Gordon Institute of Business Science
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Measuring customer loyalty using perceptions of trust, service quality, and switching costs as well as customer satisfaction in the life insurance industry – a replication study

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Abstract

Introduction

Customer loyalty is an area of constant research and antecedents of customer loyalty are well researched and understood. However, the application of existing customer loyalty frameworks in the life insurance industry is very limited, particularly in the South African context. Therefore this study will test an existing customer loyalty theoretical framework in the life insurance industry.

Purpose

This study aims to determine whether perceptions of service quality, switching costs, and trust predict customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty.

Research methodology

A descripto-explanatory approach coupled with a positivism philosophy was adopted in this study. A mono method was used to collect data using an online survey and descriptive statistics were calculated to analyse the data. Two factors analyses were conducted to confirm that the measurement scales works and structural equation modelling were used to answer the research questions.

Findings

This study found a significant relationship between service quality and trust, service quality and switching costs, trust and switching costs as well as service quality and customer satisfaction. A similar relationship was found between trust and customer satisfaction and customer satisfaction and loyalty. However, the relationship between switching costs and customer satisfaction was not statistically significant.

Keywords

Trust, Service quality, Switching costs, Customer satisfaction, and Loyalty.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Chapter 1

1. Research problem

1.1 Introduction

Customer loyalty, according to Watson, Beck, Henderson, and Palmatier (2015), is a collection of attitudes and behaviors that benefit one company over its competitors. Customer loyalty, according to Aksoy (2013), is a critical aspect of the long-term success of any company. This is because retaining existing clients is just as vital as acquiring new ones (Aksoy, 2013). Many organizations, on the other hand, are focusing their efforts and resources on retaining existing clients rather than obtaining new clients because the costs of gaining “new customers are higher than the” expenses of keeping current clients (Denkova & Denkova, 2016, p.33; Arora & Narula, 2018). This led to several studies on customer loyalty. However, few studies focus on client loyalty in the life insurance sector or product.

Long durations of premium payment characterise life insurance products, with benefits often provided at maturity or upon the occurrence of a predefined event throughout the policy's or contract's term (Mishr, 2016). An insurance book is a collection of policies of the same product. The financial outflows to cover initial cost, commissions, and claims outweigh the cash inflow from the first premium collection, therefore most life insurance policies are in a loss position at the start of the policy. This means that the life insurer must have a policy in existence for a few months, if not years, in order to recoup money paid at the start. As a result, knowing the determinants of client satisfaction and loyalty is important for life insurers, because their earnings are dependent on these drivers, among other things.

Customer satisfaction was identified as a valuable asset by Bhattacharya, Morgan, and Rego (2020), who discovered that it plays an essential role in driving profits by reducing costs. Customer loyalty is crucial not only for profitability, but also for gaining an endless competitive edge in the form of client retention, long-term partnerships, and repurchase (Chen & Mau, 2009).

1.2 Life insurance industry

Life insurance has been around for decades and according to Mishr (2016, p.5), it has “its origin in ancient Rome where people formed burial clubs to fund funeral expenses”. Essentially transferring mortality risk from policyholders to the clubs in exchange for a premium. The premium charged varies per policyholder and is mostly determined by rating

factors used to estimate the client's level of risk. Premiums are determined as part of the underwriting process in which each applicant is assessed to determine “whether the applicant can be insured and if yes, at what premium” (Mishr, 2016, p.11). Age, gender, occupation, marital status, level of education, and income level are examples of rating factors. Applicants with the same rating factors will be charged the same premium. According to Mishr (2016, p.12), rating factors are a set of variables that “determine the degree of risk of each applicant”. Thus, they distinguish the likelihood of suffering a predefined event or the probability of making a claim. For example, women are generally known to live longer than men, and so their probability of dying is generally lower than that of men of the same age (holding other factors constant), and women are therefore charged a lower premium than men because their expected costs (probability of death X the sum assured) of providing the benefit is relatively low.

Premiums are determined to cover the costs of taking on the risk or risk premium (or providing the benefits) and a loading to cover operating expenses as well as profit margin (Mishr, 2016). The risk premium and expense loading portions of the premium are determined based on several assumptions regarding the likelihood of a claim arising and the volume of business both at inception and over the lifetime of the book. As noted by Mishr (2016), these assumptions are based on historical analysis of mortality and expenses experiences. And any changes to these underlying assumptions have a direct effect on the profits of the insurance company regardless of whether the product is repriced or not. This is because of the lag or the timing difference between changes in the underlying assumptions and the change in premium.

The selling of life insurance products has evolved (Cappiello, 2020). Life insurance used to be sold mainly by agents or salespersons who will interact directly with the client and explain the workings of the life insurance product to the client. These days, life insurance products can easily be bought online with little to no interaction with a salesperson. Life insurance products have also evolved from offering mortality and disability cover to including other benefits like retrenchment, tombstone unveiling, and cashback aimed at meeting the comprehensive needs of the clients and encouraging persistency.

As noted by Mishr (2016), life insurance is based on the principle of pooling risk from a large number of people. Meaning that at any given point in time, a life insurer must have a large pool of clients with similar risks. The pool is expected to rundown over time as some clients will unfortunately die, others will cancel their policies or covers and others will lapse or stop paying the premium. As defined by Du Plessis and Roberts-Lombard

(2013) and Asisa (2020), “a lapse occurs when a client stops paying premiums”. Lapse is not only bad for policyholders for losing a cover or a policy, it is also bad for the life insurers because they lose out on future premiums and profits. The economic climate is generally known to be a significant driver of lapses, with lapses expected to be high during a period of economic downturn as many people lose their jobs and higher during periods of an economic upturn. Customer loyalty is one of the mechanisms available to life insurance companies to minimise the number of lapses, even in periods of slow economic growth.

According to Mårtensson and Neij (2013), industry dynamics have an impact on customer loyalty. Therefore, Porter's five forces were utilized to evaluate the life insurance industry in terms of the five forces that shape competitiveness to gain a better understanding of their impact on customer loyalty (Porter, 2008).

1.2.1 Bargaining power of suppliers

Life insurers depend on several suppliers, particularly those in the technology/ telephony space. There are often many suppliers of these services, however, the service often requires some customisation to fit the current requirements of the insurer. Therefore, it can be argued that most products or services offered to life insurers are often differentiated. This differentiation creates room for switching costs as the insurer will lose some benefits (the customised services) when they change suppliers. Thus, insurers face switching costs when changing suppliers and this strengthens the powers of current suppliers. Most suppliers, particularly technology and telephony suppliers, supply the same service to other industries and do not necessarily depend on the life insurance industry for revenues. Therefore, according to Porters (2008), these suppliers will have more bargaining power in the life insurance industry.

1.2.2 The threat of new entrants

Porter (2008) concluded that the threat arising from new entry sets a limit on the possible profits of an industry. The barriers to entry are relatively high in the life insurance industry and this is because of several reasons. Firstly, life insurers are required to set aside a sizeable amount of financial resources to cover the minimum capital requirement. This is over and above the financial resources required to fund the working capital. This makes life insurance less attractive relative to other industries. Secondly, existing life insurers have a large volume of clients or policies which allows them to spread fixed costs over these policies and thereby achieve lower per policy costs. Unfortunately, new entrants do not have this advantage and this strengthens barriers to entry for them. Thirdly, new entrants have low to no “demand-side benefits of scale” as consumers are unlikely to trust

a small or new life insurer over larger ones (Porter, 2008, p.4). And lastly, consumers also face high switching costs when they change life insurers. Switching costs can take different forms, ranging from a fixed charge to a loss in benefits or paying a higher premium because some rating factors used to determine premium have deteriorated. All these factors result in a higher barrier to entry and a lower threat arising from new entrants in the life insurance industry.

1.2.3 Rivalry among existing competitors

As stated by Porter (2008), the rivalry between "existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvement." Competitors in the life insurance industry compete using all of the above forms, although premium discounts are less common because of regulatory restrictions. The life insurance industry has many competitors of many sizes (small, medium, and large insurers) and therefore tends to experience intense rivalry as the clientele base is limited. These rivalries often manifest themselves in the form of advertising campaigns and product or benefits introductions.

1.2.4 Bargaining power of buyers

Consumers can buy life insurance products as an individual or as part of a group such as an employer group or union. The bargaining power that the two categories of buyers have differs. Groups' buyers tend to purchase large volumes or large quantities of the same or similar product and they tend to have more power (Porter, 2008). In general, consumers of life insurance products are largely individual consumers and as stated by Porter (2008), this tends to reduce the bargaining power of individual consumers. Life insurance products are differentiated, but often offer similar benefits which make them difficult to differentiate. This problem is not unique to life insurance products, but as stated by Arora and Narula (2018), products offered by financial services companies have very few differences and new products are quickly copied by the industry. Therefore, this presents consumers with the power to choose between life insurers as products are somewhat standardised. Buyers face switching costs when changing insurers, and as stated above, these costs can take different forms and the overall impact on bargaining power depends on the quantum of the switching costs.

1.2.5 The threat of substitute products

According to Porter (2008, p. 8), "a substitute product performs the same or similar function as an industry product by different means". This means that a substitute for a life insurance product should provide the same or similar benefits as those provided by the

insurance product. Any substitute that offers better returns and has lower switching costs to the buyer relative to life insurance products offers a higher threat of substitute (Porter, 2008). Some life insurance products can be substituted by investment or saving products offered by other financial institutions. For example, a funeral product that provides a set amount upon death could be substituted for a lump sum savings or investment product providing beneficiaries with access to the funds upon the death of the investment holder. Other products, like a life cover that offer significant benefits upon death, don't have a perfect substitute, particularly on early durations where the premiums paid a relatively low compared to the benefits offered. Therefore the threat of substitutes will differ per life insurance product and will change over the policy life. Overall, the threats of substitute products in the life insurance industry are low.

1.3 Purpose of the study

Based on the industry analysis above, the life insurance industry is oligopolistic with a few insurers offering similar products. This revelation allows us to study perceptions of various aspects of life insurers and to aggregate them to form an industry view. Thus, this study aims to determine whether perceptions of service quality, switching costs, and trust predict overall customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty in the life insurance industry. Customer satisfaction will be treated as a mediator variable between service quality, trust, and switching costs (independent variables) and customer loyalty (dependent variable). As stated in section 1.4, this study is a replication study and as such, the theoretical framework and hypotheses of this study were adopted from Mackay & Major (2017). The following hypotheses will be tested:

H1: Service quality has a significant positive relationship with trust in life insurance.

H2: Service quality has a significant positive relationship with switching costs perceptions in life insurance.

H3: Trust has a significant positive relationship with switching costs perceptions in life insurance.

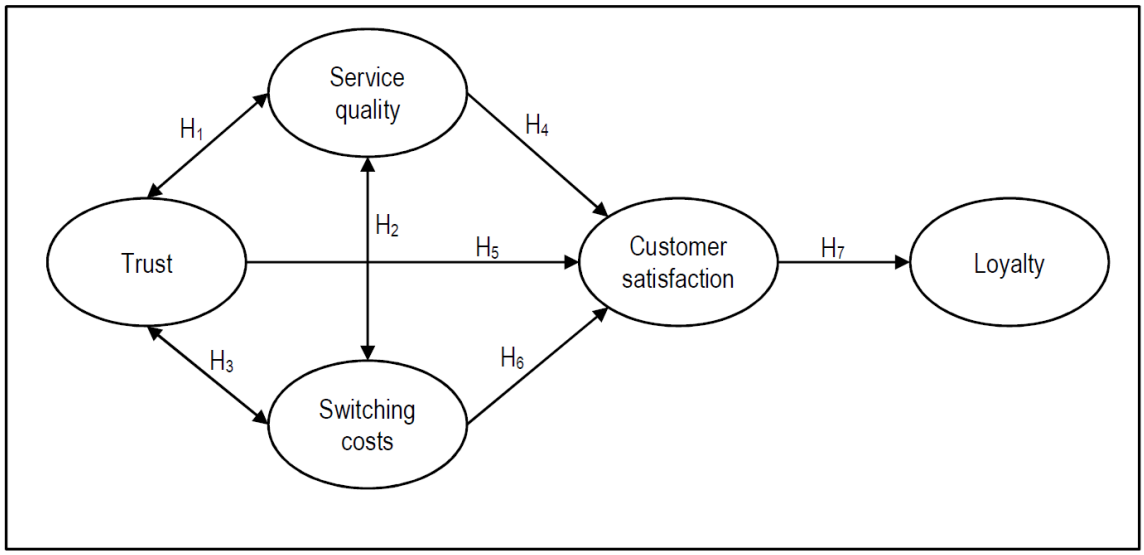
H4: Service quality significantly influences customers' satisfaction with a life insurer.

H5: Trust significantly influences customers' satisfaction with a life insurer.

H6: Perceptions of switching costs significantly influence customers' satisfaction with a life insurer.

H7: Customer satisfaction significantly influences loyalty towards a life insurer.

Table 1: Theoretical framework



1.4 Motivation and relevance of the study

This study is an extension of Mackay & Major (2017, p. 1194) study "in the South African retail banking" sector but applied in the life insurance sector to confirm whether findings obtained by Mackay and Major (2017) are applicable in a different industry. As part of their suggestions for further research, Mackay and Major (2017, p.1219) recommended that their framework be tested "in different service industries to test its reliability, relevance, and applicability."

An extension study was defined by Berthon, Pitt, Ewing, & Carr (2002) as a duplication of a given "study in which one or more" research parameters are altered. An extension study is a subset of a replication study in which some parameters are changed and others are held constant (Berthon et al., 2002). According to Frank, Kessler, & Fink (2010), replication studies play a critical role in the advancement of empirical research. Despite this important role, replication studies account for a small share of published research (Frank et al., 2010) and are not that common in business and management research (Berthon et al., 2002). Replication studies can act as a quality control particularly in cases where the outcome contradicts or raise doubts about the original outcome or enhance credibility and generalisability in cases where it generates the same or similar findings (Frank et al., 2010).

This study is classified as an extension study because three of the four dimensions or parameters of the research space, as outlined by Berthon et al.(2002), were altered and only one dimension was unchanged. The four dimensions of research space according to Berthon et al.(2002) are research problem, theory or theoretical framework, methodology,

and context The unchanged dimension is the theory or theoretical framework which will be used to measure customer loyalty using the same constructs as those used by Mackay & Major (2017). The research problem and context were altered to reflect the change from retail banking to the life insurance industry. The methodology in terms of data collection and data analysis will be broadly similar but with a few alterations to enhance the depth of the analyses. Therefore this study can be classified as a context extension study since the change in context is the main driver of the difference between this study and that conducted by Mackay & Major (2017).

1.5 Scope of research

Although customer loyalty is an interesting field for many scholars with a wide application in various industries or sectors, this study will only focus on "customer loyalty in the life insurance industry" (Chen & Mau, 2009, p.59). Within the life insurance industry, this study will only focus on those who are 18 years of age or older i.e. those who are eligible to buy a life insurance product and are active policyholders i.e. those with at least one active policy with a life insurance company.

Chapter 2

2. Literature review

2.1 Introduction

This section contains the academic literature review which is the foundation of the research problem described above. It focuses on the academic literature that is most relevant to the study, in particular; the literature review on trust, service quality, switching costs, and customer satisfaction as well as customer loyalty.

Evaluative judgments, relational outcomes, and corporate or industry dynamics are all antecedents of consumer loyalty, according to Rai and Medha (2013). Evaluative judgments included service quality and customer satisfaction, whereas relational outcomes included trust and commitment (Rai & Medha, 2013). Company or industry dynamics included corporate image, communication, and switching costs (Rai & Medha, 2013). The Rai and Medha (2013) model was tested in the life insurance industry in India and service quality, commitment, and trust were found to have the greatest significance in terms of predicting customer loyalty. And customer satisfaction was found to have a strong relationship with trust and commitment, which makes customers stay with their life insurers (Rai & Medha, 2013).

Watson et al. (2015) discovered that a customer loyalty model that captures both attitudinal and behavioral factors has a better fit than a model that assesses each factor independently. This is because customer loyalty varies; some are simply attitudinally loyal, some are only behaviorally loyal, and others are both (Watson et al., 2015). Watson et al. (2015) measured loyalty using perceptions of trust, customer satisfaction, commitment, and loyalty incentives and discovered that they have varied effects on attitudinal and behavioural loyalty. Watson et al. (2015) employed constructs that were similar to Rai and Medha (2013) but did not include corporate or industry dynamic elements.

Mackay and Major (2017, p.1194) conducted a study titled “the predictors of customer loyalty in the South African retail banking industry” using consumers' perceptions on trust, service quality, and switching costs. Their study also investigated whether these constructs influence clients’ satisfaction with their bank (Mackay & Major, 2017). They recommended that further research be conducted in other sectors or industries to test the applicability, relevance, and reliability of their framework. The constructs used by Mackay and Major (2017) were similar to those used by Watson et al. (2015) and Rai and Medha

(2013), and more importantly, they covered all three categories of customer loyalty antecedents.

Based on the above literature review, it is clear that customer loyalty is an area of constant research, and antecedents of customer loyalty are well understood and well researched. However, the application of the existing customer loyalty frameworks in the insurance industry is very minimal, particularly in the South African insurance industry. This study will use or replicate the theoretical framework developed by Mackay and Major (2017) to measure customer loyalty in the insurance industry. This framework is preferred over that used by Watson et al. (2015) because it includes both categories of customer loyalty antecedents namely evaluative judgements, relational outcomes, and company or industry dynamics.

The literature review on each construct in the Mackay and Major (2017) framework (service quality, switching costs, trust, and customer satisfaction as well as customer loyalty) is outlined below.

2.2 Service Quality

Carelse (2017) classified service quality as a multi-dimensional concept that has varying meanings depending on the area of discipline or industry. This means that the quality of services rendered by firms or service providers in different disciplines or industries will be different. This is because it is difficult to evaluate service quality accurately and the opinion or perception of service quality is what matters (Carelse, 2017). Ampaw, Chai, and Frempong (2019) defined service quality as a condition where the service delivered meets the expectation and satisfaction of a client. This is in line with Zeithaml, Berry, and Parasuraman (1988) definition of service quality which defined service quality as the disparity between the actual and expected level of service quality received. Dlamini and Barnard (2020) termed the expected level of service as the desired service which is the service level that the client hopes to receive.

The desired level of service can arise from many sources including but not limited to the organisation's past level of service, the standard of service offered by competitors, or the set standards by regulatory or consumer forums. This means that clients can have different levels of expectations of the same service because their expectations are subjective (Dlamini & Barnard, 2020).

So, to measure the level of service quality, one needs to capture the client's expectation before receiving the service and assess the perceived quality of the service received

relative to expectation to form a view about the quality of the service received. However, Dlamini and Barnard (2020) noted that clients come with expectations in mind and they rate the quality of the service received against their expectations. This suggests that one measurement can be used to measure the quality of service i.e. the difference between the actual and expected level of services. This finding is good for researchers because it suggests that researchers need to collect one set of data from respondents after receiving the service as opposed to collecting data on the desired level of service before receiving the service and again collecting data on the actual level of service post the service rendering.

Service quality is intangible and multifaceted and the measurement or assessment of service quality is a bit hard to quantify (Carelse, 2017). This view was shared by (Mackay & Major, 2017) when they said that the intangibility and heterogeneity of service quality complicate the measurement of service quality. Blut, Beatty, Evanschitzky, and Brock (2014) used four aspects to make sense of the complexity of service quality. These are "intangibility, heterogeneity, inseparability, and perishability" and together they are commonly known as the IHIP framework (Blut at al., 2014). Intangibility means that services can not be touched or seen before the actual service is rendered and heterogeneity refers to the lack of consistency on the level of service rendered to various individuals by the same service provider (Blut at al., 2014). Blut at al. (2014) refers to the inseparability of service as the concurrent production and consumption of service. The perishability aspect of service arises because of the difficulty of rendering and storing services in advance (Blut at al., 2014).

Despite these challenges encountered when measuring service quality, most researchers use the SERVQUAL model developed by Zeithaml et al. (1988) to quantify the level of service quality (Mackay & Major, 2017). This is because the SERVQUAL has been extensively researched in the service management field (Ampaw et al., 2019). However, some critics of SERVQUAL found that the measurement instruments overlooked some aspects of service quality like service product and the standardisation of service delivery (Sureshchandar, Rajendran, & Anantharaman, 2002).

Measuring "service quality as a gap between expectations" and actual perceptions (gap scale) was critiqued by earlier scholars (Naderian & Baharun, 2015). This resulted in the development of a new model called the SERVPERF model which replaced the gap scale with perceptions by measuring service quality solely using consumer perceptions (Naderian & Baharun, 2015). Earlier scholars also found that the SERVPERF could easily

be applied in a wide range of industry as noted by Naderian and Baharun (2015) and this resulted in the wide-scale adoption of the model.

This study will use the SERVPERF model adopted by Mackay and Major (2017) to measure clients' perceptions of their actual experiences of the service quality they received from the life insurance companies. The SERVPERF model uses five dimensions to assess service quality namely; assurance empathy, tangibles, reliability, and responsiveness (Ampaw et al., 2019). These five dimensions are the same as those in the SERVQUAL model (Mackay & Major, 2017). The table below summarises the definitions of the five dimensions as adopted from (Mackay & Major, 2017).

Table 2: Dimensions of service quality

Dimension	Description
Assurance	The competence of staff, "and their ability to stimulate trust and confidence in the business through knowledge, politeness, and honesty" Mackay and Major (2017, p. 1200)
Empathy	"The ability of employees to provide customers with personalised attention, which requires these employees to understand customers, and be aware of their needs" Mackay and Major (2017, p. 1200).
Tangibles	"The presentation of physical facilities, equipment, employees, and communication materials during the service delivery process" Mackay and Major (2017, p. 1200).
Reliability	"The ability of a business to deliver the promised service(s) dependably and perfectly" Mackay and Major (2017, p. 1200).
Responsiveness	"The enthusiasm of employees to assist customers, to provide speedy service, as well as to respond to individual clients' needs" Mackay and Major (2017, p. 1200).

Source: adapted from Mackay and Major (2017)

Perception of service quality forms part of the differentiating factors between firms (Mackay & Major, 2017). This is because acuities of service quality have an effect on the firm's performance, especially behavioural intentions such as repurchase and referrals. Service quality can also be seen as the lifeblood of business (Garga & Bambale, 2016) and therefore, it is crucial for the long-term success of any business. Arora and Narula

(2018) noted that offering superior service has become a strategy that companies use to position themselves against competitors in the marketplace.

2.3 Trust

A study by Gounaris, Dimitriadis, and Stathakopoulos (2005) revealed trust as an essential component of a relationship between a buyer of a product or service and a seller of product or provider of a service. An earlier study, as noted by Chen and Mau (2009) had already identified trust as a cornerstone of a relationship. This finding was further emphasised by Şahin, Kitapçi., Altindağ, and Gök (2017). This means that for a relationship to exist between a policyholder and the life insurer, it must be underpinned by trust. So, when a policyholder takes out a life insurance policy, he or she enters into a trust relationship with the insurer believing that the insurer will fulfil its part of the agreement sometime in the future. Thompson and Tuzovic (2020, p. 209) noted that "trust has taken a central role in marketing strategy" because of the increased attention placed on building lasting and profitable relationships between buyers and sellers.

Trust is not constant, but it changes with time (Fauzi & Suryani, 2019) as expectations of the relationship or agreement between two parties changes. So, as clients interact with the insurer, their trust is either enhanced, maintained, or destroyed. Enhanced or maintained trust level mean expectations of the client are exceeded or met and this will lead to customer satisfaction. Destroyed trust on the other hand means that the client's expectations were not met and this could lead to dissatisfaction and early termination of the relationship. According to Ray and Lu (2018), when trust "exists between parties, sufficient value will be generated for both parties thereby allowing them to maintain their ongoing commitment to each other".

Watson et al. (2015) defined trust as the "confidence in the reliability and integrity of a seller". Therefore, when a client takes out a policy with a life insurer, he or she has confidence in the ability of the insurer to honour their part of the agreement, which is to pay claims when they arise. This confidence could arise based on what the client received from the insurer, heard from others, or previous experiences with the insurer.

Trust could take two forms, trust in the life insurer or trust in the salesperson or contact person within the insurer. Trust in the salesperson arises because the client must interact with the salesperson to buy life insurance. The salesperson facilitates the process of entering into a relationship between the client and the insurer and is often tasked to service that relationship by the insurer.

Trust and service quality

Previous studies as noted in Mackay and Major (2017, p.1201) have "found a strong positive correlation between service quality and trust" and have also noted the importance of the two constructs in business differentiation. This cements the significance of providing quality services and the creation of a trusting relationship in establishing a competitive edge (Mackay & Major, 2017). The preceding conclusion, however, was based on the retail banking industry. However, the life insurance sector differs from retail banking in terms of product offerings, service delivery, and the duration of the relationship or policies. As a result, this conclusion has to be tested in the life insurance sector to confirm whether the change in the industry has any bearing on the relationship between service quality and trust. Therefore, this study will evaluate the following alternate hypothesis based on the discussion above.

H1: Service quality has a significant positive relationship with trust in life insurance.

Source: Mackay and Major (2017)

2.4 Switching costs

Switching costs refer to the one-time costs experienced by a client when moving from one company to the next (Porter, 1980). These costs are not only financial but include psychological and physical costs that clients incur when changing firms (Garga & Bambale, 2016; Naderian & Baharun, 2015). Therefore, as stated by Garga and Bambale (2016), switching costs can be classified as a multi-dimensional construct and has three broad categories, namely; financial costs, procedural costs, and relational costs (Dlamini & Barnard, 2020).

"Financial switching costs arise from" the attachments created by the service provider (Blut et al., 2014, p.276). Mackay and Major (2017) defined financial switching costs as the loss of measurable financial resources as a result of changing providers. Financial switching costs arise from the pre-defined benefits that could be lost when changing providers (Blut et al., 2014). An example of this could be loyalty benefits that are conditional on reaching a pre-defined term or conditions and so leaving a provider before the benefits vest result in the forfeiture of these benefits.

Mackay and Major (2017) definition of procedural switching costs focused mainly on the costs of the time and effort involved when switching providers. This view was also shared

by Dlamini and Barnard (2020). Blut et al. (2014, p.276) associated “procedural switching costs” with a personalised perception of collecting information and assessment of phases involved in the switching process. They termed the expected costs relating to information collating before changing a provider as pre-switching costs and the costs related to the assessment of a new service provider and establishing a new relationship as the setup costs (Blut et al., 2014). Blut et al. (2014) found that procedural switching costs are mainly found on individuals who lack the expertise and skills for information gathering or evaluation of other providers or to learn the procedure and processes of the new service providers. This makes switching from one service provider to the next a bit difficult (Blut et al., 2014)

According to Blut et al. (2014), relational switching costs arise because a client must break a relationship with the service provider or contact person within the service provider. This break in a relationship can cause emotional discomfort to the client (Blut et al., 2014). This discomfort can be caused by the loss of special treatment, forgone privileges, or the loss of accumulated points (Dlamini & Barnard, 2020).

Switching costs can be internal or external to a client. Blut et al. (2014) defined internal switching costs as costs that are entrenched in the client who may not have the capability, skills, and competence to make a switch. In other words, internal switching costs capture both the prep-switching and setup costs. On the other hand, external switching costs are costs generated by the service provider in an attempt to create more benefits for clients to tie/bind those clients with the service provider (Blut et al., 2014). Procedural switching costs are classified as internal switching costs and financial and relational switching costs are classified as external switching costs (Blut et al., 2014).

Switching costs (whether internal or external) have an impact on customer satisfaction (Dlamini & Barnard, 2020). Garga and Bambale (2016) as well as Mackay and Major (2017) noted that switching providers could have a devastating effect on the profitability and service continuity of the current provider. This view was also raised by Naderian and Baharun (2015) when they said that switching costs are an important factor in the trigger of loyalty and maintenance of a firm’s stability during periods of constant changes in service quality. Recently, it was affirmed by Thompson and Tuzovic (2020, p. 215) when they noted that “switching can lead to lower profits and higher costs”.

This is because the costs associated with changing a provider affect the decision on whether to switch from a provider or not (Naderian & Baharun, 2015). As stated by Chen

and Wang (2009, p. 1111), “switching costs may” occur “in the form of termination costs”- when leaving “the current service provider” or joining costs or fees levied by the new service provider. The higher the switching costs the lower the likelihood of changing a provider and the higher the retention of clients or loyalty (Dlamini & Barnard, 2020). This is because switching costs can propel clients to maintain their relationships with their service providers irrespective of whether they are satisfied or not (Naderian & Baharun, 2015).

Service quality and switching costs

Previous research revealed that the quality of service and the trust level in the service provider can influence perceptions of some switching costs particularly procedural and relational costs (Mackay & Major, 2017). Blut et al. (2014) noted the complexity of services and heterogeneity of services providers increases switching costs. This is because the complexity of the service or service provider may negatively affect clients’ ability to understand or use the service (Blut et al., 2014). Garga and Bambale (2016) investigated the relationship between service quality and switching costs and found the relationship between them to be positive and significant. The preceding conclusion, however, was not based on the life insurance industry. As a result, this conclusion has to be tested in the life insurance sector to confirm whether the above-stated relationship between service quality and switching costs holds in the life insurance industry. Based on the discussion above, this study will test the following alternative hypothesis.

H2: Service quality has a significant positive relationship with switching costs perceptions in life insurance.

Source: Mackay and Major (2017)

Trust and switching costs

As noted by Mackay and Major (2017, p. 1202), previous studies revealed that the “level of trust in the” service provider can “influence perceptions” around “switching costs”, particularly procedural and relational switching costs. Thus the more trustworthy a company is the higher the switching costs incurred by clients when they want to move from the company (Yen, Wang and Horng, 2011). Companies that act in a trust-building manner, reduce the risk of clients switching from the firm, paving a way for a long-term relationship between clients and the firm (Thompson & Tuzovic, 2020). The above finding, however, was not based on the life insurance industry. As a result, this finding must be tested in the life insurance sector to confirm whether the above-stated relationship holds

in the life insurance industry. As result, this study will test the nature and significance of the relationship between switching costs and trust using an alternative hypothesis below.

H3: Trust has a significant positive relationship with switching costs perceptions in life insurance.

Source: Mackay and Major (2017)

2.5 Customer satisfaction

Naderian and Baharun (2015) noted that customer satisfaction has been the main focus of many types of research in the past. This is because many studies have found customer satisfaction as the "key driver of customer loyalty" and retention (Mackay & Major, 2017) which leads to repurchase decisions and word-of-mouth referrals (Mackay & Major, 2017). Customer satisfaction is commonly defined as the gap between the client's prior expectation of the offering and the actual perception of the offering received (Watson et al., 2015). Therefore customer satisfaction "can be viewed as" a consistency measure "between prior expectations and" the "perceived performance" of the offering (Chen & Wang, 2009, p. 1110).

The above definition is very similar to that noted under the service quality section but differs because customer satisfaction is a much broader concept that includes other factors over and above service quality. Thus customer satisfaction can be seen as a multi-dimensional construct taking into account many experiences or interactions with the service provider (Carelse, 2017). This view was initially raised by Sureshchandar et al. (2002).

In line with the above definition of customer satisfaction, businesses generally aim to reduce the gap between actual and expected expectations by meeting or exceeding expectations (Mackay & Major, 2017). According to Mackay and Major (2017), narrowing the gap allows companies to encourage strong long-term relationships with their clients. These relationships become a source of revenue generation and profits and the foundation of sustained competitive advantage (Chen & Wang, 2009).

Customer satisfaction can be classified into a transaction or cumulative satisfaction (Naderian & Baharun, 2015). Transaction satisfaction refers to the satisfaction that arises from the assessment of a specific transaction or service (Naderian & Baharun, 2015; Carelse, 2017). Naderian and Baharun (2015) referred to cumulative satisfaction as the overall satisfaction of a service or product taking into account all experiences and interactions with the product or service. According to the attitude behaviour consistency

theory, transactional satisfaction has a weaker predictive capacity of behaviour compared to cumulative satisfaction (Naderian & Baharun, 2015). Cumulative satisfaction has also been found to be relatively more stable compared to transactional satisfaction (Carelse, 2017).

Customer satisfaction can be seen as many transient experiences with a service provider over some time due to its multi-dimensional elements (Carelse, 2017). This means customer satisfaction can be seen as cumulative satisfaction or overall satisfaction of multiple transactional satisfactions. Mofokeng (2020) specified that any study that seeks to link customer satisfaction with loyalty must use cumulative satisfaction. So, similar to the Carelse (2017) study, this study will conceptualise customer satisfaction as a cumulative measure of all clients' satisfactions within the life insurance industry.

Service quality and customer satisfaction

Previous studies have identified service quality as a key precursor of customer satisfaction (Mackay & Major, 2017). This is because the greater the level of service quality, the more likely are the client's expectations to be fulfilled and hence higher overall satisfaction with the service provider. This view was supported by Arora and Narula (2018) when they stated that quality service makes clients feel satisfied. Satisfied clients are most likely to stick around with their service providers (Naderian & Baharun, 2015). So to keep clients, life insurers need to maintain a decent level of service quality which will pave a way for continued relationships with their clients. A continued relationship is very important for life insurers' success because clients are likely to continue paying premiums and thereby keep their policies active for long. In light of the discussion above, this study will test the following alternative hypothesis.

H4: Service quality significantly influences customers' satisfaction with a life insurer.

Source: Mackay and Major (2017)

Trust and customer satisfaction

Similar to service quality, prior researchers have found that trust plays a critical role in customer satisfaction (Mackay & Major, 2017). This is because clients are likely to continue their relationship with their life insurers if they trust the firm. However, the above finding was not based on the life insurance industry. As a result, this finding has to be tested in the life insurance sector to confirm whether the above-stated relationship

between trust and customer satisfaction holds in the life insurance industry. Therefore, this study will test the following alternative hypothesis.

H5: Trust significantly influences customers' satisfaction with a life insurer.

Source: Mackay and Major (2017)

Switching costs and customer satisfaction

Switching costs are known to influence customer satisfaction because unsatisfied clients may choose to stay because of the perceived high costs associated with switching a provider (Mackay & Major, 2017). So, as noted by Mackay and Major (2017) that convincing clients that it might be too costly to move from one service provider to the next might improve clients' overall satisfaction with the service provider. The preceding conclusion, however, was not based on the life insurance industry. As a result, this conclusion has to be tested in the life insurance sector to confirm whether the above-stated relationship between switching costs and customer satisfaction holds in the life insurance industry. Given the discussion above, this study will test the following alternative hypothesis.

H6: Perceptions of switching costs significantly influence customers' satisfaction with a life insurer.

Source: Mackay and Major (2017)

2.6 Loyalty

Customer loyalty is a crucial "source of sustained competitive advantage in terms of customer retention, repurchase, and long-term customer relationships", according to many scholars, including Chen and Mau (2009, p. 1). Many businesses, including the life insurance sector, are paying particular attention to client retention as a result of the above conclusion (Omoregie, Addae, Coffie, Ampong, & Ofori, 2019). A life insurer can retain clients and maintain long-term relationships in a variety of ways, but one of the most prevalent is through customer loyalty.

There are many variations of the definition of loyalty but Walsh, Evanschitzky, and Wunderlich (2008) definition is the most commonly used. Loyalty was defined by Walsh et al. (2008) "as a deeply held commitment to re-buy or re-patronise a preferred product or service consistently in the future, which causes repetitive same-brand or same-brand set purchasing, despite any situational influences and marketing efforts that might cause

switching behaviour". This definition is preferred because it contains both attitudinal and behavioural elements of loyalty (Walsh et al., 2008).

Watson et al. (2015) found that a customer loyalty model that includes both attitudinal and behavioural elements to capture customer loyalty results in a better fit than a model that measures either element separately. This is because the loyalty expressed by customers differs as some are only attitudinally loyal or only behaviourally loyal and others are both (Watson et al., 2015). So, to capture both expressions of loyalty, this study will use both attitudinal and behavioural elements to measure customer loyalty.

Customer satisfaction and loyalty

Customer loyalty is a long-term process, and customer satisfaction is an aspect of loyalty development, unlike transaction satisfaction, which occurs at the end of a transaction (Du Plessis et al., 2013). Client satisfaction with a brand or service provider has been proven by prior studies to keep clients loyal to a brand or service provider (Du Plessis et al., 2013). A loyal client base, according to Mackay and Major (2017, p. 1205), represents "an image of quality and trust," and loyal clients are frequently willing to pay a greater price for a product to avoid the risks of switching service providers. This is demonstrated in life insurance by clients' willingness to endure premium increases year after year. Changing insurers is likely to result in higher premiums for some clients because the rating factors used to determine premiums are likely to have deteriorated.

Therefore, a loyal client base is prepared to stay with their service provider even though they may be better service providers out there. This means that a loyal client base can shield the company from the competition (Mackay and Major, 2017). So, if life insurance companies can meet or exceed clients' expectations in terms of product or service offerings, this will create a pool of satisfied clients. Satisfied clients are more loyal than unsatisfied clients. Given the discussion above, this study will test the following alternative hypothesis.

H7: Customer satisfaction significantly influences loyalty towards a life insurer.

Source: Mackay and Major (2017)

Table 3: Research on constructs

The table below summarises key findings from prior studies in the customer satisfaction and loyalty sphere.

Author(s)/year	Constructs	Findings
Ampaw et al. (2019)	Corporate identity, service quality, institutional-based trust, client satisfaction, and client loyalty.	Established "service quality, institutional-based trust and corporate identity as striking antecedents of customer loyalty" p.11. They recommended that customer satisfaction be regularly maintained due to its influence on customer loyalty.
Arora and Narula (2018)	Service quality, customer satisfaction, and customer loyalty.	The analyses of service quality frameworks showed that service quality is a key input in understanding the expectations of the customers in terms of service delivery, feedback systems, and efficient customer care. The study also revealed "that service quality influences customer loyalty both directly and indirectly" p.44
Blut et al. (2014)	Service characteristics (IHIP), internal switching costs, external switching costs, customer satisfaction, and customer loyalty.	"Switching costs affect customer loyalty" p.286. However, the effectiveness of the effect "depends on the type of switching costs and the service industry" p. 286. External switching costs were found to have a stronger effect on customer loyalty relative to internal switching costs.
Dlamini and Barnard (2020)	Customer expectation, customer satisfaction, and customer loyalty.	Customer expectation has a significant effect on customer satisfaction and that "customer

		loyalty is a result of customer satisfaction" p. 44
Fauzi and Suryani (2019)	Customer satisfaction, trust, service quality, and customer loyalty	Their results revealed that the SERVQUAL "model is reliable and valid in examining service quality of Indonesia Islamic banking" p.283. They also found that the relationship between trust, customer satisfaction, and customer loyalty can significantly improve if the bank improves customers' trust first.
Garga and Bambale (2016)	Service quality, customer patronage, customer satisfaction, and switching costs.	Confirmed prior findings "that service quality plays a significant role in customer patronage and usage of product or service" p.52 and "that service quality is the most influential predictor of customer satisfaction" p.52. They also found the relationship "between service quality and switching cost" p.52, to be positive and significant.
Mackay and Major (2017)	Trust, customer satisfaction, service quality, switching costs, and loyalty.	The study found that there is a relationship between trust, "service quality and switching costs and that these constructs influence customer satisfaction" p.1219. The study further found that customer satisfaction influences customer loyalty.
Mofokeng (2020)	Financial, procedural, and relational switching costs,	The study found that "economic risk costs" and relational costs

	customer satisfaction, and marketing ethics.	"have a positive impact on customer satisfaction" and that "increasing satisfaction of customers who have no switching experience enhances their perceived marketing ethics." p.28
Omoregie et al. (2019)	Corporate image, value, trust, service quality, satisfaction, and loyalty.	Service quality was found to have a "positive significant effect" p.811 on corporate image and trust in the retail banks. This study also confirmed that service quality has a "significant effect on customer loyalty" p. 811
Rai and Medha (2013)	Commitment, service quality, corporate image, customer satisfaction, trust, switching costs, and communication.	A study of customer loyalty antecedents revealed that service quality, commitment, and corporate image have a significant influence on customer loyalty formation with service quality being the main most driver.
Ray and Lu (2018)	Retail service quality, satisfaction, trust, commitment, purchase intention, and willingness to pay a higher price.	Suggested the need to distinguish between "high share customers from low share customers" when it comes to allocation of marketing efforts between trust, satisfaction, and commitment. P.121. This is because they found that the relationship between service quality and loyalty differs when

		mediated by low or high share customers.
Sahin et al. (2017)	Brand experience, service quality, brand trust, and behavioural intention	This study explored "multiple mediation models" using brand trust "as the key mediator variable" p.716 and found that brand trust "partially mediates the relationship between brand experience and behavioural intention and service quality and behavioural intention."
Thompson and Tuzovic (2020)	Loyalty program trust, affective commitment, individual-level cultural values, and loyalty program stickiness /switching resistance loyalty.	"Loyalty program cannot prevent switching" between providers but "program stickiness can" prevent switching. The findings further revealed that "program stickiness can be partly explained by loyalty program trust, affective commitment, and individual-level cultural values." P. 216

2.7 Conclusion

The literature review above confirmed that customer loyalty has been an area of interest to many prior studies and that these studies have noted the significance of customer satisfaction in predicting customer loyalty and the importance of customer loyalty in the sustainability of any business. Prior studies have broadly investigated similar antecedents of customer satisfaction or customer loyalty (switching cost, trust, service quality, commitment, and customer satisfaction) and broadly came up with similar outcomes. However, very little is known about how these antecedents of customer loyalty interact in the life insurance industry. And therefore, this study aims to determine whether perceptions of service quality, switching costs, and trust predict overall customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty in the life insurance industry

Chapter 3

3. Hypotheses

3.1 Introduction

As stated in Section 1.3, this study aims to determine whether perceptions of service quality, switching costs, and trust predict overall customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty in the life insurance industry. Customer satisfaction will be treated as a mediator variable between service quality, trust, and switching costs (independent variables) and customer loyalty (dependent variable).

3.2 Hypothesis development

3.2.1 Trust and service quality

As stated in Chapter 2, previous studies have "found a strong positive correlation between service quality and trust" and have also noted the importance of the two constructs in business differentiation (Mackay & Major, 2017, p.1201). This cements the significance of providing quality services and the creation of a trusting relationship in establishing a competitive edge (Mackay & Major, 2017). The preceding conclusion, however, was based on the retail banking industry. However, the life insurance sector differs from retail banking in terms of product offerings, service delivery, and the duration of the relationship or policies. As a result, this conclusion has to be tested in the life insurance sector to confirm whether the change in the industry has any bearing on the relationship between service quality and trust. Therefore, this study has evaluated the following alternate hypothesis based on the discussion above.

H1: Service quality has a significant positive relationship with trust in life insurance.

Source: Mackay and Major (2017)

3.2.2 Service quality and switching costs

Previous research revealed that the quality of service and the level of trust in the service provider can influence perceptions of some switching costs particularly procedural and relational costs (Mackay & Major, 2017). Blut et al. (2014) noted the complexity of services and that the heterogeneity of service providers increases switching costs. This is because the complexity of a service or service provider may negatively affect clients' ability to understand or use the service (Blut et al., 2014). Garga and Bambale (2016) tested the relationship between service quality and switching costs and found the relationship between them to be positive and significant. The preceding conclusion, however, was not

based on the life insurance industry. As a result, this conclusion has to be tested in the life insurance sector to confirm whether the above-stated relationship between service quality and switching costs holds in the life insurance industry. Therefore, this study tested the following alternative hypothesis in the life insurance industry.

H2: Service quality has a significant positive relationship with switching costs perceptions in life insurance.

Source: Mackay and Major (2017)

3.2.3 Trust and switching costs

As noted by Mackay and Major (2017), previous studies revealed that the level of trust in the service provider can influence perceptions around switching costs, particularly procedural and relational switching costs. The above finding, however, was not based on the life insurance industry. As a result, this finding must be tested in the life insurance sector to confirm whether the above-stated relationship holds in the life insurance industry. Thus, this study tested the nature and significance of the relationship between switching costs and trust using the alternative hypothesis below.

H3: Trust has a significant positive relationship with switching costs perceptions in life insurance.

Source: Mackay and Major (2017)

3.2.4 Service quality and customer satisfaction

As noted in Chapter 2, previous studies have identified service quality as a key precursor of customer satisfaction (Mackay & Major, 2017). This is because the higher the level of service quality, the more likely are the client's expectations to be fulfilled and hence the higher level of overall satisfaction with the service provider. Satisfied clients are most likely to stick around with their service providers (Naderian & Baharun, 2015). So to keep clients, life insurers need to maintain a decent level of service quality which will pave a way for continued relationships with clients. A continued relationship is very important for life insurers' success because clients are likely to continue paying premiums and thereby keep their policies active for long. In light of the discussion above, this study tested the following alternative hypothesis.

H4: Service quality significantly influences customers' satisfaction with a life insurer.

Source: Mackay and Major (2017)

3.2.5 Customer satisfaction and trust

Similar to service quality, prior studies have found that trust plays a critical role in customer satisfaction (Mackay & Major, 2017). This is because clients are likely to continue their relationship with their life insurers if they trust the organisation. However, the above finding was not based on the life insurance industry. As a result, this finding has to be tested in the life insurance sector to confirm whether the above-stated relationship between trust and customer satisfaction holds in the life insurance industry Therefore, this study tested the following alternative hypothesis.

H5: Trust significantly influences customers' satisfaction with a life insurer.

Source: Mackay and Major (2017)

3.2.6 Switching costs and customer satisfaction

Switching costs are known to influence customer satisfaction because unsatisfied clients may choose to stay with the service provider due to the perceived high costs associated with switching a provider (Mackay & Major, 2017). So, as noted by Mackay and Major (2017), convincing clients that it might be too costly to move from one service provider to the next might improve clients' overall satisfaction. The preceding conclusion, however, was not based on the life insurance industry. As a result, this conclusion has to be tested in the life insurance sector to confirm whether the above-stated relationship between switching costs and customer satisfaction holds in the life insurance industry. Given the discussion above, this study tested the following alternative hypothesis.

H6: Perceptions of switching costs significantly influence customers' satisfaction with a life insurer.

Source: Mackay and Major (2017)

3.2.7 Customer satisfaction and loyalty

As discussed in Chapter 2, customer loyalty is a long-term process and customer satisfaction forms part of loyalty formation (Du Plessis et al., 2013). Past studies have shown that to keep clients loyal to a brand or a service provider, clients must be satisfied with their brand or service provider (Du Plessis et al., 2013). Mackay and Major (2017) indicated that a loyal client base represents a reflection of service quality and trust and loyal clients are usually prepared to pay a higher price for a product to avoid the risks associated with switching service providers. In life insurance, this is represented by clients' willingness to absorb premium increases year on year because of the risks associated with changing an insurer. Changing insurers may often result in higher premiums because

the rating factors used to determine premiums are likely to have deteriorated for some clients.

Therefore, a loyal client base is prepared to stay with their service provider even though they may be better service providers out there. This means that a loyal client base can shield the company from the competition (Mackay and Major, 2017). So, if life insurance companies can meet or exceed clients' expectations in terms of product or service offerings, this will create a pool of satisfied clients. Satisfied clients are more loyal than unsatisfied clients. Based on the discussion above, this study tested the following alternative hypothesis.

H7: Customer satisfaction significantly influences loyalty towards a life insurer.

Source: Mackay and Major (2017)

3.3 Theoretical framework and summary of hypotheses

This study's hypotheses as discussed above are summarised below:

H1: Service quality has a significant positive relationship with trust in life insurance.

H2: Service quality has a significant positive relationship with switching costs perceptions in life insurance.

H3: Trust has a significant positive relationship with switching costs perceptions in life insurance.

H4: Service quality significantly influences customers' satisfaction with a life insurer.

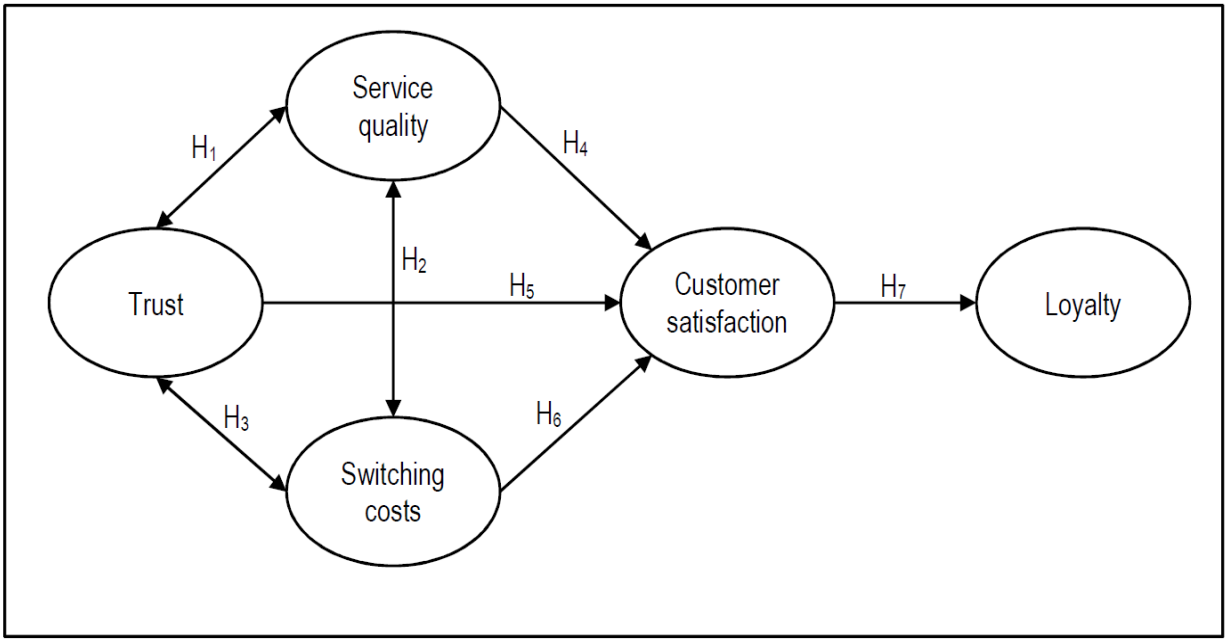
H5: Trust significantly influences customers' satisfaction with a life insurer.

H6: Perceptions of switching costs significantly influence customers' satisfaction with a life insurer.

H7: Customer satisfaction significantly influences loyalty towards a life insurer.

The hypotheses listed above are depicted in the theoretical framework below:

Table 4: Theoretical framework


Service quality
H1
H4
H2
Trust
H5
Customer satisfaction
H7
Loyalty
H3
H6
Switching costs

Chapter 4

4. Choice of methodology

4.1 Purpose of research design

As stated above, this study aims to determine whether perceptions of service quality, switching costs and trust predicts overall customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty in the life insurance industry. This study, therefore, seeks to describe the characteristics of the life insurance industry in terms of service quality, switching costs, trust, customer satisfaction, and customer loyalty; and to determine whether a relationship exists between these variables. This study has elements of both descriptive and explanatory research and can therefore be classified as a descripto-explanatory study.

4.2 Research philosophy

This study is quantitative and as Frey (2018, p. 2) stated that quantitative research "has its roots in positivism". Therefore, this study followed a positivism philosophy to collect quantifiable data using a structured survey. According to Saunders & Lewis (2018), positivism research collects quantifiable data which allows for statistical analysis using a structured data collection methodology like a survey or questionnaire.

4.3 Approach selected

This study aims to test the existing customer loyalty theory in the life insurance industry. Frey (2018) defined deductive research as an approach that involves testing theoretical propositions or hypotheses. A deductive approach was adopted for this study as opposed to an adductive approach which involves theory development (Saunders & Lewis, 2018).

4.4 Methodological choices

Saunders & Lewis (2018) defined a mono method as a quantitative research design that uses a single data collection technique. Mackay & Major (2017) used one single data collection technique and it was sufficient to answer their research questions. Similarly, this research followed a mono method quantitative approach to answer the research questions.

As stated in Section 1.4, this study is a replication of the study conducted by Mackay and Major (2017) "in the South African retail banking sector" but applied in the life insurance sector. The research problem and context were altered to reflect the change from retail banking to the life insurance industry. The methodology, in terms of data collection and

data analyses, was broadly similar to that of Mackay and Major (2017) but with a few alterations to enhance the depth of the analysis. Therefore this study was classified as a context extension study as the change in context is the main driver of the difference between the two studies. And an extension study is a form of replication study (Berthon et al., 2002).

4.5 Research Strategy

Participants' responses were gathered through an online survey. The survey included both demographic questions and questions relating to the research constructs. Saunders & Lewis (2018) noted that a survey is appropriate for collecting data in descriptive research. Although this study is descripto-explanatory, a survey was deemed appropriate because the explanatory part of the research will be based on the descriptive section of the research.

4.6 Time horizon

A cross-sectional research study is one in which data is collected once from multiple groups of respondents (Saunders & Lewis, 2018). Given the limited time frame of this study, a cross-sectional time horizon was used to collect data once from respondents using an online survey. Habel, Alavi, & Pick (2017) used a similar approach in one of their studies on health insurance providers.

4.7 Population

According to Creswell (2012), for a group of individuals to be considered a population, they must share at least one common attribute, and collectively they must form a full set of a group, as defined by Saunders & Lewis (2018). Individual policyholders who are over the age of 18 and have an active or existing life insurance policy make up this study's population. These two variables (being above the age of 18 years and holding an active life insurance policy) were used as filter variables to ensure that the sample comes from the right population.

As discussed above, life insurance products provide a cover to the policyholder or insured in return for a monthly or annual premium upon suffering a pre-defined event within the policy term. The predefined events often include death, disability retrenchment, or surviving to a pre-defined date. There are many life insurance products in the market targeted at different segments of the population. Consumer targeting or segmentation is often done using rating factors such as age, gender, occupation, marital status, and income.

Life insurance is based on the principle of pooling of risks from a large number of clients (Mishr, 2016). Meaning that at any given point in time, life insurer must have a large pool of people with similar risk say the risk of death and these people should preferably come from diverse rating factors groups i.e. a mixture of males and females and low and high-income earners to allow for cross-subsidy across rating factors. A group or a pool of life insurance policyholders meets the definition of a population above because it has at least one common characteristic namely the similar risk insured.

To ensure that there is diversity in the population, the population must consist of people of varying rating factors. This diversity also formed part of the sample.

4.8 Unit of analysis

A unit of analysis, according to Creswell (2012), describes who or what should give the information needed to answer the research questions, and the unit might be at different levels such as individual, family, or organization level. This study collected data about individual policyholders in the life insurance industry and seeks to answer research questions relating to individual policyholders. Therefore individual policyholder is the unit of analysis. These individuals must meet the filtering criteria i.e. they must be aged 18 years or older and must also hold an active life insurance product.

4.9 Sampling method and size

For this study, a probability sampling method would be ideal, but the likelihood of obtaining a complete list of all life insurance policyholders in South Africa is very slim if not zero. This is because probability sampling is both “expensive and time-consuming” to execute (Ochoa & Porcar, 2018, p. 485). Accessing a probability sampling list may also be problematic due to laws governing the protection and treatment of client information. Because the researcher would not have access to a comprehensive list of all individuals in the population, a non-probability sampling technique was used, and individuals participated in the study voluntarily.

The sample size was determined based on the formula below as specified in Taherdoost (2017).

$$n = \frac{p(1-p)Z^2}{E^2}$$

Where n is the desired sample size; p is the likelihood of occurrence of a condition or state and in this study, this represents the probability that someone in the general public belongs to the life insurance industry. E denotes the error margin and Z measures the desired level

of confidence. According to Taherdoost (2017), the percentage of occurrence (p) should be set at 50% to minimise the variance and to produce the maximum possible sample size. So, at a confidence level of 95% and 5% error margin, Z would be 1.96 and the desired sample size will be set at 384.

To ensure that the distribution or diversity of the population is proportionally represented in the sample, a non-probability quota sampling technique will be used. Ochoa and Porcar. (2018, p.484) defined quota samples as “non-probability samples that are controlled to be distributed more like a random sample from a population would be”. While we would have preferred to work with more quotas, Ochoa and Porcar. (2018, p.499) found that a large “number of quotas and levels per quota” significantly decreases the number of responses that are accepted in the study. Therefore, this study only quota on two variables, namely age, and gender.

As stated by Lamm and Lamm (2019), quotas should be specified ahead of data collection to ensure the best representation of the population. This study utilised an interlocking quota which requires values of one quota to fit the target distribution of the other quota (Ochoa & Porcar, 2018). The table below contains the age and gender quota which will be used to collect data based on a sample size specified above.

Table 5: Age and gender quotas

Gender/Age in years	< 18	18 to 35	36 to 49	50 +	Total age
Male	0	64	64	64	192
Female	0	64	64	64	192
Total gender	**0**	**128**	**128**	**128**	**384**

In creating the table above, the following assumptions were made:

i. That the life insurance population consist of an equal proportion of males and females i.e. 50% males and 50% females

ii. That policyholders are equally distributed across the three age intervals. Those younger than 18 years are not eligible to buy life insurance and therefore cannot be policyholders.

4.10 Measurement instrument

This study gathered responses to questions regarding the research constructs as well as responses to general demographic questions such as age, gender, and level of education, etc. The measurement instruments used to collect demographic data and responses to

the constructs were different. Responses to demographic questions were collected using category and quantitative scale questions, while responses to the constructs were collected using rating scale questions.

This research used a Likert scale to collect responses to the constructs. According to Kline (2011), a Likert scale with between five to 10 points is more appropriate for enabling respondents to accurately differentiate responses between the scale values. Therefore this study will use a five-point Likert scale to collect data. Research questions will be adopted from Mackay & Major (2017).

The table below summarises the number of measurement items, Cronbach Alpha, and the composite reliability determined by prior studies when measuring the same constructs as those in this study. These figures were compared to those generated in this study.

Table 6: Measurement scales

Construct	**Author(s)/year**	**Number of items**	**Cronbach's Alpha**	**Composite reliability**
Trust	Ampaw et al.(2019)	6	0.90	-
	Chaudhary, Chaudhary and Ali (2020)	9	0.92	0.87
	El-Manstrly and Harrison (2013)	5	0.93	0.73
	Mackay & Major (2017)	6	0.91	0.91
	Şahin et al.	8	0.91	0.89
	Setó-pamies (2012)	4	0.94	0.99
	Thompson & Tuzovic (2020)	3	0.70	0.70
Service quality	Ampaw et al.(2019)	6	0.93	-
	Chaundhary et al (2020)	5	0.87	0.87
	Mackay & Major (2017)	23	0.90*	0.91*
	Şahin et al.	11	0.95	0.88

	Setó-pamies (2012)	5	0.93	0.96
Switching costs	Blut et al. (2014)	28	0.76*	0.85*
	Chen & Wang (2009)	4	0.91	-
	Mackay & Major (2017)	4	0.72	0.86
Customer satisfaction	Ampaw et al.(2019)	5	0.93	-
	Blut et al. (2014)	4	0.91	0.94
	Chen & Wang (2009)	2	0.96	-
	Mackay & Major (2017)	6	0.95	0.95
	Mofokeng (2020)	3	0.79	0.79
	Setó-pamies (2012)	3	0.91	0.98
Loyalty	Ampaw et al.(2019)6	5	0.94	-
	Blut et al. (2014)	4	0.76	0.85
	Chen and Wang (2009)	2	0.97	-
	El-Manstrly and Harrison (2013)	18	0.89*	0.68*
	Mackay and Major (2017)	6	0.94	0.94
	Setó-pamies (2012)	5	0.93	0.99

Asterisk (*) denote figures that were not directly determined by the authors and were taken as the average of the subcomponents. Dash (-) on the other hand denote figures that were not calculated by authors.

4.11 Data gathering process

An online survey, in particular Google survey, was used to collect data. Individuals were asked to complete the survey and to share the link with their social networks after seeing the survey link on various social media platforms. Madariaga, Nussbaum, Burq, Maraón, Salazar, Maldonado, and Naranjo (2017) used this data-gathering strategy in the past and found it to be a cost-effective method of data collection.

Given the diverse group of people in social media platforms, data gathered will undergo data cleaning or filtering. Two filter questions were included in the questionnaire to ensure that the sample is taken from the correct population. The first filter question establishes the age of the respondents and only those aged 18 years or older formed part of the sample. The second filter question seeks to confirm whether the respondent has an active life insurance policy or not and only those with at least one active policy formed part of the study.

4.12 Data analysis approach

Once ethical clearance was provided or approved and data has been collected, statistical packages like IBM SPSS (Statistical Package for Social Sciences) and Excel were used to analyse the data. Any incomplete responses were noted, analysed, and allocated an average response for that specific question before performing descriptive statistics and statistical tests. Filter variables were used to ensure that the final data only includes respondents who are aged 18 years or older and have an active life insurance policy.

Basic characteristics that measure the general tendencies of responses (mean, median, and mode) and the spread of the responses (standard deviation and range) were determined as part of the descriptive statistics. Skewness and kurtosis were also included to test for normality of responses.

Two-factor analyses were conducted to analyse the structure of the variables to confirm that the measurement scales work. These are exploratory and confirmatory factor analyses. According to Denis (2015), exploratory factor analysis is an analysis in which no formal assumptions about the nature of the factors are tested. While confirmatory factor analysis allows for the specification of the factors' assumptions in advance and to test for their accuracy (Denis, 2015). In practice, exploratory and confirmatory factor analyses are often used one after the other to create and then test the assumptions about the structures of the factors and so confirm that the measurement scale works.

Structural Equation Modelling (SEM) will be performed to test the hypotheses about the relationships between constructs or between manifest or measurable variables and unobserved variables generally known as latent variables (Denis, 2015). However, the distinction between manifest and latent variables is not always clear (Denis, 2015). Latent variables in this study include constructs like trust, customer satisfaction, and loyalty that are considered unmeasurable. Denis (2015) defined SEM as a complicated statistical methodology that includes elements of both factor analysis and path or regression

analysis to test hypotheses and therefore answer the research questions. The chi-square test together with other tests of model fit was performed to test the goodness of fit of the theoretical framework.

4.13 Quality controls

The quality of the data collected is important as it affects the results and outcome of the research. To ensure the quality of data collected, this study performed both reliability and validity tests on the questions used to measure the constructs. Cronbach's alpha is the most utilised measure in determining the reliability scale and the higher the value of Cronbach's alpha, the more consistent is the questions measuring the same construct (Hair, Black, Babin, & Anderson, 2014).

Cronbach alpha "measures the extent to which item responses (answers to survey questions) correlate with each other." (Vaske, Beaman, & Sponarski, 2017, p.164). As noted by Vaske et al. (2017), Cronbach's alpha value ranges from 0 to 1 but could also be negative if the items on the scale are negatively correlated. Many statisticians have argued on what is the acceptable level of Cronbach alpha which resulted in the determination of the acceptable range of between 0.65 and 0.8 (Vaske et al., 2017). According to Hair et al. (2014), the minimum acceptable value of Cronbach's alpha is set at 0.7, which is the median of the acceptable range stated above. Therefore, this study set the minimum acceptable value of Cronbach's alpha at 0.7 (Hair et al., 2014).

"Validity refers to the extent to which the instrument adequately reflects what it is designed to measure." Frey (2018, p. 4). This research measured construct validity using convergent and discriminant validity. A confirmatory factor analysis will be used to measure convergent validity. As defined by Frey (2018, p. 4), factorial validity assesses "whether the items making up the factors are the components the researcher anticipates to measure." Hair et al. (2014) suggested that the Average Variance Extracted (AVE) value should be above 0.5 for a minimum acceptable convergent validity.

According to Balci, Caliskan, & Yuen (2019), discriminant validity can be tested by comparing the square root of AVE of the individual constructs against the correlations between constructs. A higher square root of the average variance extracted compared to the correlations denotes discriminant validity. Paparoidamis, Tran, & Leonidou (2019) used the same approach to determine validity and reliability.

Chapter 5

5. Results

5.1 Introduction

This chapter presents the results of the study. Results are grouped into four key categories namely the data transformations; demographic composition/profile of the respondents; the descriptive statistics on the sample obtained; results of the reliability and validity tests proposed in Chapter 4, as well as statistical outcomes of the hypothesis tests, conducted.

5.2 Data transformations

A Google survey was used to collect responses from participants and a total of 145 responses were received. The survey was open to collect responses for 60 days starting from 1 August 2021 and ending on 30 September 2021.

Two filter variables were included in the questionnaire, namely age (to filter responses from those younger than 18) and active life insurance policy (to filter those with no active life insurance policy). No responses were collected from individuals younger than 18 years. However, seven respondents answered no when asked whether they have an active life insurance product or policy with any insurer in South Africa. These seven responses were excluded from the sample and only 138 responses were accepted and used to generate the results below.

Of the 138 responses, one respondent selected two age groups (age group 18 to 35 years and 36 to 49 years) and was allocated to the age group with the highest responses, which is age 18 to 35 years old. There was also one respondent who did not select their age group and was allocated to the age group with the highest number of responses i.e. 18 to 35 years.

On the constructs questions (Likert scale), three respondents did not answer one of the five questions under service quality-reliability and their responses to those questions were taken as the average response of that questions based on other respondent responses. This approach does not distort the distribution of the results.

5.3 Demographic profile of respondents.

The table below contains the demographic profile of the 138 responses. An overview of the table is provided below.

Table 7: Demographic profile of respondents

Variable	Frequency (n)	Percentage (%)
Age		
younger than 18 years	0	0.00
18 to 35 years	82	59.42
36 to 49 years	41	29.71
50 years and above	15	10.87
Gender		
Male	82	59.42
Female	56	40.58
Other	0	0.00
Ethnicity		
Asian	1	0.72
Black	108	78.26
Coloured	4	2.90
Indian	6	4.35
White	19	13.77
Level of education		
Some primary education	0	0.00
Primary school completed	0	0.00
Some high school	0	0.00
Matric/Grade 12 completed	5	3.62
Technical college diploma	7	5.07
University or technological diploma	5	3.62
University degree (Bachelor degree or Honours)	80	57.97
Postgraduate degree (Master's or Doctorate)	41	29.71
Employment		
Full-time student	5	3.62
Unemployed	1	0.72
Self-employed	9	6.52
Part-time employed	2	1.45
Full-time employed	118	85.51
Housewife or househusband	0	0.00
Retired	1	0.72
Other	2	1.45

As it is evident in Table 7, almost 60% of the respondents were aged between 18 and 35 years (n = 82), and the remaining proportion of respondents was aged between 36 and 49 years (29.71%; n = 41) and 50 years and older (10.87%; n = 15). There were no responses from respondents younger than 18 years old.

In term of age, majority of the respondents, 59.42%, were male (n = 82) while 40.58% were female (n = 56). There were no respondents who listed others as their gender.

From an ethnicity perspective, the majority of the respondents were black (n = 108) making up 78.26% of all the total responses, followed by white at 13.77% of the total responses (n = 19). Asian, coloured, and Indian make up the remaining 7.97% of responses (n = 11).

In terms of education, 57.97% (n = 80) of respondents indicated that they have a University degree in the form of a bachelor's degree or honours, whilst 29.71 (n = 41) had a master's or doctorate postgraduate degree. Seven respondents (n = 7; 5.07%) indicated that they have a technical college diploma and five respondents (n = 5; 3.62%) indicated that they have a matric certificate and the other 3.62% indicated that they either have a University or technological diploma (n = 5). There were no respondents with educational levels below matric or Grade 12.

It can also be seen in Table 7 that the majority of the respondents 85.51% (n = 118) indicated that they are full-time employed and the remaining proportion is shared across various employment categories.

5.4 Descriptive Statistics

This section presents the results of the descriptive statistics conducted on each of the five constructs and their respective dimensions. A number of descriptive items like mean, median, standard deviation, range, skewness, and kurtosis, etc. were used to analyse the results. As stated by Singh (2017), skewness and kurtosis can be used to test whether the result is normally distributed or not. Skewness and Kurtosis between -2 and +2 indicate the normal distribution of responses (Singh, 2017).

5.4.1 Trust

Table 8: Descriptive statistics – Trust

	My insurer is trustworthy	*I have confidence in my insurer*	*My insurer is concerned with the security of my transactions*	*My insurer is consistent in providing quality services*	*My insurer's promises are reliable*	*My insurer's employees show respect to their customers*	*Average*
Mean	3.84	3.82	3.54	3.71	3.62	3.87	3.73
Median	4.00	4.00	4.00	4.00	4.00	4.00	3.83
Mode	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Standard Deviation	1.03	1.03	1.07	1.06	1.06	0.97	0.86
Sample Variance	1.05	1.05	1.14	1.13	1.11	0.93	0.74
Kurtosis	1.06	0.80	0.13	0.30	0.10	1.11	0.50
Skewness	-1.07	-1.02	-0.61	-0.81	-0.69	-0.97	-0.76
Range	4.00	4.00	4.00	4.00	4.00	4.00	3.83
Minimum	1.00	1.00	1.00	1.00	1.00	1.00	1.17
Maximum	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Sum	530.00	527.00	489.00	512.00	499.00	534.00	515.17
Count	138.00	138.00	138.00	138.00	138.00	138.00	138.00

The mean score (for all questions) ranged from 3.54 to 3.84 whilst the median and mode was 4. This means that the mean response gathered tended to agree (4) with the trust questions. The standard deviation and variance range from 0.97 to 1.07 and 0.93 to 1.14 respectively. The minimum response to the questions was strongly disagree (1) and the highest response was strongly agree (5) resulting in a range of 4 (maximum less minimum response). Skewness and Kurtosis ranged from -1.07 to -0.61 and 0.1 and 1.11 respectively, both within the -2 and +2 range to confirm that the responses to each question were normally distributed (Singh, 2017). The number of responses to each question was 138, in line with the sample size. The summation of all responses per question is within the 138 (if all respondents selected strongly disagree) to 690 (if all respondents selected strongly agree) range.

The average mean score (3.73) of all questions tended to agree with the questions and the average skewness and kurtosis results of -0.76 and 0.74 confirm that the average responses were normally distributed.

5.4.2 Service quality

Service quality was measured using five dimensions and the results of each dimension are presented below.

5.4.2.1 Reliability

Table 9: Descriptive statistics – Service quality reliability

	When I have a problem, the staff show a sincere interest to help me	*The insurer has my personal and insurance information up to date and error-free*	*The staff performs a service correctly the first time*	*The staff keeps the promises they make*	*The staff performs the services they promise or claim to do*	*Average*
Mean	3.74	3.71	3.62	3.49	3.63	3.64
Median	4.00	4.00	4.00	4.00	4.00	3.80
Mode	4.00	4.00	4.00	4.00	4.00	4.00
Standard Deviation	0.90	1.02	0.95	1.07	0.95	0.81
Sample Variance	0.81	1.04	0.89	1.14	0.91	0.66
Kurtosis	1.94	-0.21	0.04	-0.28	0.56	0.17
Skewness	-1.11	-0.64	-0.55	-0.49	-0.73	-0.47
Range	4.00	4.00	4.00	4.00	4.00	3.80
Minimum	1.00	1.00	1.00	1.00	1.00	1.20
Maximum	5.00	5.00	5.00	5.00	5.00	5.00
Sum	515.74	511.71	500.00	481.00	500.63	501.81
Count	138.00	138.00	138.00	138.00	138.00	138.00

The average mean score overall service quality reliability questions is 3.64 and tended to agree with the questions. The mode and the median score was 4 in all questions, indicating that the median and the most common response tended to agree with the questions. The standard deviation ranged from 0.90 to 1.07 indicating that the responses did not materially deviate from the mean score. The skewness and kurtosis of all questions as well as of the average responses was within the -2 and +2 range, meeting or passing the normal distribution

test outlined above. The sum of all responses per question (and for the average) was within the 138 and 690 possible range and 138 responses were received for each question.

5.4.2.2 Responsiveness

Table 10: Descriptive statistics – Service quality responsiveness

	The staff are never too busy to respond to my requests and queries	*The staff are willing to help me*	*The staff gives me prompt and quick service*	*The staff constantly keep me informed about the progress of my queries*	*Average*
Mean	3.35	3.78	3.55	3.28	3.49
Median	3.00	4.00	4.00	3.00	3.75
Mode	4.00	4.00	4.00	4.00	4.00
Standard Deviation	1.04	0.85	0.97	1.17	0.86
Sample Variance	1.08	0.73	0.94	1.37	0.74
Kurtosis	-0.36	1.22	-0.45	-0.70	-0.38
Skewness	-0.38	-0.79	-0.42	-0.30	-0.33
Range	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00
Sum	462.00	522.00	490.00	452.00	481.50
Count	138.00	138.00	138.00	138.00	138.00

The mean response to all four questions ranged from 3.28 to 3.78 with an average response (overall questions) of 3.49 indicating that responses, on average, tended to be neutral on these questions. Unlike the previous dimension, the median score was not stable in all questions and ranged from 3 to 4 but the mode, which reflects the most common score, was stable at 4. The standard deviation and variance ranged from 0.73 to 1.37 and not too far away from the mean score.

The responses to all questions were normally distributed since the skewness and kurtosis were within the -2 and +2 range outlined above. The average responses were also normally distributed. The range was 4 across all questions and all respondents answered all questions. The sum of the responses was within the 138 to 690 range of possible scores.

5.4.2.3 Assurance

Table 11: Descriptive statistics – Service quality Assurance

	The staff have the knowledge and the know-how of insurance processes and policies to deal with my queries and concerns	*The staff are polite towards me*	*The behaviour and knowledge of the staff instil confidence in me*	*I feel safe and confident about the staff's ability to deal with my concerns*	*Average*
Mean	3.76	4.00	3.69	3.65	3.78
Median	4.00	4.00	4.00	4.00	4.00
Mode	4.00	4.00	4.00	4.00	4.00
Standard Deviation	0.95	0.80	0.95	1.02	0.81
Sample Variance	0.90	0.64	0.90	1.05	0.66
Kurtosis	0.67	1.89	0.55	0.05	1.00
Skewness	-0.81	-0.95	-0.84	-0.67	-0.76
Range	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00
Sum	519.00	552.00	509.00	504.00	521.00
Count	138.00	138.00	138.00	138.00	138.00

On average (across all questions), respondents tended to agree with service quality assurance questions as indicated by the mean score of 3.78. The median and mode score was 4, which tended to agree with the questions. All 138 respondents responded to all four questions and the sum of the scores (per question) was within the minimum and maximum possible score of 138 and 690 respectively.

The skewness and kurtosis scores were within the -2 and +2 range for both individual questions and for the average across all questions, confirming that the responses were normally distributed. The standard deviation across all four questions ranged from 0.80 to 1.02 with an average of 0.81 across all four questions.

5.4.2.4 Empathy

Table 12: Descriptive statistics – Service quality empathy

	The staff always have my best interests at heart	*The staff gives me personal attention*	*My insurer's employees are neat appearing*	*The staff understands my personal insurance needs*	*The staff treats me as an individual with individual needs*	*My insurer has operating hours that are convenient to me*	*Average*
Mean	3.32	3.32	3.61	3.48	3.50	3.57	3.47
Median	3.00	3.00	4.00	4.00	4.00	4.00	3.50
Mode	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Standard Deviation	0.97	1.02	0.84	1.04	1.07	1.11	0.82
Sample Variance	0.95	1.04	0.71	1.08	1.14	1.24	0.67
Kurtosis	-0.23	-0.30	1.17	0.03	-0.11	-0.23	0.07
Skewness	-0.20	-0.38	-0.57	-0.67	-0.60	-0.67	-0.41
Range	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Sum	458.00	458.00	498.00	480.00	483.00	493.00	478.33
Count	138.00	138.00	138.00	138.00	138.00	138.00	138.00

All 138 respondents answered all six questions under the empathy dimension of service quality and the sum of the scores (per question) was within the minimum and maximum possible score of 138 and 690 respectively. The mean score ranged from 3.32 to 3.61 with an

overall mean of 3.47 and the standard deviation ranged from 0.84 to 1.11 with an overall average of 0.82. This means that the overall mean score was neutral on empathy questions and the individual scores deviated by 0.82 from the mean.

The overall skewness and kurtosis score was -0.41 and 0.07 respectively, confirming that the overall responses to empathy questions were normally distributed.

5.4.2.5 Tangibles

Table 13: Descriptive statistics – Service quality tangibles

	My insurer's branch layout is clearly demarcated and easy to understand	*My insurer's branch is visually appealing and clean*	*The staff are neatly and professionally dressed*	*My insurer's branch has modern equipment*	*Average*
Mean	3.37	3.51	3.66	3.61	3.54
Median	3.00	3.50	4.00	4.00	3.50
Mode	3.00	3.00	3.00	3.00	3.00
Standard Deviation	0.97	0.94	0.96	0.98	0.87
Sample Variance	0.94	0.88	0.91	0.96	0.75
Kurtosis	-0.06	0.57	0.43	0.38	0.77
Skewness	-0.16	-0.48	-0.49	-0.43	-0.44
Range	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00
Sum	465.00	484.00	505.00	498.00	488.00
Count	138.00	138.00	138.00	138.00	138.00

Similar to the previous service quality dimensions, all 138 respondents answered all four questions under the service quality tangible dimension and the sum of all scores (per question) was within the minimum and the maximum possible score of 138 and 690 respectively.

The mean score ranged from 3.37 to 3.66 with an overall mean of 3.54 and the standard deviation ranged from 0.94 to 0.98 with an overall average of 0.87. This means that the overall mean score was tended to agree to the service quality tangible questions and the individual scores deviated by 0.87 from the mean.

The overall skewness and kurtosis score (across all questions) was -0.44 and 0.77 respectively, confirming that the overall responses to tangible questions was normally distributed. The range of the responses was 4 across all questions and on for the overall average scores.

5.4.2.6 Total service quality

Table 14: Descriptive statistics – Total service quality

	Service Quality-Reliability	*Service Quality-Responsiveness*	*Service Quality-Assurance*	*Service Quality-Empathy*	*Service Quality-Tangibles*	*Average*
Mean	3.64	3.49	3.78	3.47	3.54	3.58
Median	3.80	3.75	4.00	3.50	3.50	3.62
Mode	4.00	4.00	4.00	4.00	3.00	3.00
Standard Deviation	0.81	0.86	0.81	0.82	0.87	0.72
Sample Variance	0.66	0.74	0.66	0.67	0.75	0.51
Kurtosis	0.17	-0.38	1.00	0.07	0.77	0.70
Skewness	-0.47	-0.33	-0.76	-0.41	-0.44	-0.54
Range	3.80	4.00	4.00	4.00	4.00	3.86
Minimum	1.20	1.00	1.00	1.00	1.00	1.14
Maximum	5.00	5.00	5.00	5.00	5.00	5.00
Sum	501.81	481.50	521.00	478.33	488.00	494.13
Count	138.00	138.00	138.00	138.00	138.00	138.00

The result for the total service quality is taken as the average of the result of the five dimensions shown above. The result for each dimension is taken as the average result overall questions in that dimension. The total service quality mean score was 3.58 and the median and mode were 3.62 and 3.00 respectively. The standard deviation and variance were 0.72 and 0.51 respectively and the total service quality result

was normally distributed since both the skewness (-0.54) and kurtosis (0.70) were within the -2 and +2 range. All 138 respondents completed all questions with average sum total of all score over the five dimension of 494.13.

5.4.3 Switching costs

Table 15: Descriptive statistics – Switching costs

	I like the image brand of my insurer	*Switching to another insurer could cause hidden unpredictable costs*	*Switching to another insurer will probably result in some unexpected hassle*	*The process of switching to another insurer is connected to many formalities*	*Average*
Mean	3.88	3.59	3.68	3.81	3.74
Median	4.00	4.00	4.00	4.00	3.88
Mode	4.00	4.00	4.00	4.00	4.00
Standard Deviation	1.00	1.27	1.20	1.10	0.92
Sample Variance	1.00	1.60	1.43	1.22	0.84
Kurtosis	0.16	-0.55	-0.26	0.69	0.52
Skewness	-0.77	-0.69	-0.76	-1.07	-0.83
Range	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00
Sum	535.00	496.00	508.00	526.00	516.25
Count	138.00	138.00	138.00	138.00	138.00

All 138 respondents answered all four questions under the service costs construct and the sum of the scores (per question) ranged from 496 to 535, well within the minimum and the maximum possible score of 138 and 690 respectively. The mean score, over the four questions, ranged from 3.59 to 3.88 with an overall mean (an average overall four questions) of 3.74. Both the standard deviation and variance ranged from 1.00 to 1.60. Results of all four questions and the overall results were normally distributed as the skewness and kurtosis were within the -2 and +2 acceptable range to confirm normality. The overall skewness and kurtosis were -0.83 and 0.52.

The minimum and maximum responses recorded in all questions were 1.00 and 5.00 respectively, resulting in a range of 4.00.

5.4.4 Customer Satisfaction

Table 16: Descriptive statistics – Customer Satisfaction

	I am satisfied with the services I receive from my insurer	*I believe my insurer treats me fairly*	*My insurer's services meet my expectations*	*I am proud of my relationship with my insurer*	*My experiences with my insurer have always been good*	*Average*
Mean	3.76	3.68	3.70	3.48	3.56	3.63
Median	4.00	4.00	4.00	3.50	4.00	3.80
Mode	4.00	4.00	4.00	3.00	4.00	4.00
Standard Deviation	0.98	0.97	0.96	1.08	1.05	0.92
Sample Variance	0.96	0.93	0.93	1.16	1.11	0.85
Kurtosis	0.42	0.95	0.39	-0.33	-0.01	0.54
Skewness	-0.78	-0.99	-0.74	-0.37	-0.67	-0.76
Range	4.00	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00	5.00
Sum	519.00	508.00	510.00	480.00	491.00	501.60
Count	138.00	138.00	138.00	138.00	138.00	138.00

In total, 138 respondents answered all five questions under the customer satisfaction construct and the sum of the scores (per question) ranged from 480 to 519, well within the minimum and the maximum possible score of 138 and 690 respectively. The mean score, over the four questions, ranged from 3.48 to 3.76 with an overall mean (an average overall four questions) of 3.63. Both the standard deviation and variance ranged from 0.93 to 1.16. Results of all five questions and the overall results were normally distributed as the skewness and kurtosis were within the -2 and +2 acceptable range to confirm normality as per Singh (2017). The overall skewness and kurtosis were -0.76 and 0.54.

The minimum and maximum responses recorded in all questions were 1.00 and 5.00 respectively, resulting in a range of 4.00.

5.4.5 Loyalty

Table 17: Descriptive statistics – Loyalty

	I am completely happy with my insurer	*I say positive things about my insurer to other people*	*I would recommend my insurer to someone who seeks my advice*	*I encourage friends and/or relatives to do business with my insurer*	*I consider my insurer as my first choice when I need services concerning my insurance needs services concerning my insurance needs*	*I intend to continue doing business with my insurer in the next few years*	*I am willing to try new services that my insurer provides*	*Average*
Mean	3.53	3.59	3.59	3.48	3.70	3.69	3.59	3.60
Median	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.86
Mode	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Standard Deviation	1.05	1.04	1.11	1.05	1.06	1.10	1.06	0.91
Sample Variance	1.11	1.09	1.22	1.11	1.13	1.21	1.12	0.82
Kurtosis	0.22	0.13	-0.14	-0.35	-0.06	0.37	0.03	0.29
Skewness	-0.74	-0.68	-0.70	-0.49	-0.75	-0.96	-0.72	-0.71
Range	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Minimum	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Sum	487.00	496.00	495.00	480.00	511.00	509.00	495.00	496.14
Count	138.00	138.00	138.00	138.00	138.00	138.00	138.00	138.00

All 138 respondents answered all seven questions under the loyalty construct and the sum of the scores (per question) ranged from 487 to 511, well within the minimum and the maximum possible score of 138 and 690 respectively. The mean score, overall questions, ranged from 3.53 to 3.70 with an overall mean (an average overall questions) of 3.60. Both the standard deviation and variance ranged from 1.04

to 1.22. Results of all questions and the overall results were normally distributed as the skewness and kurtosis were within the -2 and +2 acceptable range to confirm normality. The overall skewness and kurtosis were -0.71 and 0.29.

The minimum and maximum responses recorded in all questions were 1.00 and 5.00 respectively, resulting in a range of 4.00.

5.5 Factor Analysis

A two-factor analysis was conducted to analyse the structure of the variables within each construct to confirm whether the measurement scales works or not. An exploratory factor analysis was performed to examine the structure of variables within each construct. No formal assumption was made about the nature of the factors or constructs. IBM SPSS was used to compute the factor analysis utilising the principal component analysis as the extraction method and varimax rotation with eigenvalue set to 1.

According to Hair et all. (2014), Bartlett's test of sphericity can be used to test whether there is a significant correlation between variables (with a significant correlation denoted by a p-value of less than 0.05). The adequacy of the sample is indicated by Meyer-Olkin Measure of sampling adequacy (KMO) of above 0.5 (Hair et all., 2014).

Table 18 below shows a summary of the exploratory factor analysis results.

Table 18: Results of exploratory factor analysis

Construct	KMO	Bartlett's test	Components extracted	Eigenvalue	Variance %
Trust	0.881	0.000	1	4.196	69.935
Service quality - Reliability	0.844	0.000	1	3.462	69.232
Service quality - Responsiveness	0.819	0.000	1	2.942	73.544
Service quality - Assurance	0.825	0.000	1	3.022	75.547
Service quality - Empathy	0.874	0.000	1	3.986	66.425
Service quality - Tangibles	0.836	0.000	1	3.258	81.456
Switching costs	0.692	0.000	1	2.577	64.426
Customer satisfaction	0.897	0.000	1	4.180	83.609
Loyalty	0.924	0.000	1	5.128	73.259

It can be seen from Table 18 above that the KMO value of all constructs is above 0.5 which indicates that the sample is adequate. Bartlett's test for sphericity for all constructs has statistically significant values of 0.000 (which is less than a p-value of 0.05).

One factor was extracted from the variables within each construct and the minimum and maximum variance across all constructs was 64.426 and 83.609 respectively. The Eigenvalue ranged from 2.577 to 5.128 with the highest Eigenvalue recorded on the loyalty construct. The lowest Eigenvalue and variance were recorded on the switching costs construct.

5.6 Reliability and validity testing

Cronbach's alpha was used to measure the reliability of the measurement scale of each construct. As stated by Hair et al. (2014), the higher the Cronbach's alpha value the more consistent is the questions measuring the same construct. As stated in Section 4.13 above, the minimum acceptable value of Cronbach's alpha for this study was set at 0.7 and all Cronbach's alpha values listed in Table 19 below are above the minimum acceptable value of 0.7. The Cronbach's alpha values ranged from 0.813 to 0.950 across all constructs, indicating that the measurement scales are reliable.

Table 19: Cronbach's alpha per construct

Construct	Cronbach's alpha
Trust	0.910
Service quality	0.911
Service quality - Reliability	0.886
Service quality - Responsiveness	0.874
Service quality - Assurance	0.890
Service quality - Empathy	0.896
Service quality - Tangibles	0.924
Switching costs	0.813
Customer satisfaction	0.950
Loyalty	0.923

5.7 Convergent validity

A confirmatory factor analysis was used to measure convergent validity i.e. "to assess whether the items making up the factors are the components the researcher anticipate to measure" (Frey, 2018, p.4). As stated by Hair et al. (2014), for a construct to pass the minimum acceptable convergent validity test, the AVE value should be above 0.5. It can be seen in Table 20 that factor loading ranges from 0.415 to 0.941 and that the AVEs are above 0.5 thus confirming convergent validity. Construct reliability and Cronbach's alpha range from 0.825 to 0.929 and 0.813 to 0.950 respectively, well above the 0.7 targets as per Hair et al. (2014).

Table 20: Convergent validity results

Construct, item	Standardised factor loadings	AVE	Construct reliability	Cronbach's alpha
Trust		0.653	0.916	0.910
My insurer is trustworthy	0.872			
I have confidence in my insurer	0.937			

My insurer is concerned with the security of my transactions	0.559			
My insurer is consistent in providing quality services	0.814			
My insurer's promises are reliable	0.920			
My insurer's employees show respect to their customers	0.677			
Service quality		0.679	0.913	0.911
Service quality - Reliability	0.860			0.886
When I have a problem, the staff show a sincere interest to help me	0.669			
The insurer has my personal and insurance information up to date and error-free	0.631			
The staff performs a service correctly the first time	0.803			
The staff keeps the promises they make	0.908			
The staff performs the services they promise or claim to do	0.887			
Service quality - Responsiveness	0.848			0.874
The staff are never too busy to respond to my requests and queries	0.742			
The staff are willing to help me	0.773			
The staff gives me prompt and quick service	0.912			
The staff constantly keep me informed about the progress of my queries	0.790			
Service quality - Assurance	0.847			0.890
The staff have the knowledge and the know-how of insurance processes and policies to deal with my queries and concerns	0.752			
The staff are polite towards me	0.771			
The behaviour and knowledge of the staff instil confidence in me	0.836			
I feel safe and confident about the staff's ability to deal with my concerns	0.925			
Service quality - Empathy	0.851			0.896
The staff always have my best interests at heart	0.744			
The staff gives me personal attention	0.816			

My insurer's employees are neat appearing	0.673			
The staff understands my personal insurance needs	0.854			
The staff treats me as an individual with individual needs	0.901			
My insurer has operating hours that are convenient to me	0.634			
Service quality - Tangibles	0.703			0.924
My insurers' branch layout is clearly demarcated and easy to understand	0.874			
My insurer's branch is visually appealing and clean	0.895			
The staff are neatly and professionally dressed	0.847			
My insurer's branch has modern equipment	0.854			
Switching costs		0.559	0.825	0.813
I like the image brand of my insurer	0.415			
Switching to another insurer could cause hidden unpredictable costs	0.830			
Switching to another insurer will probably result in some unexpected hassle	0.941			
The process of switching to another insurer is connected to many formalities	0.701			
Customer satisfaction		0.711	0.925	0.950
I am satisfied with the services I receive from my insurer	0.864			
I believe my insurer treats me fairly	0.864			
My insurer's services meet my expectations	0.830			
I am proud of my relationship with my insurer	0.819			
My experiences with my insurer have always been good	0.839			
Loyalty		0.693	0.929	0.923
I say positive things about my insurer to other people	0.903			
I would recommend my insurer to someone who seeks my advice	0.934			
I encourage friends and/or relatives to do business with my insurer	0.907			

I consider my insurer as my first choice when I need services concerning my insurance needs services concerning my insurance needs	0.853
I intend to continue doing business with my insurer in the next few years	0.840
I am willing to try new services that my insurer provides	0.464

5.8 Discriminant validity

Discriminant validity as explained by Hair et al. (2014) can be measured by comparing the correlations between constructs against the square root of the AVEs of each individual construct. The square root of AVEs that are greater than the correlations suggests discriminant validity. Table 21 below shows the discriminant validity results with the square root of the AVEs in bold and the other figures are correlations between constructs. All correlations are smaller than the square root of the AVEs and thus discriminant validity is confirmed.

Table 21: Discriminant validity

Constructs	Trust	Service quality	Switching costs	Customer satisfaction	Loyalty
Trust	**0.808**				
Service quality	0.741	**0.824**			
Switching costs	0.301	0.453	**0.748**		
Customer satisfaction	0.506	0.596	0.238	**0.843**	
Loyalty	-	-	-	0.660	**0.832**

- correlation is not specified in the model

5.9 Model fit

Three commonly used tests to confirm model fit were used and these include the Chi-square degree of freedom, the comparative fit index (CFI), and the Root Mean Square error of approximation ((RMSEA). Table 22 contains the estimated figures for the three models as well as the cut-off threshold for a good fit as per Mackay and Major (2017). This study's model passed the Chi-square test but failed the CFI and RMSE tests.

Table 22: Model fit measures

Measure	Estimate	Threshold	Interpretation
Chi-square (x2/df)	2.46	≤5.00	Good

CFI	0.875	≥0.90	Poor
RMSE	0.103	≤0.08	Poor

5.10 Hypotheses testing

5.10.1 Hypothesis 1 to 3

H1: Service quality has a significant positive relationship with trust in life insurance.

H2: Service quality has a significant positive relationship with switching costs perceptions in life insurance.

H3: Trust has a significant positive relationship with switching costs perceptions in life insurance.

A Pearson correlation was calculated between constructs to establish the nature and the significance of the relationships between constructs as shown in Table 23. A Pearson correlation was chosen because the underlying constructs or variables have a linear relationship and exist on a continuous scale (a Likert scale was used to measure them) and as stated above, both variables were found to be normally distributed based on the skewness and kurtosis test conducted in Section 5.4.

All variables listed in Table 23 had a positive, significant relationship with each other.

Table 23: Correlations

Relationships	Correlations	p-value
Service quality and Trust	0.73	0.000*
Service quality and Switching costs	0.54	0.000*
Trust and Switching costs	0.41	0.000*

5.10.2 Hypothesis 4 to 7

A multiple regression model was conducted to test the relationship between trust, service quality, switching costs (independent variables), and customer satisfaction (dependent variable) whilst a simple linear regression model was conducted to test the relationship between customer satisfaction (independent variable) and loyalty (dependent variable). The summary results of the two regression models are presented in Table 24 below.

Table 24: Results of standardised regression models

Relationships	β-weight	p-value	R-square
Trust and Customer satisfaction	0.33	0.000*	0.71505
Service quality and Customer satisfaction	0.51	0.000*	0.71505
Switching costs and Customer satisfaction	0.11	0.053	0.71505
Customer satisfaction and Loyalty	0.64	0.000*	0.81317

β-weight denotes the standardised regression weight; * denotes statistical significance at p-value ≤ 0.05

The multiple regression model had an R-square of 0.715 whilst the simple linear regression model had an R-square of 0.813. The relationship between trust and customer satisfaction, service quality and customer satisfaction as well as customer satisfaction and loyalty was found to be statistically significant. However, the relationship between switching costs and customer satisfaction was not statistically significant.

Chapter 6

6. Discussion of results

6.1 Introduction

This chapter discusses the results of this study and answers the research questions or hypotheses outlined in Chapter 3. The findings of this study are then compared and contrasted against findings from other similar studies discussed in the literature review. A structural equation modelling (SEM) was used to test the relationships between constructs/hypotheses and to establish the significance of each construct. The theoretical framework (Table 1) was tested using maximum likelihood estimates of the parameters.

6.2 Demographics discussion

The demographic profile of respondents was shown in Table 7 above and provides an opportunity for this study to make key observations on the demographic profile of respondents. Given that this is a replication study of the Mackay and Major (2017) study, the demographics observations below will be compared against those in the Mackay and Major (2017) study to ascertain whether similar respondents participated in this study.

As expected, there were no respondents younger than18 years who participated in this study. The majority of the respondents (59.42%) were aged 18 to 35 years, followed by those aged 36 to 49 years (29.71%). So, the assumption of equal distribution of data across the three age groups did not materialise in this study. However, the age distribution of the respondents is comparable to that in the Mackay and Major (2017) study which had 61.9% of the respondents aged below 38 years and 19.8% aged between 38 and 49 years.

In terms of gender, the actual gender split (male = 59.42%; female = 40.58%) was close enough to the assumed 50/50 split between male and female. Compared to the Mackay and Major (2017) study, this study attracted more male respondents (59.42%) whilst Mackay and Major (2017) attracted more female respondents (58.60%).

From an ethnicity perspective, 78.26% of respondents in this study identified themselves as black followed by 13.77% who identified themselves as white. This profile was the opposite of that noted in the Mackay and Major (2017) study which had 53.1% of respondents identifying themselves as white followed by 36.7% who identified themselves as black.

In both studies, the majority of the respondents indicated their level of education as a metric or higher qualification (i.e. diploma, bachelor degree, honours, etc.) and to be in

full-time employment. This is not surprising given the high level of financial sophistication associated with financial products which require some form of formal education or experience for one to understand the products etc. In terms of employment status, it is also not surprising that the majority (85.51%) of the respondents in this study are in full-time employment because one needs to have some cash flow to be able to afford to pay the regular life insurance premiums (often monthly or annually).

In summary, the demographic profile of the respondents in this study was comparable to those in the Mackay and Major (2017) study with the exception of the ethnicity profile of respondents. This difference is not material in this study, as the research questions are not set on ethnicity level

6.3 Descriptive statistics discussion

The sample size of 138 is below the minimum desired sample size of 384 which was set using the Taherdoost (2017) formula. Data collection proved difficult although the online survey was open for responses for 60 days. This small sample size reduces the generalisability of the findings in the life insurance industry and I repeat study may be essential before the findings of this study can be generalised.

The table below contains a summary of the descriptive statistics of each of the five constructs. The descriptive statistics were taken as the average descriptive statistics across all questions or items within each construct. The mean and median of all constructs was above 3.5 and thus it tended to agree with the questions on each construct. Standard deviation figures were small enough, indicating a low to moderate variation in responses relative to the mean score.

Table 25: Summary of the descriptive statistics

	Trust	*Service quality*	*Switching costs*	*Customer satisfaction*	*Loyalty*
Mean	3.73	3.58	3.74	3.63	3.60
Median	3.83	3.62	3.88	3.80	3.86
Mode	4.00	3.00	4.00	4.00	4.00
Standard Deviation	0.86	0.72	0.92	0.92	0.91
Sample Variance	0.74	0.51	0.84	0.85	0.82
Kurtosis	0.50	0.70	0.52	0.54	0.29
Skewness	-0.76	-0.54	-0.83	-0.76	-0.71
Range	3.83	3.86	4.00	4.00	4.00
Minimum	1.17	1.14	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00
Sum	515.17	494.13	516.25	501.60	496.14

Count	138.00	138.00	138.00	138.00	138.00

The sum average of all responses per construct is within the 138 (if all respondents selected strongly disagree) to 690 (if all respondents selected strongly agree) range. The skewness and kurtosis figures were within the -2 and +2 range required to confirm that the distribution of responses of each construct was normally distributed (Singh, 2017). The normality of the responses allowed this study to use Pearson Correlation used to answer hypotheses 1 to 3.

6.4 Model discussion

As stated in Section 5.9, three commonly used tests to confirm model fit was used. These were the Chi-square degree of freedom, CFI, and the RMSEA. As indicated in Table 22, the theoretical model in this study passed the Chi-square test but failed the CFI and RMSE tests. This is not surprising given the small sample size and both these tests are sensitive to the sample size. Mackay and Major (2017) performed the same test in their study in the retail banking sector (using the same theoretical model as this study) and found that the Chi-square and RMSEA test indicated a good fit whilst the CFI model indicated a poor fit of the model.

In terms of the measurement scale, Cronbach alpha and construct reliability of all constructs was above the minimum acceptable value of 0.7 confirming that the questions measuring the same construct were reliable. This study's measurement scales were also comparable to those in Table 6 above. Convergent and Discriminant validity tests were conducted on all constructs and the results shown in Section 5.7 and 5.8 confirmed satisfactory results for both tests. The influence of

In respect of the two regression models, their R-square figures quoted in Table 24 are relatively high indicating that a high proportion of the dependent variables (customer satisfaction and loyalty) is explained by the independent variables.

The influence of service quality on customer satisfaction (β =0. 51) is stronger than that of trust on customer satisfaction (β = 0.33) and switching costs on customer satisfaction (β = 0.11). This result is not surprising given the importance of service quality perceptions on customer satisfaction because service quality carries greater importance for the customer (Rai & Medha, 2013). Garga and Bambale (2016) liken service quality to the lifeblood of a business which is critical in the long-term success of any business.

Based on the above discussion, we can conclude that the theoretical model and the measurement scales used in this study are appropriate.

6.5 Discussion of hypotheses results

6.5.1 Hypothesis 1

H1: Service quality has a significant positive relationship with trust in life insurance.

As shown in Table 23, the correlation between service quality and trust is 0.73, indicating a strong positive relationship between the two variables. The p-value was below 0.05 indicating a significant relationship between the two constructs. Therefore, hypothesis H1 was supported and we conclude that there is a significant positive relationship between service quality and trust in the life insurance industry.

This finding supports the finding of Mackay and Major (2017) in the retail banking sector, which found the relationship between service quality and trust to be positive and significant. The above finding is also in line with the finding by Ray and Lu (2018, p.122) who found trust to be "crucial in understanding the effects of service quality" and customer satisfaction. As stated by Omoregie et al. (2019), trust in the service provided or rendered is influenced by the quality of service. This is because Omoregie et al. (2019) study revealed service quality to have a significant impact on trust.

A good service offering, coupled with trust in the brand or company, allows companies to charge a higher price relative to their competitors (Ray & Lu, 2018). Service quality was found to have "a strong positive significant effect" on corporate image or brand (Omoregie et al., 2019, p.811). Therefore management should realise the importance of establishing a trusting relationship through its service quality in obtaining higher prices.

As stated in chapter 1, the life insurance industry is oligopolistic with a few players offering similar products. So offering a superior service quality is one of the many ways in which insurers can differentiate themselves and also attract and retain customers. This creates sufficient room for insurers to charge a higher premium for the same level of benefits because of the perceived level of service quality. Higher premiums are likely to be accepted by clients if clients trust in the ability of the insurer to render superior service quality.

6.5.2 Hypothesis 2

H2: Service quality has a significant positive relationship with switching costs perceptions in life insurance.

The correlation between service quality and switching costs is 0.54 with a p-value of 0.000 as per Table 23 above which shows a positive relationship between the two constructs. The p-value is below 5% confirming that the relationship between the two constructs is significant. Thus, hypothesis H2 is supported and we conclude that there is a significant positive relationship between service quality and switching costs.

The above finding was also obtained by Mackay and Major (2017). Garga and Bambale (2016) also made a similar finding by confirming that service quality has a positive and significant relationship with switching costs. This is not surprising given that "switching to competitors is a major concern, particularly in a highly competitive industry" as the life insurance industry (Thompson & Tuzovic, 2020, p.215). Thus, life insurers with high levels of service quality will put measures in place to retain their customers and reduce their desire to switch to another insurer by introducing switching costs (Thompson & Tuzovic, 2020)

The positive relationship between service quality and switching costs means that as the level of service quality increases, switching costs also increase in an attempt to discourage clients from leaving. One of the increasingly used tools, as noted by Thompson and Tuzovic (2020), in encouraging retention and creating switching costs is customer loyalty programs. Therefore, the implication for managers who want to retain their clients should consider introducing customer loyalty programs over and above offering a quality service. This will present them with an opportunity of creating some switching costs, in terms of the value that the client will have to forgo when they leave, and probably discourage many from leaving.

6.5.3 Hypothesis 3

H3: Trust has a significant positive relationship with switching costs perceptions in life insurance.

As shown in Table 23, the correlation between trust and switching cost is 0.41 with a p-value of 0.000 which confirms a positive relationship between the two constructs and a significant relationship between the two constructs since the p-value is below 0.005. Thus hypothesis H3 is supported and we conclude that trust has a significant positive relationship with switching costs perception in life insurance.

The above finding supports the finding by Yen et al. (2011) and Mackay and Major (2017) who found trust to have a positive significant relationship with switching costs. This means that the more trustworthy a life insurer is, the higher the switching costs incurred by clients

who want to replace their life insurer (Yen et al., 2011). From a management perspective, life insurers should consider developing and managing effective strategies around trust because trust acts as a barrier for clients to switch to another insurer (Yen et al., 2011).

6.5.4 Hypothesis 4

H4: Service quality significantly influences customers' satisfaction with a life insurer.

Table 24 shows the results of the standardised regression models performed to answer hypotheses 4 to 7 and the relationship between service quality and customer satisfaction has a β-weight of 0.51 and p-value 0.000. The sign of the β-weight indicates that service quality has a positive contribution or influence on customer satisfaction. The p-value of 0.000 is below 5%, indicating that the influence that service quality has on customer satisfaction is significant. The results above confirm that hypothesis H4 is supported and so we can conclude that service quality significantly influences customers' satisfaction with a life insurer. This means that if

The same finding was obtained by Mackay and Major (2017) in the South African retail banking sector. This finding supports the finding by Garga and Bambale (2016) who found that service quality has an impact on customer satisfaction (both direct and indirect impact). Earlier studies as cited by Garga and Bambale (2016) found service quality to be the most influential driver of customer satisfaction, again supporting the outcome of this hypothesis.

However, the above finding is in contrast with the finding of Dlamini and Barnard (2020) who posited that there is no significant relationship between service quality and customer satisfaction in the grocery retail sector in South Africa.

As discussed in the literature review section above, customer satisfaction can be seen as many transient experiences with the service provider and service quality has been identified as the key predictor of customer satisfaction (Mackay & Major, 2017). This view was supported by Ampaw et al. (2019) when they identified service quality as a positive substantial influencer of customer satisfaction. This is because superior service experience meets the expectation of the clients and make them feel satisfied (Arora & Narula, 2018). And satisfied clients are likely to remain loyal to the service provider (Naderian & Baharun, 2015).

Given the significance of service quality on customer satisfaction, this study recommends that life insurers place a significant proportion of their resources in providing quality service

to clients. This approach will increase the number of satisfied clients and as stated by Arora and Narula (2018), this will increase the number of clients sticking with the insurer.

In summary, the above finding supports the findings of many prior studies which found service quality to have a significant influence on customer satisfaction. It is therefore recommended that life insurers place a significant proportion of their resources on providing superior service experience.

6.5.5 Hypothesis 5

H5: Trust significantly influences customers' satisfaction with a life insurer.

The relationship between trust and customer satisfaction has a β-weight 0.33 and a p-value of 0.000 as shown in Table 24. The sign of the β-weight indicates that trust has a positive influence on customer satisfaction. The p-value of 0.000 is below 0.05, indicating that the influence that trust has on customer satisfaction is significant. Therefore, we can conclude that hypothesis 5 is supported and we can conclude that trust significantly influences customers' satisfaction with a life insurer.

This finding, as stated by Omoregie et al. (2019, p.812), is well established in the literature as many prior studies have found trust to "have a positive and significant relationship with customer satisfaction". Similar to previous hypotheses above, Mackay and Major (2017) study found the same outcome in the retail banking sector i.e. that trust has a statistically significant influence on customer satisfaction. This implies that "customer satisfaction from the service of the life insurer can be influenced by the trust the customer has in the insurer" (Omoregie et al., 2019, p.812)

Chen and Mau (2009) studied the relationship between trust (trust in the salesperson and trust in the company) and customer loyalty in the life insurance industry and found that the relationship between trust and customer loyalty to be statistically significant. This is not surprising given the long-term nature of life insurance products and the need to have trust in both the organisation and the salesperson that the two parties will keep their end of the bargain when it comes to the claim stage.

From a management point of view, this finding is important as it encourages a high standard of ethical behaviour when interacting with clients (Chen & Mau, 2009) which breeds trust. As stated by Chen and Mau (2019), the culture of valuing clients and treating them fairly is critical in establishing trust in life insurers. Therefore, decisions around culture and ethics in an organisation are important as they affect trust in the organisation which in turn influences customer satisfaction.

6.5.6 Hypothesis 6

H6: Perceptions of switching costs significantly influence customers' satisfaction with a life insurer.

Table 24 above showed the β-weight between switching costs and customer satisfaction to be 0.11 with a p-value of 0.053. Given the positive sign of the β-weight, switching costs do have a positive influence on customers' satisfaction. The p-value of 0.053 is greater than 5%, thus the influence of switching costs on customer satisfaction is not statistically significant. So, hypothesis 6 is not supported and we conclude that perceptions of switching costs do not significantly influence customers' satisfaction with a life insurer.

This finding is in contrast with that found by Mackay and Major (2017) which found that switching costs have a statistically significant influence on customer satisfaction. This is not entirely surprising as the switching behaviour between life insurance and retail banking is different given the difference in products and service offerings. As noted by Mishr (2016), life insurance is characterised by long periods of premium payments with benefits often provided at maturity or upon the occurrence of a predefined event at some point in the future, but within the term of the policy.

In a high switching costs environment, unsatisfied clients may find it difficult to switch to another insurer and thus many of them end up sticking with the same insurer although they are unhappy or unsatisfied. This validates the assertion by Chen and Wang (2009, p.1119) that "customer satisfaction plays a less important role when switching barriers are high but a greater important role when switching barriers are low." Therefore, from a management perspective, creating switching costs or barriers may be important for life insurers with a "low level of customer satisfaction" (Chen and Wang, 2009, p.1119).

6.5.7 Hypothesis 7

H7: Customer satisfaction significantly influences loyalty towards a life insurer.

The simple linear regression model between customer satisfaction and loyalty found that the relationship between the two constructs has a β-weight of 0.64 with a p-value of 0.000. The positive β-weight suggest that customer satisfaction has a positive influence on loyalty. The p-value of 0.000 is below 5%, thus the influence that customer satisfaction has on loyalty is statistically significant. So, hypothesis 7 is supported and we, therefore, conclude that customer satisfaction significantly influences loyalty towards a life insurer.

The above finding supports the finding by Mackay and Major (2017) and Dlamini & Barnard (2020) who found the influence of customer satisfaction on loyalty to be

statistically significant. Fauzi and Suryani (2019) termed the relationship between customer satisfaction and loyalty to be a direct relationship. This means that there is a one-to-one relationship between the two variables, and an increase or deterioration in customer satisfaction will directly result in an increase or deterioration in customer loyalty.

As supported by many prior studies, Ampaw et al. (2019) also found customer satisfaction and loyalty to have a positive relationship. This is not surprising given that Du Plessis et al. (2013) found customer satisfaction to be an aspect of customer loyalty development and client satisfaction with the brand or service provided has been proven to keep clients loyal to the brand or service. This view was supported by Omoregie et al. (2019) when they found that customer satisfaction is the most critical predictor of customer loyalty.

This finding implies that clients who perceive “that their satisfaction from the consumption of life insurance services is maximised, they tend to be loyal” to that life insurer (Omoregie et al., 2019, p.812). This then leads to the famous conclusion drawn by Omoregie et al. (2019, p.812) which says “when customer satisfaction is guaranteed, customer loyalty is assured”.

As discussed in Chapter 2, satisfied clients create a pool of loyal clients who are prepared to stick with the service provider even though there may be better service providers out there and so, they shield the company from the competition (Mackay and Major, 2017). The pool of satisfied clients creates room for life insurers to charge higher prices relative to their competitors (Ray and Lu, 2018) and increase their profitability. It is therefore recommended that managers endeavour to meet or exceed clients’ expectations and thereby create a pool of satisfied clients.

Chapter 7

7. Conclusion, limitations, and recommendations

7.1 Introduction

This chapter highlights the main findings of this study and also includes implications from a business or life insurance perspective. Recommendations based on the findings of the study are provided including a highlight of the limitations of the study.

7.2 Key findings

This study has provided insights into the drivers of customer satisfaction and loyalty in the life insurance industry by replicating the Mackay and Major (2017) study. It confirmed the findings of many prior studies by finding the following. Firstly, that service quality has a significant positive relationship with trust in life insurance. This means that as the level of service offered by life insurers improves, trust in the same insurer will also increase. As posited by Ray and Lu (2018), this relationship paves away for life insurers to charge higher life insurance premiums relative to their competitors.

Secondly, this study confirmed that service quality has a significant positive relationship with switching costs perceptions in the life insurance industry. This finding is not surprising given that life insurers with high levels of service quality will put adequate measures in place to retain their customers and reduce their desire to switch to another insurer by introducing switching costs (Thompson and Tuzovic, 2020). Thirdly, this study found that the relationship between trust and switching costs perceptions to be positive and significant. This implies that the more trustworthy the insurers are the higher the switching costs as trust will act as an intangible barrier discouraging customers to switch. This is more so in an oligopolistic life insurance industry with few players and a high barrier to entry for new life insurers.

Fourthly, service quality was found to significantly influence customers' satisfaction with a life insurer. As stated by Arora and Narula (2018), this is because superior service experience meets the expectations of clients and makes them feel satisfied. Fifthly, this study found the influence of trust on customer satisfaction with a life insurer to be significant. This finding is in line with expectations given the long-term nature of life insurance products and the need for clients to have trust in the insurance company to keep its end of the bargain come claim stage sometime in the future.

Sixthly, this study found that perceptions of switching costs do not significantly influence customers' satisfaction with a life insurer. This finding is in contrast with the finding by Mackay and Major (2017) in the South African retail banking sector. However, this contrasting finding is not surprising given the difference between retail banking and life insurance products.

Lastly, customer satisfaction was found to significantly influence loyalty towards a life insurer. This finding supports the findings of many other prior studies that found customer satisfaction to have a positive, direct, and significant relationship with loyalty (Mackay and Major (2017); Fauzi and Suryani (2019); Dlamini and Barnard (2020)). This means that customer satisfaction is a predictor of customer loyalty (Omoregie et al., 2019).

7.3 Theoretical contribution

This study confirms that the theoretical model used by Mackay and Major (2017) in the South African retail banking sector is applicable in the South African life insurance industry. This is because six of the seven hypotheses (H1, H2, H3, H4, H5, and H7) were confirmed and supported by this study. The unsupported hypothesis (H6), is in line with expectations and reflects the differences between the retail banking sector and the life insurance industry. These findings are important in theory development because they enhance the credibility and generalisability of prior findings (with regards to the supported hypotheses) and act as a quality control on the unsupported hypothesis (Frank et al., 2010).

7.4 Implications for management and other relevant stakeholders

The result of this study provides several managerial implications. First, the importance of establishing trusting relationships through the life insurance service quality offering as this creates room to charge higher prices or premiums. This implication is critical given the constantly changing operating environment in which life insurers and other organisations operate it. Secondly, given the significant influence that service quality has on trust, switching costs, customer satisfaction, and loyalty, it will be prudent for the stakeholders of life insurers to allocate a significant proportion of their resources to providing quality service.

Thirdly, managers can consider introducing customer loyalty programs over and above offering superior service quality to improve customer retention. Customer loyalty programs will act as barriers, preventing customers from easily switching to another insurer as some clients may be reluctant to forgo the benefits that they may have accrued. This means that

loyalty programs are a form of switching costs and as stated by Chen and Wang (2009, p.1119), creating switching costs is very important for life insurers with a “low level of customer satisfaction.”

Fourthly, given the significant influence that trust has on customer satisfaction, senior managers or executives of life insurance companies are encouraged to establish and maintain high ethical standards in their organizations as they breed trust which significantly influences customer satisfaction as per the above findings. Satisfied clients create a pool of loyal clients who are prepared to stick with their insurers even in difficult times (Naderian & Baharun, 2015). Therefore, it may be prudent for managers to endeavour to meet or exceed clients’ expectations and thereby create a pool of satisfied clients.

7.5 Limitations of the research

There are a few limitations of this study, firstly this study will be conducted in South Africa which limits the generalisability of its findings to other countries with different cultures and consumer behaviour. Secondly, this study focuses on customer loyalty in the life insurance industry and therefore excludes the short-term or general insurance industry. Thus, the findings of this study cannot be generalised across the entire insurance industry. Thirdly, the size of the sample will also limit the generalisability of the findings within the life insurance industry. The use of social media platforms to circulate the survey link may introduce bias in the data collection as data may only be collected from those in the circles of the researchers. Lastly, the assessment of customer loyalty is based on antecedents of customer loyalty identified by the author as per the existing literature, particularly Mackay and Major (2017). However, the list of constructs proposed in this study may not be exhaustive and it may differ in different contexts or industries (Rai & Medha, 2013).

7.6 Suggestion for future research

Given the small sample size of this study (138 responses), it is recommended that future studies replicate this study in the life insurance sector but with bigger sample size. It also recommended that the theoretical framework in Table 1 (adopted from Mackay and Major (2017)) be tested in other industries, regions, or countries to test the applicability of the model and the generalisability of the findings in different sectors. Furthermore, it is recommended that future studies consider assessing the relevance of the theoretical model and its items post the Covid-19 pandemic. Finally, we suggest that future studies

(particularly those with large sample sizes) consider whether the theoretical framework provides different results for different grouping like age, gender or educational levels, etc.

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9. Appendix 1: Survey questionnaire

Good day,

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am researching customer loyalty in the life insurance industry. To that end, I would sincerely appreciate it if you could participate in the survey by completing the online questionnaire which should take around 15 minutes to complete. Your participation is voluntary, and you can withdraw at any time without penalty. Your participation is anonymous and only aggregated results will be reported. By completing the survey, you indicate that you voluntarily participate in this study.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

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Section A: Demographic

1. What is your age (in years)?

Less than 18 years	1
18 – 35 years	2
36 – 49 years	3
50+ years	4

Source:

2. What is your gender?

Male	1
Female	2
Other	3

Source:

3. Do you currently have an active life insurance product (s) with any insurer in South Africa?

Yes	1
No	2

Source

4. What is your ethnicity?

Asian	1
Black	2
Coloured	3
Indian	4
White	5

Source: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

5 What is your highest level of education?

Some primary education	1
Primary school completed	2
Some high school	3
Matric/Grade 12 completed	4
Technical college diploma	5
University or technological diploma	6
University degree (Bachelor degree or Honours)	7
Postgraduate degree (Master's or Doctorate)	8

Source: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

5. What is your employment status?

Full-time student	1
Unemployed	2
Self-employed	3
Part-time employed	4
Full-time employed	5
Housewife or househusband	6
Retired	7
Other	8

Source: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

6. Section B: Trust

Trust	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
My insurer is trustworthy					
I have confidence in my insurer					
My insurer is concerned with the security of my transactions					
My insurer is consistent in providing quality services					
My insurer's promises are reliable					
My insurer's employees show respect to their customers					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

7. Section C: Service Quality- Reliability

Service Quality- Reliability	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
When I have a problem, the staff show a sincere interest to help me.					
The insurer has my personal and insurance information up to date and error-free.					
The staff performs a service correctly the first time.					
The staff keeps the promises they make.					
The staff performs the services they promise or claim to do.					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

8. Section C: Service Quality- Responsiveness

Service Quality- Responsiveness	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)

The staff are never too busy to respond to my requests and queries.					
The staff are willing to help me.					
The staff gives me prompt and quick service.					
The staff constantly keep me informed about the progress of my queries.					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

9. Section C: Service Quality- Assurance

Service Quality- Assurance	**Strongly Disagree (1)**	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly Agree (5)**
The staff have the knowledge and the know-how of bank processes and policies to deal with my queries and concerns.					
The staff are polite towards me.					
The behaviour and knowledge of the staff instil confidence in me.					

I feel safe and confident about the staff's ability to deal with my concerns.					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

10. Section C: Service Quality- Empathy

Service Quality- Empathy	**Strongly Disagree (1)**	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly Agree (5)**
The staff always have my best interests at heart.					
The staff gives me personal attention.					
My insurer's employees are neat appearing.					
The staff understands my personal insurance needs.					
The staff treats me as an individual with individual needs.					

My insurer has operating hours that are convenient to me.					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

11. Section C: Service Quality- Tangibles

Service Quality- Tangibles	**Strongly Disagree (1)**	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly Agree (5)**
My bank's branch layout is clearly demarcated and easy to understand.					
My bank's branch is visually appealing and clean.					
The staff are neatly and professionally dressed.					
My bank's branch has modern equipment.					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

12. Section D: Switching costs

Switching costs	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
I like the image (brand) of my insurer.					
Switching to another insurer could cause hidden (unpredictable) costs.					
Switching to another insurer will probably result in some unexpected hassle.					
The process of switching to another insurer is connected to many formalities.					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

13. Section E: Customer Satisfaction

Customer satisfaction	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
I am satisfied with the services I receive from my insurer					

I believe my insurer treats me fairly.					
My insurer's services meet my expectations.					
I am proud of my relationship with my insurer.					
My experiences with my insurer have always been good.					
I am completely happy with my insurer.					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.

14. Section F: Loyalty

Loyalty	**Strongly Disagree (1)**	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly Agree (5)**
I say positive things about my insurer to other people.					
I would recommend my insurer to someone who seeks my advice.					
I encourage friends and/or relatives to do business with my insurer.					

I consider my insurer as my first choice when I need services concerning my insurance needs.					
I intend to continue doing business with my bank in the next few years.					
I am willing to try new services that my bank provides.					

Adapted from the following source and modified to suit this study: Mackay, N., & Major, R. K. (2017). Predictors of customer loyalty in the South African retail banking industry. *Journal Of Contemporary Management*, *14*(1), 1194–1224.