contribute to customers feeling more connected to the organisation and may relate to perceptions of affiliation, identification and attachment, that is customer engagement behaviour (Bowden, 2009:579; Story and Hess, 2006). Furthermore, customers who are highly committed to the organisation tend to have feelings of attachment and will have higher levels of identification with the service provider (De Matos and Rossi, 2008:581).

Concerning perceived value, it is believed that customers who appreciate the value received may become engaged with the organisation. Higher levels of perceived value are positively associated with a greater amount of customer engagement (Gardner, 2017:17). Customers who are satisfied with a company's offerings tend to be less motivated to search for the benefits of an alternative provider. In fact, the number of alternatives considered by highly satisfied customers are dramatically reduced, as they have little incentive to consider other options. The alternatives are being ignored in favour of the organisational offerings with which they are highly satisfied (Anderson and Mittal, 2000:114). Hence, highly satisfied customers seem to pay attention to the company they feel enthusiastic about and engage in

absorption behaviour, where they are fixated on a particular provider and its offerings.

Considering the above arguments, this study proposed that:

H1: Customer satisfaction significantly and positively impacts on customer engagement.

H2: Trust significantly and positively impacts on customer engagement.

H3: Commitment significantly and positively impacts on customer engagement.

H4: Customer value significantly and positively impacts on customer engagement.

It has also been indicated that customers who are engaged with an organisation may be more inclined to be loyal towards it (Brodie *et al.*, 2011; Chathoth *et al.*, 2016; O'Brien *et al.*, 2015; So *et al.*, 2014). Customer engagement may strengthen loyalty and lead to customers being willing to make a purchase (Hollebeek, 2009; Patterson *et al.*, 2006) as a consequence of customers' solid and lasting psychological connection with the brand as well as their interactive brand experiences in the post-consumption stage. Customer engagement affects brand attitudes and thus loyalty behaviour (So *et al.*, 2016:67).

Subsequently, it was hypothesised that:

H5: Customer engagement significantly and positively impacts on loyalty intentions.

Considering *H1* to *H5*, the possibility also existed that customer engagement may serve as a mediating variable between the antecedents of customer satisfaction, trust, commitment and customer value, and the outcome variable of loyalty intentions. Extant research seems to support this view. It has been noted that in an online brand community context, customer satisfaction may lead to greater

engagement, which in turn may enhance brand loyalty outcomes (Islam and Rahman, 2017:100). Pansari and Kumar (2017:300) propose that a trusting relationship may lead to engagement and also postulate that repeat purchases and word-of-mouth referrals (denoting loyalty behaviour) may serve as consequences of customer engagement (Pansari and Kumar, 2017:305-306). Committed customers who identify with the company and hold feelings of attachment may display loyalty behaviours, such as providing positive word-of-mouth referrals, for consistency purposes and to provide justification for their positive attitudes and firm identification (De Matos and Rossi, 2008:581). It has also been found that loyalty may indirectly be promoted if customers perceiving value participate in brand engagement activities (Leckie *et al.*, 2018).

Accordingly, it was finally hypothesised that:

H6: Customer engagement mediates the relationships between the antecedents (customer satisfaction, trust, commitment and customer value) and their consequences (loyalty intentions).

3 Research methodology

3.1 Design, target population and sample

A descriptive research design that is quantitative in nature was followed. A total of 500 short-term insurance customers residing in the Gauteng province of South Africa were approached to participate in the study. The proposed sample size was deemed adequate, considering the guidelines provided by Hair *et al.* (2014) for conducting structural equation model analysis involving a large number of constructs. A two-stage sampling process was followed using non-probability sampling techniques, as a sampling frame containing the elements of concern for this study was not available. The sampling units were purposefully selected from the target population to ensure

the respondents represent the target population of the study. To further improve representativity of the sample across age and gender cohorts, quotas in this regard were filled. An equal number of female and male respondents, and identical numbers of respondents in four age cohorts (18 to 21; 22 to 39; 40 to 52; and 53 years and older) were selected to partake in the study.

3.2 Questionnaire

The self-administered questionnaire included questions used by Mackay (2013) to gain insight into the short-term insurer patronage habits of respondents. To measure the constructs of the study, measurement scales validated in previous studies were used that are aligned to the dimensions and perspectives adopted for this research, as indicated in the literature review. Five-point unlabelled Likert-type scales ranging from 1 (“strongly disagree”) to 5 (“strongly agree”) were used to measure these constructs. Customer satisfaction and customer value were measured with four measurement items each, using measurement scales used by Hellier *et al.* (2003). Trust was measured with four measurement items, while commitment (affective and calculative commitment) was measured with four measurement items per dimension, using measurement scales used by Verhoef *et al.* (2002). Customer engagement was measured with the scale used by So *et al.* (2014) to measure the construct across five dimensions – identification, enthusiasm, attention, absorption and interaction – with 25 measurement items. Loyalty intentions were also measured with a scale used by So *et al.* (2014) with four measurement items.

3.3 Data collection and analysis

Fieldworkers were trained to identify and survey respondents from the target population. The fieldworkers used screening questions to determine whether prospective respondents were indeed short-term insurance customers residing in the Gauteng province of South Africa at the time the fieldwork was undertaken. Once

this was confirmed, the fieldworkers determined the age and gender of the prospective participants to ensure the quota requirements of the study were met. The fieldworkers approached the respondents in public places and invited them to participate in the survey. If the prospective respondent refused to take part in the study, the next available participant was approached. Prospective respondents who met the screening criteria, the quota requirements and agreed to participate in the study were expected to complete a paper-based self-administered questionnaire and to return the completed questionnaire to the fieldworker. This included a cover letter informing the participants that their contributions would be completely voluntary, anonymous and that they would be allowed to withdraw from the survey at any time. A total of 491 satisfactorily completed self-administered questionnaires were collected for analysis. The data was analysed using SPSS 23.0, Hayes and Preacher's (2010) macro for mediation analysis in SPSS, and AMOS 23.0.

4 Results and findings

4.1 *Demographic profile and short-term insurer patronage habits*

The 491 respondents who took part in the study were equally represented in terms of gender. On average, respondents were 41 years old, with a standard deviation of 13.59 years. Although equal representation across the age cohorts was envisaged, only 2.9% of respondents were aged 21 years and younger, with the majority being 22 to 39 years old (45.8%), followed by participants who were 40 to 52 years old (29.5%), and then those aged 53 years and older (21.8%). Just under half of the respondents (48.1%) were married, with a third (34%) being single. More than half of the respondents (51.9%) spoke English as a home language, followed by 15.5% whose home language was Afrikaans. The majority of the participants (34.2%) held a university degree, followed by those who had matric (23.2%). At the time of filling in the questionnaire, most of the respondents (61.1%) were employed full-time by an organisation, while 18.9% were self-employed.

On average, the respondents had been doing business with their short-term insurer for at least five years and paid approximately R1 675.46 per month in premiums. A total of 92.1% of respondents had vehicle insurance, 41.3% of respondents had home owner's insurance, and 55.2% of respondents had household insurance.

4.2 Exploratory factor analysis

An exploratory factor analysis was conducted to verify the underlying structure of the constructs investigated. A principal component factor analysis with orthogonal rotation – Varimax rotation – was employed. An eigenvalue of one was considered as the cut-off point to determine the number of factors extracted. The Kaiser-Meyer-Olkin (KMO) value of 0.940 exceeds the suggested value of 0.6 (Kaiser, 1974). The Bartlett's Test of Sphericity of p -value = 0.000 is significant at p -value < 0.0001 (Bartlett, 1954) and the factors extracted explain 79.884% of the variance. Only one factor per proposed antecedent and consequence of customer engagement was extracted. Considering customer engagement, four factors were extracted compared to the five factors originally extracted by So *et al.* (2014), resulting in the "identification" and "enthusiasm" dimensions being merged into one factor. Subsequently, a confirmatory factor analysis was undertaken to assess the validity of the measurement model.

4.3 The measurement model

Regarding the confirmatory factor analysis, it was found that the items load satisfactorily on the constructs, with all loadings exceeding 0.5 and with all correlations being significant (p -value < 0.001). These findings illustrate adequate interplay between the constructs. Furthermore, the fit indices for the measurement model are satisfactory (CMIN/DF = 3.121, CFI = 0.914, TLI = 0.906 and RMSEA = 0.066).

All scales were found to be reliable with Cronbach's alpha coefficients exceeding 0.7, ranging between 0.799 and 0.970. As further indicated in Table 2, all construct reliability (CR) values are above 0.7, and the average variance extracted (AVE) for each scale exceeds 50%. Following the guidelines suggested by Hair *et al.* (2014), the findings provide sufficient evidence of convergent validity.

Table 2: Composite reliability (CR), convergent validity (AVE) and discriminant validity (MSV)

Construct	Composite reliability (CR)	Convergent validity (AVE)	Discriminant validity (MSV)
Customer satisfaction	0.943	0.806	0.616
Trust	0.901	0.752	0.637
Affective commitment	0.922	0.799	0.493
Calculative commitment	0.905	0.762	0.018
Customer value	0.804	0.509	0.640
Loyalty Intentions	0.944	0.809	0.640
Customer engagement (identity and enthusiasm)	0.950	0.686	0.404
Customer engagement (attention)	0.906	0.664	0.367
Customer engagement (absorption)	0.896	0.593	0.326
Customer engagement (interaction)	0.970	0.867	0.367

Discriminant validity was assessed by comparing the maximum shared variances (MSVs) for all constructs with their corresponding AVE values. From Table 2, it is evident that all MSV values are lower than the corresponding AVEs, except for customer value. To gain further insight into the discriminant validity between customer value and the other constructs in the model, an additional procedure was undertaken. The correlation between the pairs of constructs was constrained to one and subsequently a re-estimation of the model was conducted (Segars and Grover, 1993). In order to determine whether a construct is unique, the chi-square difference between the unconstrained and constrained models for each pair of constructs should be greater than 3.84. From Table 3, it is clear that the chi-square difference for each pair of constructs, including customer value, was greater than 3.84 and that the customer value construct is unique.

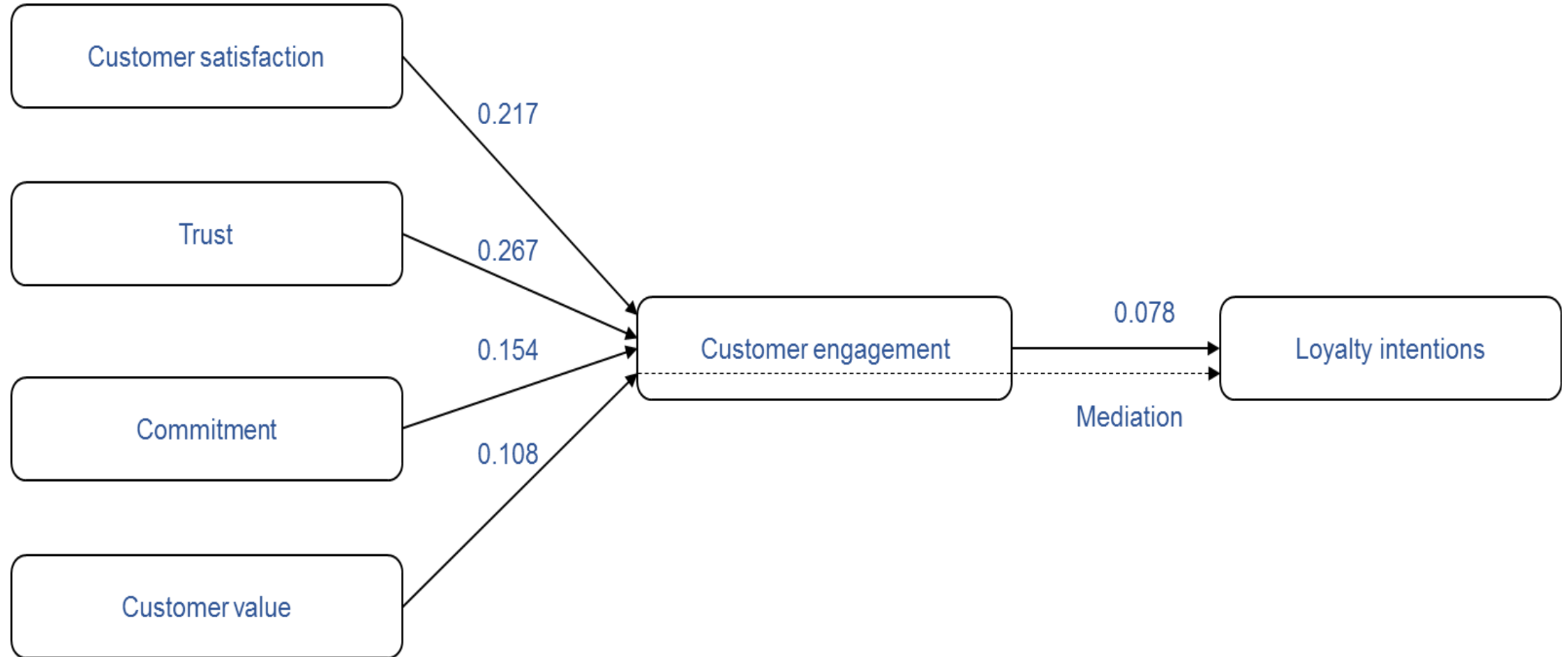
Table 3: Chi-square differences between customer value and other constructs

Constructs	Unconstrained model χ^2 and df	Constrained model χ^2 and df	χ^2 difference
Customer value and customer satisfaction	101.3 (19)	337.7 (20)	236.4
Customer value and trust	45.0 (13)	196.9 (14)	151.9
Customer value and affective commitment	63.4 (13)	386.1 (14)	322.7
Customer value and calculative commitment	34.5 (13)	1010.3 (14)	975.8
Customer value and loyalty intentions	54.1 (19)	219,2 (20)	165.1
Customer value and customer engagement (identity and enthusiasm)	370.9 (64)	760.0 (65)	389.1
Customer value and customer engagement (attention)	185.6 (27)	720.5 (28)	534.9
Customer value and customer engagement (absorption)	389.7 (34)	927.3 (35)	53.76
Customer value and customer engagement (interaction)	84.9 (26)	538.8 (27)	453.9

4.4 The structural model

The properties of the structural model as portrayed in Figure 1 were assessed, and the direct relationships between the antecedents and outcome of customer engagement were investigated. When examining the structural model, all relationships between the constructs (regression weights) were found to be significant (p -value < 0.05), with all correlations also being significant (p -value < 0.001) and the fit indices being satisfactory (CMIN/DF = 0.020, CFI = 1.00, TLI = 1.00 and RMSEA = 0.00). The structural model indicates that customer satisfaction, trust and customer value all have significant direct positive effects on customer engagement and loyalty intentions, while customer commitment only has a significant direct positive effect on customer engagement. Customer engagement also has a significant direct positive effect on loyalty intentions. Table 4 shows the

Figure 2: Structural model



Source: Researchers' own construct

results for the hypotheses formulated for the study and Figure 2 provides a visual presentation of the relationships between the constructs of the study.

Table 4: Hypotheses testing

Hypothesis	Exogenous construct	Endogenous construct	Standardised regression weight	p-value	Finding
1	Customer satisfaction	Customer engagement	0.217	0.000	Supported
2	Trust	Customer engagement	0.267	0.000	Supported
3	Commitment	Customer engagement	0.154	0.000	Supported
4	Customer value	Customer engagement	0.108	0.035	Supported
5	Customer engagement	Loyalty intentions	0.078	0.012	Supported

4.5 Mediation analysis

Bootstrapping was performed using 5 000 resamples and a 95% bias corrected confidence interval. It is evident that customer engagement has a complementary/partial mediating effect on the relationships between the antecedents (customer satisfaction, trust and customer value) and their consequences (loyalty intentions), and an indirect only/total mediating effect on the relationship between commitment and loyalty intentions (Hayes and Preacher, 2010; Zhao *et al.*, 2010). The model seems to be best specified without the direct effect of commitment on loyalty, as this causes the total effect to be non-significant. This is also evidence of total mediation of commitment by customer engagement. Therefore, H₆ can be supported. Table 5 provides findings of the mediation analysis, and Table 6 presents the type of mediation evident.

Table 5: Mediation analysis

	Indirect effect	LLCI	ULCI	Findings
Customer satisfaction	0.0169	0.0042	0.0353	Mediation
Trust	0.0284	0.0056	0.0648	Mediation
Commitment	0.0091	0.0015	0.0207	Mediation
Customer value	0.0092	0.0006	0.0242	Mediation

Table 6: Type of mediation

Independent variables (IV)	Direct effect of the IV on loyalty intentions (<i>without the mediator</i>)		Indirect effect of the IV on loyalty intentions (<i>with the mediator</i>)		Total effect of the IV on loyalty intentions		Findings
	Coefficient	p-value	Coefficient	p-value	Coefficient	p-value	
Customer satisfaction	0.3547	0.0000	0.0169	<0.05	0.3716	0.0000	Complementary/partial mediation
Trust	0.3571	0.0000	0.0284	<0.05	0.3854	0.0000	Complementary/partial mediation
Commitment	-0.0030	0.8883	0.0091	<0.05	0.0061	0.7735	Indirect only/total mediation
Customer value	0.2730	0.0000	0.0092	<0.05	0.2822	0.0000	Complementary/partial mediation

4.6 Rival model

A rival model excluding customer engagement was also tested to see whether the model including customer engagement is indeed better. It was evident from the results that the hypotheses formulated for the model including customer engagement were continuously significant.

5 Discussion

Achieving customer loyalty is important for any business as it can assist in increasing sales and profit margins, and it allows organisations to benefit from less price-sensitive customers who are also willing to advocate the benefits of the service to fellow customers. Hence, as positioned in the introduction, customer loyalty remains a core focus of relationship quality management and is continuously being explored by relationship and quality management scholars to gain further insight into the topic and to enable organisations to take full advantage of its benefits.

The current study contributes to the conversation on customer loyalty in several ways. First, the study validates the work of earlier relationship and quality scholars

who have noted the effect of relationship quality and customer value on customer engagement (Hollebeek *et al.*, 2016; Islam and Rahman, 2016; Pansari and Kumar, 2017; Van Doorn *et al.*, 2010), as well as customer loyalty (Bojei and Alwie, 2010; Ruswanti and Lestari, 2016; Lian and Yoong, 2017; Lin and Wang, 2006; Van Tonder, 2016). When customers are satisfied with the organisation, and when a relationship of trust and commitment has been established and customers are convinced of the value received, they may become more engaged with and loyal to the service provider. The study also confirms that customer engagement may impact customer loyalty (Hapsari *et al.*, 2017; O'Brien *et al.*, 2015; So *et al.*, 2016).

Second, support for *H1* to *H5* further leads to the discovery that customer engagement also serves a mediating role in strengthening the connection between relationship marketing factors and customer loyalty (*H6*). Based on the structural model results, it seems that customer engagement mediates the relationships between the antecedents – that is, customer satisfaction, trust, commitment and customer value – as well as their consequences – loyalty intentions (*H6*). The relationship between commitment and customer loyalty was mediated by customer engagement, while only partial mediation was detected in the other three relationships. These findings are significant, as extant research has not provided a comprehensive account of the role and relevance of relationship quality and value factors and customer engagement, while simultaneously being assessed for their contribution to customer loyalty. Therefore, the current findings provide new insight into the interconnection between relationship quality factors and customer engagement in contributing to customer loyalty, and subsequently make a novel contribution to the body of knowledge in understanding customer loyalty.

6 Conclusions and research implications

Following the discussion of the research findings, it can be concluded that the current study highlights the importance of customer engagement in contributing to customer

loyalty and serves as a mediator in strengthening the relationships between relationship marketing factors and customer loyalty. Hence, as noted by earlier researchers, it seems that when building relationships, organisations should strive to engage customers, which may result in greater loyalty (Brodie *et al.*, 2011; Chathoth *et al.*, 2016; O'Brien *et al.*, 2015; So *et al.*, 2014). Furthermore, if customer engagement is preceded by customers' favourable perceptions of relationship quality and value, the ultimate effect of the relationship marketing factors on customer loyalty may be strengthened by customers' engagement towards the organisation.

A further theoretical implication of the research findings is that since the effect of customer satisfaction, trust and value with loyalty intentions remained significant after mediation, quality relationships must be prioritised. Customer satisfaction and trust are especially critical in building loyalty, as these two factors have the strongest direct effects on loyalty intentions (see Table 5).

Interestingly, trust also has the strongest direct effect on customer engagement and the strongest total effect on customer loyalty (see Table 5). Therefore, it also appears that while it is important for companies to concentrate on all aspects of quality when building customer relationships and fostering engagement, they should consider that trust remains central in their interactions with customers and can greatly affect their loyalty intentions.

From a managerial perspective, it is evident that a short-term insurer should facilitate customer engagement by focusing on customer-based antecedents through the implementation of strategies that ensure customer satisfaction, foster customer commitment, build trust and create customer value. Short-term insurers should focus on meeting and exceeding customer expectations to guarantee customer satisfaction (Al-Eisa and Alhemoud, 2009). For example, customer phone calls and emails should be answered promptly, customer concerns must be appropriately

addressed, promises must be kept, and insurance claims must be processed in a quick and effective manner.

Moreover, customer commitment should be fostered from affective and calculative perspectives (Jones *et al.*, 2010:18-19; Shukla *et al.*, 2016:324). Short-term insurers should incite their customers' sense of belonging and attachment to the brand to foster affective commitment. To facilitate calculative commitment, short-term insurers should also instill in customers the notion that their offerings are the best and most convenient available, and implement strategies to make customers less prone to switching.

Regarding building trust with customers, short-term insurers should focus on performance trust and benevolence trust (Kandampully *et al.*, 2015). Short-term insurers first need to position their brands as being trustworthy and communicate the notion that they are competent service providers that are able to deliver services reliably and empathetically.

A sense of customer value is achieved when perceived benefits exceed perceived sacrifice (Gale, 1994; Monroe, 1990; Woodruff, 1997). Therefore, it is critical that short-term insurers market products that are comprehensible to customers. This can be achieved by marketing insurance offerings with clearly articulated terms, conditions and benefits. Moreover, short-term insurers should conduct marketing research to uncover what customers really need and want. Based on these needs and wants, new or improved market offerings can be designed. Insurers can also augment their products with added benefits not normally associated with the industry, such as loyalty rewards and interactive websites to change personal information and submit claims.

Finally, facilitating customer engagement is also an important consideration for short-term insurers, as it impacts loyalty intentions and mediates the relationships

between the antecedents and loyalty intentions. To engage customers, short-term insurers should encourage customers to identify with them and become enthusiastic about it. Short-term insurers could position themselves as integral parts of the customers' lives, not only providing insurance, but caring for customers and their communities – an example of this would be by sponsoring community-based events, such as local sport meets and social gatherings. Moreover, short-term insurers are required to get customers to pay attention to the insurer brand, to become absorbed with the brand and to interact with it. To achieve this, short-term insurers may personalise their marketing messages, launch creative marketing campaigns that draw customers in to engage with the brand, and associate the brand with events, persons or sport teams their customers find exciting.

7 Limitations and future research directions

Concerning the limitations of the study, only the customer-based antecedents and a single outcome of customer engagement were considered in this particular study. In future research, firm and context-based antecedents and outcomes of customer engagement could also be considered. The underlying relationships between the antecedents of customer engagement could prove to be much more complex than the conceptual model depicts. Although the goal of this paper was to determine these antecedents' influence on customer engagement and consequently on loyalty intentions, future studies could also consider the more complex relationships between the antecedents as reported in this research. As indicated in the literature review, this study only considered selected dimensions of customer commitment and customer value. Future research could ideally include the dimensions of customer commitment and customer value not measured here. In addition, the study only surveyed respondents in one province of South Africa and one service context – the short-term insurance industry – limiting the generalisability of the results nationally. Consequent studies could consider a wider geographical area and other service contexts to replicate and validate the findings of this and previous studies.

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