

UNIVERSITY OF GHANA

**CUSTOMER SATISFACTION AND LOYALTY: ASSESSING THE
MODERATING ROLE OF SWITCHING COSTS IN THE
INSURANCE INDUSTRY**

BY

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**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA,
LEGON IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR
THE AWARD OF MPhil MARKETING DEGREE**

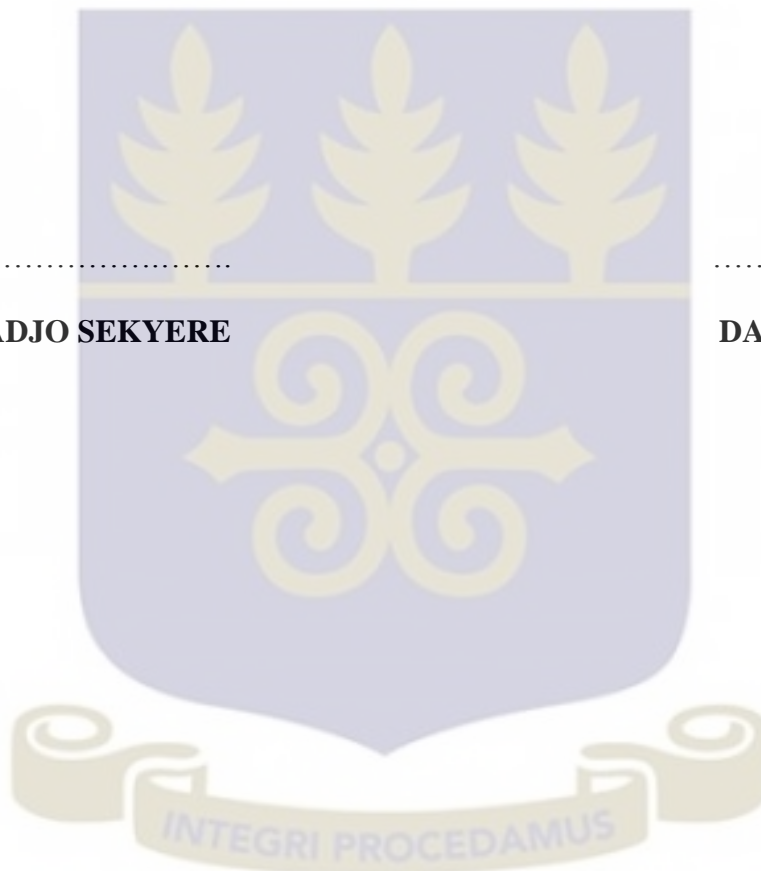
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DECLARATION

I do hereby declare that this thesis is the result of my own effort and all references cited have been duly acknowledged for the award of an MPhil degree in Marketing. To the best of my knowledge, this study has no material previously published by another person or has been accepted for the award of any other degree in this or any other University. I do bear sole responsibility for any limitations to this study.

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CERTIFICATION

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INTEGRI PROCEDAMUS

DEDICATION

I dedicate this work to the glory of God Almighty for his mercies endure forever. The grace of God has sustained me, strengthened and granted me wisdom to understand my research area and to complete the study as scheduled. I also dedicate this work to my ever-loving family and friends for their endless support and encouragement to overcome some challenges associated with the successful completion of the research.

Moreover, this study is dedicated to all stakeholders within the insurance industry whose collective effort has provided the researcher with the needed response to complete this study.



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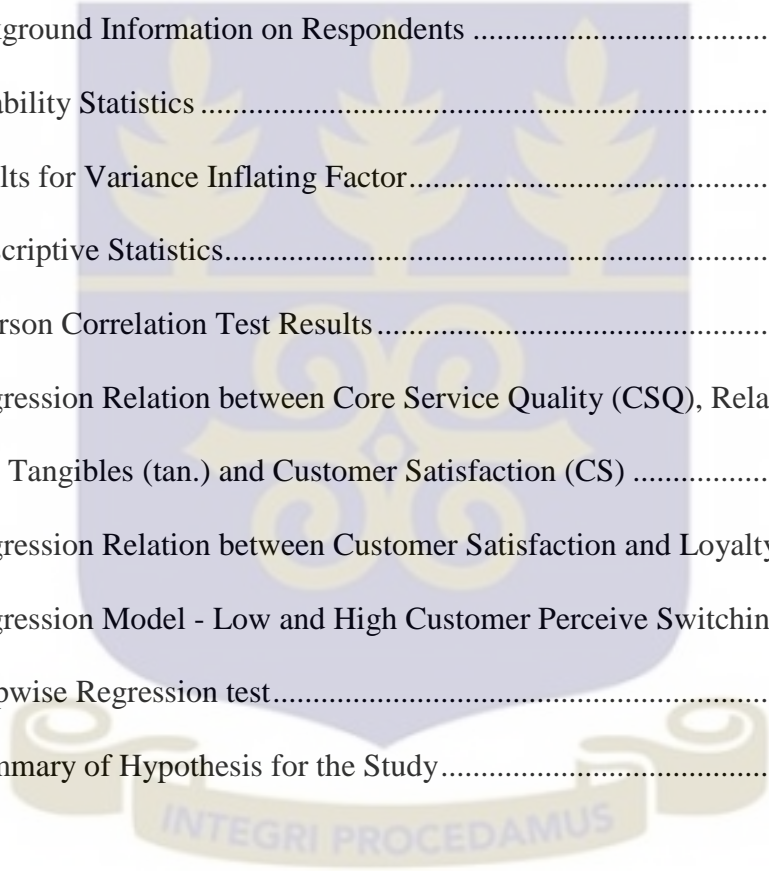
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LIST OF ABBREVIATIONS & ACRONYMS

CL -	Customer Loyalty
CS -	Customer Satisfaction
CSQ -	Core Service Quality
ELAC -	Enterprise Life Assurance Company Limited
EA -	Enforcement Action
FSC -	Financial Switching Cost
GAIP -	Ghana Agricultural Insurance Program
GDP -	Gross Domestic Product
Ghana-Re -	Ghana Reinsurance Company
GLICO -	Gemini Life Insurance Company Limited
IAIS -	International Association of Insurance Supervisors
Loy -	Loyalty
MPCI -	Multiple Peril Crop Insurance
M -	Mean
NIC -	National Insurance Commission
N -	Number
PSC -	Procedural Switching Cost
RQ -	Relationship Quality
SIC -	State Insurance Company
SD -	Standard Deviation
RSC -	Relational Switching Cost
Tan.-	Tangible
VIF -	Variance Inflating Factor
WOM -	Word-Of-Mouth

ABSTRACT

The number of players in the insurance industry in Ghana continues to grow. This is of concern to insurance companies in today's competitive market environment as it forces them to improve upon their offerings to retain their existing customers, as well as to acquire new ones. However, very few empirical studies have been conducted in the insurance industry to affirm the antecedents of customer satisfaction and its effect on loyalty. This study reports on the antecedents of customer satisfaction and loyalty, by moderating switching costs. An extensive review of literature was conducted to ascertain the variables and their measuring scales. The study used the social exchange theory to assess the satisfactory exchanges existing between insurance companies and policyholders. Customer responses were collected through the personal administration of 420 questionnaires to policyholders within the life insurance industry. The responses were analysed through the use of descriptive statistics, correlation and regression techniques. The study found both core service quality, tangibles and relationship quality to have a positive relationship with customer satisfaction. Similarly, customer satisfaction was found to have a positive and strong association with loyalty. Subsequently, the significant effect of high switching costs was established, which influenced satisfied customers to remain loyal in the life insurance industry of Ghana. In effect, customer satisfaction is a vital tool for businesses. However, over-concentration on customer satisfaction may not be enough to influence loyalty. Businesses should consider the relative importance of switching costs in influencing customer loyalty in the life insurance industry.

CHAPTER ONE

BACKGROUND OF THE STUDY

1.0 Introduction

The concept of customer satisfaction is a concern to businesses operating in a competitive business environment and the attainment of customer satisfaction remains the central focus (Oliver, 1999). This is because the outcome of customer satisfaction may influence business performances positively or negatively. The performance of insurance companies has been influenced by customer loyalty, which is largely dependent on premium collection and profitability (Anton, Camarero & Carrero, 2007). Similarly, it has been established that the high retention rate of customers has a strong relationship with better financial performance (Reichheld & Sasser, 1990). The impact of customer loyalty in the insurance industry is associated with continuous growth and survival in today's market economy.

Existing literature on marketing has confirmed the relevance of customer satisfaction as an antecedent to customer loyalty (Bitner, 1990; Oliver, 1999). Some scholars have confirmed the significant effect of core service quality, relationship quality and tangibles to customer satisfaction (McDougall & Levesque, 2000; Chen & Wang, 2009; Narteh & Kuada, 2014). Developments in marketing require businesses not to only concentrate on customer satisfaction strategies but also to develop switching barriers in their offering. This will limit customers' decision to defect to other providers. Customer defection in the service industry can influence their performance (Keaveney & Parthasarathy, 2001). Hence, service providers should be mindful of the effect of customer defection and improve upon their services delivery.

The extent to which customer satisfaction influences loyalty may vary in relation to different switching barriers as perceived by the consumer (Colgate & Lang, 2001). Most industries continue to experience growth in the number of industry players, which requires businesses to be proactive in satisfying changing consumer needs. This requires successful companies to strive for more than just a competitive advantage in customer service to retain customer (Hinson, Mohammed & Mensah, 2006). Businesses can remain competitive by improving upon their core service delivery and relationship building with their customer. Building a relationship with customers begins with customer service management, which requires addressing customer concerns through interactions with the service providers, while developing an effective customer database of exchanges to enhance a long lasting business relationship that will benefit all stakeholders (Frow & Payne, 2009). This will aid service providers to achieve customer loyalty, which is a strategic tool for the growth and profitability of businesses (Reichheld & Sasser, 1990).

The insurance sector contributes immensely to the growth and sustainability of most economies worldwide (Feyen, Lester & Rocha, 2011). Insurance service delivery can be described as the transfer of risk to indemnify losses, which policy-holders might suffer in future. Insurance can be described as a pool of funds from several insured entities that offers protection against the economic impact of an untimely death, ill health, accidents, funerals and education (Boadu, Dwomo-Fokuo & Frimpong, 2014). This concept of risk reduction has influenced patronage of insurance products in most developed countries. The general public has become interested in securing insurance for most of their assets such as cars, houses, life, education and basic domestic tools (Klose, 1993). The insurance industries across the world continues to experience accelerated growth in their service offerings to the general public. The global insurance sector has recorded an increase of 82

percent on real premium between 1997 and 2004. This performance constitutes 104 percent of life insurance and 60 percent of non-life insurance, which represents an increase in revenue from \$ 1.6 trillion to \$ 2.9 trillion between 1997 and 2004 (Arena, 2006). Despite its impact, very few empirical studies have been conducted in the insurance sector (Guillen, Nielsen & Pérez-Marín, 2008).

In developing economies, the patronage of insurance services continues to increase relative to developed economies (Arena, 2006). This increase has been made possible by the liberalization of the financial sector after the structural adjustment reforms in most developing countries (Arena, 2006).

The Ghanaian insurance industry is made up of life and non-life insurance sectors (National Insurance Commission Report, 2013). The separation of the insurance industry in Ghana was to satisfy the regulations of the National Insurance Commission (NIC Act, 2006) in relation to the provisions of the International Association of Insurance Supervisors (IAIS Report, 2011). The reforms and continuous education of the relevance of insurance is stimulating interest and patronage among the general public. In Ghana the insurance sector continues to experience growth in total premium collection, while its contribution to Gross Domestic Product (GDP) is still less than two percent (NIC, 2013). In spite of these developments, the life insurance sector has a vast potential for growth in the Ghanaian market (NIC, 2013). The sector continues to experience growth in the number of industry players and their associated product offerings (NIC, 2013). This has resulted in competition among players, which challenges service providers to improve upon their services.

Moreover, the National Insurance Commission of Ghana periodically receives some complaints relating to service delivery and customer satisfaction (NIC, 2013). These complaints might influence customer repurchase intention. In administering their regulatory duties, the Insurance Commission received 312 complaints from the public by the year ending 2013 (NIC, 2013). This expression of customer dissatisfaction did not significantly affect customer defection level with policy-holders within the industry. The life insurance industry recorded 113 official complaints while the non-life insurance industry recorded 199 complaints concerning service delivery. The challenge faced by the insurance companies is how to improve customer satisfaction in their service delivery and to win customer trust. The cost associated with delivering services in insurance is usually high due to its resource mobilization to indemnify policy-holders for any losses they may suffer. This sector requires policy-holders to maintain their policy with the existing service provider for some years to recover its cost, since switching providers may lead to losses and limit the operations of the providers. Moreover, existing literature confirms the relevance of customer satisfaction on loyalty (De Wulf, Odekerken-Schroder, & Iacobucci, 2001).

The life insurance sector has relatively long term policies as compared to general insurance, which usually has a contract term of one year subject to renewal. In order to measure the extent of the relationship between service providers and policy-holder, it is ideal to concentrate on the life insurance sector, which offers full risk policies and risk plus investment policies. The full risk policies are the various life insurance policies that are relatively long term in nature as compared to the risk plus investment policies. The investment policies offered by the insurance companies are relatively different from the investment portfolios of the regular commercial banks. The investment offered by the

insurance companies has the risk components embedded in the policy. This means that should the policy-holder suffer any loss or incapacitation before the investment policy matures, the insurance company will have to continuously pay the premium on behalf of the policy-holder and eventually pay the full sum assured when due. The developments in the insurance industry presents the opportunity to examine the relationship between customer satisfaction and loyalty in relation to switching cost associated with service delivery. The Ghanaian life insurance industry will be used to explain the assertion that relationship quality can pay off when customers have a long-term perspective and there are perceived high costs for switching supplier (Zineldin & Philipson, 2007).

1.1 Research Gaps

The concept of customer loyalty is a relevant area of study in marketing. This concept has been studied in different contexts across the world. These include the telecommunication industry (Ranaweera & Prabhu, 2003; Kim, Park & Jeong, 2004) banking (Baumann, Elliot & Hamin, 2011; Fraering & Minor, 2013); on-line services (Chen & Hitt, 2002; Chang & Chen, 2008); insurance (Crosby, Evans & Cowles, 1990; Chen & Wang, 2009); airline (Chang & Chen, 2007) and health (Choi & Kim, 2013).

In relation to switching cost, most of the studies seem to be concentrated in the developed economies (Burnham, Frels & Mahajan, 2003; Chen & Wang, 2009). In developing countries like Ghana, most studies have been conducted in relation to customer satisfaction and/or loyalty in the banking sector (Hinson, Owusu-Frimpong & Dasah, 2009; Narteh & Owusu-Frimpong, 2011; Anabila, Narteh, Tweneboah-Koduah, 2012; Narteh, 2013; Oduro, 2013; Narteh & Kuada, 2014). In relation to studies on customer satisfaction and loyalty in the insurance industry, very little has been done in Ghana.

Further review of the literature has confirmed that, some studies have been conducted in the Ghanaian insurance industry but not relating to customer satisfaction and loyalty (Akotey, Osei & Gemegah, 2011; Ansah-Adu, Andoh & Abor, 2011; Boadu et al., 2014). Moreover, of the studies conducted and identified in Ghana none have addressed the moderating role of switching costs in customer satisfaction and loyalty.

1.2 Research Problems

According to Creswell (1994), research problems are issues that exist in literature, theory or practice, which provides direction for the need to conduct a study. This has informed the research in arriving at the problem statement for the study.

Some studies have confirmed the antecedents of customer satisfaction to core service quality, relationship quality and tangibles but have been mostly limited to the banking industry (Colgate & Lang, 2001; Fraering & Monor, 2013; Narteh & Kuada, 2014). The concept of customer satisfaction and loyalty is linked together but the relationship varies in relation to different switching barriers and/or from industry to industry.

Some studies have moderated switching costs in the relationship between customer satisfaction and loyalty but these are limited to developed countries (Chen & Wang, 2009; Burnham et al., 2003). The relative strength of switching costs in the relationship will determine the extent to which customers remain loyal with their existing service providers. Existing literature has confirmed switching costs has been classified into relational, procedural and financial cost (Burnham et al., 2003; De Matos, Henrique & De Rosa, 2009).

In any exchange, the relationship between a service provider and a customer results in perceived cost of switching to an alternative service provider (Burnham et al., 2003). The consumer's perceived switching cost gives the current service provider a degree of market power over their subsequent purchase. The extent to which existing customers repeat purchases with the current service provider depends on the customer's perceived switching cost. This means that when consumers perceive the switching cost to be high, it will influence their retention. Few studies conducted within the insurance industry have considered the relevance of the switching costs to influence satisfaction and loyalty and this has resulted in an over-emphasis on the significance of satisfaction in the financial sector (Fornell 1992; Narteh & Kuada, 2014).

This study therefore seeks to identify the relationship between customer satisfaction and loyalty in the delivery of services by moderating the switching costs in the Ghanaian life insurance industry.

1.3 Research Objectives

In order to evaluate the antecedents and outcome of customer satisfaction in the life insurance industry of Ghana the following objectives have been set based on the background of the study, research gaps and research problem:

1. To identify the relationship between core service quality and customer satisfaction in the Ghanaian life insurance industry;
2. To examine the relationship between relationship quality and customer satisfaction in the Ghanaian life insurance industry; and
3. To identify the relationship between tangibles and customer satisfaction in the life insurance industry;

4. To determine the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry; and
5. To identify the impact of a perceived high switching costs on the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry.

1.4 Research Questions

On the bases of the research objectives the following questions were developed:

1. What is the relationship between core service quality and customer satisfaction in the Ghanaian life insurance industry?
2. What is the relationship between relationship quality and customer satisfaction in the Ghanaian life insurance industry?
3. What is the relationship between tangibles and customer satisfaction in the life insurance industry?
4. What is the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry?
5. What is the impact of perceived high switching costs on the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry?

1.5 Significance of the Study

This research seeks to contribute to literature on customer satisfaction and loyalty in the life insurance industry of Ghana. The outcome of the study will provide insight and appropriate recommendations for strategic decision making. This will ensure success in the delivery of insurance services. This study will rely on existing literature to develop a framework to explain the relationship between customer satisfaction and loyalty in the

insurance industry. The outcome of this study will, however, serve as reference for future study on customer loyalty.

Moreover, the research will explain the relative strength of the relationship between customer satisfaction and loyalty in the Ghanaian insurance industry. This will be useful to managers of insurance and other relevant institutions. Existing literature on customer satisfaction and loyalty has given a strong indication of the need for more studies in developing economies with regards to the insurance industry. This is relevant since culture, beliefs and values differ from one geographic region to another. Therefore adopting recommendations of studies conducted in developed countries may not be applicable to some sectors operating in the developing economies. Hence, the need to develop a framework to explain the concepts of customer satisfaction and loyalty and recommend appropriate strategies to promote customer repurchase behaviour in the Ghanaian insurance industry.

1.6 Organization of the Study

This study is presented in six chapters to evaluate the extent to which the switching costs influence the relationship between customer satisfaction and loyalty.

1.6.1 Chapter One

The first chapter introduces the study, which consist of the background of the insurance industry in relation to customer satisfaction and loyalty. The study identified developments in the world of insurance, relative to those of developing countries, especially Ghana. Similarly, research gaps were identified from which the research problem was deduced. The research objectives stated are intended to be achieved by the

end of the study. The significance of the customer satisfaction and customer loyalty in the Ghanaian insurance industry was identified and stated.

1.6.2 Chapter Two

The second chapter reviews existing literature on the relationship marketing, core service quality, relationship quality, tangibles, customer satisfaction, customer loyalty and switching costs. Additionally the theory of social exchange has been explained as a basis for evaluating customer satisfaction. Finally, the conceptual framework has been presented in a pictorial manner for easy reference of the variables to be studied.

1.6.3 Chapter Three

The third chapter examines the context of the insurance industry in relation to the number of industry players, their performance in relation to premium collection, and why the division in the operation of the insurance industry to either life or general and not both services. Additionally the functions of the NIC and how complaints of customers are handled and their impact on the service provider have been discussed. The profile of companies who agreed to be part of the study as well as their products has been documented.

1.6.4 Chapter Four

The fourth chapter will explain the methodology adopted in the study. The sample size and technique for selecting the samples for the study has been explained. The study has adopted the quantitative approach to research since it intends to measure the extent to which customer satisfaction influences loyalty rather than provide insight into the phenomena. Additionally, the base for analyzing the research has been explained with

both regression and correlation analyses being employed in the study as well as the use of descriptive analysis.

1.6.5 Chapter Five

The fifth chapter focuses on data analysis and a discussion of the findings. The Statistical Package for the Social Sciences (SPSS) statistical tool was used in the analysis. The analysis was presented by means of illustrations and tabulations to easily explain the various variables and the effect of their relationship with the others. An explanation has been given for the illustrations and will be supported by literature to justify the appropriateness of the study to stakeholders.

1.6.6 Chapter Six

The sixth chapter summarizes the study based on the findings from the insurance industry, by drawing conclusions and providing appropriate recommendations to stakeholders on how best to improve on customer satisfaction and loyalty while considering the relative importance of switching costs in the life insurance.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews existing literature on customer satisfaction, loyalty and switching costs. The theoretical foundation for the study is the social exchange theory, which will be explained generally and related to the insurance industry. This study assesses customer satisfaction in the Ghanaian life insurance industry from core service quality, relationship quality and tangibles associated with service delivery. These variables are explained to demonstrate their appropriateness within the study. The relevance of switching costs is explained in relation to customer loyalty, which was done through literature review to categorize the switching costs elements into variables that can be easily evaluated. This provides a strong theoretical basis for the concept and development of an appropriate framework to evaluate the relationship in the study. The chapter demonstrates the extent to which research on this subject have been conducted in different contexts and the need for this study on the Ghanaian life insurance industry.

2.1 Customer Satisfaction

In marketing literature, customer satisfaction refers to the extent to which actual service delivery equals customer perception of expected performances in an exchange encounter (Oliver, 1996). When customers are satisfied with the service offerings of a service provider they tend to repurchase the product or service in the future. Subsequently, Oliver, (1999) described satisfaction as a customer's judgment that the consumption of a product or service is providing a pleasurable level of fulfillment to the customers' needs, desires and goals.

The concept of customer satisfaction has been described from the cognitive, affective and composite perspectives. Some scholars have described customer satisfaction as a cognitive based approach to customers' evaluation of products and services (Mano & Oliver, 1993). According to the cognitive based perspective, customer satisfaction occurs from the rational evaluation of the product or service performance in relation to pre-purchase expectations. The level of customer satisfaction can be explained by the extent of customer disconfirmation, which is usually explained as the difference between post-purchase and post-usage evaluation of the performance of the product or service in relation to the prior expectations held before the purchase (Molina, Martin-Consuegra & Estabeban, 2007). In the evaluation process, the customer may be highly satisfied or delighted when the perceived performance of the product or service exceeds customer pre-purchase expectation. This is referred to as a positive disconfirmation (Fournier & Mick, 1999). Moreover, the customer may experience a negative disconfirmation when the post purchase performance falls below the pre-purchase expectation (Oliver, 1999). Similarly, a customer may experience a simple disconfirmation when the post-purchase and post-usage performance is equal to pre-purchase expectations (Oliver & DeSarbo, 1988). According to Mano and Oliver, (1993), satisfaction can be explained as a cognitive comparison of expectations prior to consumption with the actual experience.

The affective perspective of customer satisfaction has been explained as the customer's feelings resulting from the post-usage evaluation of products or services which may influence customer satisfaction positively or otherwise (Liljander & Strandvik, 1997; Olsen, 2002). The affective perspective of customer satisfaction has been mainly reliant on customers' feelings in relation to post-usage performance. This assertion makes the definition of Tsiros, Mittal and Ross (2004) relevant in explaining customer satisfaction

as a person's feelings of pleasure or disappointment which result from comparing a product's perceived performance against expectations. Similarly, satisfaction has been described as the emotional state resulting from a customer's interactions with a service provider over time (Crosby et al., 1990).

The composite perspective of customer satisfaction has been described as the combination of a cognitive and affective construct to better explain customer satisfaction. This implies that the customer may assess the satisfaction level of products or services through the combination of rational evaluation and feelings resulting from post-usage of the products or services. According to Lin (2003), customer satisfaction is the outcome of a cognitive and affective evaluation of comparison between expected and perceived performance, which is based on the customers own evaluation of products and services.

Satisfaction has been described as transaction-specific and cumulative satisfaction (Anderson, Fornell & Lehmann, 1994; Kim & Yim, 2014). Transaction-specific can be evaluated from the customers as they encounter a particular service provider, which can influence their judgment about the usage of the product or service. The transaction-specific approach has been described as the emotional response from a customer's post-usage experience (Oliver, 1993). Cumulative satisfaction can be evaluated from the customers' perspective, which will be based on the firm's past, current and future performance. The cumulative approach has been described as the overall satisfaction perspective based on the customer's cumulative evaluation response (Kim & Yim, 2014).

The concept of customer satisfaction is perceived from the customer's perspective. The extent of satisfaction from a service encounter may vary from one customer to the other.

The competitive marketing environment in which businesses operates presents the customer with choices. Customer taste and preferences for goods and services continue to change. The challenge presented is the ability of businesses to continuously provide services intended to satisfy their customers to remain loyal, since unsatisfied customers may want to explore or experience alternative services available in the market.

In the business to business context, customer satisfaction has been described from the perspective of the buyer and seller as the evaluation of all the positive affective states resulting from the interactions and exchanges which will be fulfilling, gratifying and easy (Gassenheimer, Houston & Davis, 1998; Cater & Zabkar, 2008). Customer loyalty has therefore become a source of competitive advantage for businesses. Maintaining the competitive advantages of customer loyalty requires continuous improvement in core service quality by promoting friendship in service encounters (Butcher, Spark, & O'Callaghan, 2003).

The growth of service industries has contributed to improved interaction between customers and service providers, which influences the outcome of service delivery. Customer satisfaction is perceived to result in loyalty. However, this assumption that satisfaction and loyalty is positively related is not always the same for all industries (Stewart, 1997). A study on customer satisfaction revealed that 65 to 85 percent will switch to other service providers even though they admitted they were satisfied or very satisfied (Reichheld, 1996). This implies that mere satisfaction is not enough for the continuous growth and survival of businesses, rather businesses must strive to translate satisfaction into loyalty. This study will evaluate satisfaction from the cumulative approach to assess customer satisfaction from the composite perspective.

2.2 Theoretical Background

The social exchange theory is explained in relation to how parties enter into and maintain exchange relationships with others with the expectation that doing so will be rewarding (Blau, 1964). This means that the relationships we choose to create and maintain are the ones that maximize our rewards and minimize our cost. The theory examines two parties' mutually complementary arrangements that ensure equity and fairness (Molm, 1994).

According to the theory, parties cannot be independent, but rather must be interdependent to maximize their benefits through exchange. This means that exchange relationships that give us the most benefits for the least amount of effort are the ones we value the most and are likely to keep long-term. Similarly, the exchange of benefits or reciprocal exchange has been explained as one's action, which is contingent on the other party's behaviour (Molm, Takahashi, & Peterson, 2000). According to Kotler (1994), exchange is defined as the act of obtaining a desired product from someone by offering something in return, which is beneficial and can satisfy their need.

The theory assumes that;

self-interested parties transact or exchange with self-interested others in order to accomplish outcomes that neither could have achieved on their own (Lawler & Thye, 1999). This implies that relational exchanges would cease as soon as they are not perceived to be mutually rewarding by both parties.

The resources in the exchange relationship can be economic or social or both. The economic resources have been described as tangible items such as goods, information and services while social resources includes intangible items such as social amenities, friendship and prestige. The most rewarding outcome in a social exchange relationship

includes social approval and respect, which does not have any material value for which price can be, determined (Blau, 1964). .

The relevance of trust in the marketing literature has been widely considered as a vital component in the exchange process (Crosby et al., 1990). Subsequently, trust and a commitment relationship has been recognized as essential attributes of relationship quality which influences satisfaction in exchange relationships (Morgan & Hunt, 1994).

2.3 Customer Satisfaction and Social Exchange Theory

In the Ghanaian life insurance industry, actual exchanges between the policy-holder and service provider do not take place immediately, but rather in the near future when the policy-holder suffers any losses for which a policy have been purchased. Policy-holders will be satisfied when an insurance claim received is equal to customer perception of expected performances in relation to indemnifying the losses suffered.

In relation to the theory;

self-interested parties transact or exchange with self-interested others in order to accomplish outcomes which neither party could have achieved on their own (Lawler & Thye, 1999). This means policy-holders (customers) will transact or exchange (premiums) with self-interested others (insurance company) in order that their losses will be indemnified.

These exchanges would cease as soon as they are not perceived to be mutually rewarding by both parties (Lawler & Thye, 1999). Relational exchange in the delivery of life

insurance may cease when they are perceived not to be mutually rewarding to policy-holders. This is applicable if policy-holders consider the switching costs to be low.

The resources exchange can be described as economic. The economic resources have been described as tangible items such as goods, information and services. The life insurance industry offers services in the form of policy intended to indemnify policy-holders for any losses they might suffer in future.

In this regard, if the policy-holders of life insurance do not perceive the exchange relationship to be rewarding, then it might influence their decision. This assertion is consistent with Molm et al., (2000), which explains that the exchange of benefits or giving something to a recipient that is more valuable to the recipient than it is to the giver, can be described as the human behaviour which results in satisfaction.

This study therefore intends to assess the relationship between customer satisfaction and loyalty in the life insurance industry from the social theory perspective. Moreover, the concept of satisfaction and loyalty are linked together, but their relationship is asymmetric. The relationship has made satisfaction an unpredictable variable to loyalty due to the different sectors in which businesses operate and the ever-changing consumer behaviour.

2.4 Antecedents of Customer Satisfaction

The conceptualization of service quality has received considerable attention and debate as to actual dimensions in relation to satisfaction quality (Cronin & Taylor, 1992; Brown, Churchill, & Peter, 1993). Evidence from literature, however, suggests that there may be three over-riding dimensions of customer satisfaction, which include the core or outcome

aspects of the service, the relational or process aspects and the tangible attributes of the service (Parasuraman, Berry & Zeithaml, 1991; McDougall & Levesque, 2000; Narteh & Kuada, 2014).

The core service refers to the basic product or service being purchased or contracted (Morgan & Piercy, 1992; McDougall & Levesque, 2000). Core service quality has been described as the tangible attributes and intangible technical services in exchange relationships (Parasuraman, Zeithaml & Berry, 1985).

The relational aspect seeks to explain the relationship between the customer and employee in the process of service delivery. In service encounters, there exists interaction between the customer and the provider to ascertain the concern or needs of the customer and address those concerns (McDougall & Levesque, 2000). This stage can be described as the service delivery process where relationship quality plays a critical role to determine the client's actual needs.

Tangibles associated with service delivery are the physical appearance of employees, the ambience and the physical attributes of service delivery.

In relation to the life insurance industry, core service quality has been described as the services associated with the various life insurance policies offered on the Ghanaian market with its promise to indemnify losses of policy-holders. The policies may include full risk and risk plus investment. The relationship aspects are the quality of interaction between the sales-person or agent and the customer or policy-holder, while tangibles relates to the physical attributes associated with service delivery.

The study replicates the antecedents of customer satisfaction, which includes core service quality, relational quality and tangibles. Subsequently the relationship between customer satisfaction and loyalty are assessed by moderating switching costs in the Ghanaian life insurance industry.

2.5 Relationship Marketing

In marketing literature, the relevance of relationship marketing evolved from the field of service marketing and industrial marketing (Berry, 1983; Christopher, Payne & Ballantyne, 1991). The origin of the concept of relationship marketing can be traced to the literature on marketing services (Berry, 1983). Contrary to the origin of relationship marketing in the early 1980s, other scholars are of the view that relationship marketing was a rediscovery, since it had formed the bases of most successful businesses (Payne, 1995). In academic literature, however, the concept of relationship marketing was developed from the contribution of Berry (1983). This formed the basis for the conceptualization of relationship marketing and defined the concept as attracting and maintaining customers through service delivery by enhancing customer relationships. The definition given by Berry clearly depicts the paradigm shift from transaction marketing to that of relationship marketing, since his idea was not short term focus (attract and sell) but rather to maintain and enhance customer relationship, which is long term oriented.

Scholars in marketing, developed the concept of relationship marketing based on the rediscovery of marketing as a cross-functional approach and not as a department or unit in businesses (Zineldin & Philipson, 2007). The ability of businesses to maintain and enhance the relationship in businesses requires the entire business operation to interrelate rather than operate in isolation.

Several subsequent scholars developed upon Berry's concept. According to Gronroos (1994), relationship marketing is defined as the process of identifying and establishing customers by maintaining, enhancing and when necessary, terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, through mutual exchange and fulfillment of promises. Similarly, the concept of relationship marketing has been defined by Morgan and Hunt (1994) to mean all marketing activities directed towards establishing and developing customers as well as maintaining successful relational exchanges beneficial to all parties. In a study to review several definitions by scholars in relationship marketing, Harker (1999) defined relationship marketing as the means by which organizations engage in proactively creating, developing and maintaining committed customers, through interactive and profitable exchanges with selected customers which has long term perspective. Similarly, Sheth and Parvatiyar (2000) described relationship marketing to be an ongoing process of engaging in cooperative and collaborative exchanges as well as programs with immediate and end-user customers to enhance mutual economic value at reduced cost.

The definitions above emphasize maintaining and enhancing customer exchanges rather than concentrating on attracting new customers. This is essential since loyal customers may serve as referrals for new customers and such customers tend to be loyal (Zineldin, 2006). The literature on relationship marketing has also established that the mutual exchanges should be beneficial to all stakeholders.

Existing literature has established the benefits associated with relationship marketing to businesses. These benefits are assessed from the consumer and service provider perspective. Businesses may benefit from the practices of relationship marketing through

customer loyalty and word-of-mouth referrals (Sheth & Parvatiyar, 2000; Kim & Cha, 2002). Similarly, business can also benefit from employee retention (Zeithaml, Berry, & Parasuraman, 1996). Relationship quality has been described from the customers perspective as customers' perceptions as how well exchange relationships fulfils customer expectations, predictions, goals and desires (Jarvelin & Lehtinen, 1996).

2.6 Relationship Quality

Relationships are built between the service provider and the customer; however, an individual employee manages the accounts of customers. The establishment of an interpersonal relationship between customer contact employees and the customer is vital to ensure customer satisfaction and establishing a long term relationship. In the life insurance industry, policies are primarily sold by salespersons or insurance agents, who are usually in touch with the customer (Crosby et al., 1990). The relevance of relationship quality, which can be expressed through the quality of interpersonal interaction between the customer and salesperson, can be described as the service characteristics of inseparability (Bitner, 1992).

Crosby et al., (1990), developed a model based on two constructs to explain relationship quality. The two constructs of relationship quality includes trust in the sales-person (Swan, Browers & Richardson, 1999) and satisfaction with the sales-person (Crosby et al., 1990; Parsons, 2002). According to Purchasing (1984), product or market knowledge has been considered as the most important criteria in determining customer satisfaction with the sales-person in exchange relationships. This implies that both trust in the sales-person and satisfaction with the sales-person (competence) will constitute relationship quality.

Similarly, relationship quality has been conceptualized as trust and commitment in literature (Morgan & Hunt, 1994). Marketing literature has confirmed trust to be a vital component in developing a successful relationship (Morgan & Hunt, 1994; Ndubisi, Chan & Chukwunonso, 2004; Narteh, 2013).

The term trust has been defined by Moorman et al., (1993) as a customer's willingness to rely on an exchange partner in whom one has confidence. Trust has also been described as making and keeping promises (Bitner, 1995). Making and keeping promises is based on trust and the quality of interaction between the customer and employee, which requires the service provider or sales-person to be reliable in the delivery of core services.

In the life insurance industry the promise of companies is to indemnify the policy-holder for any losses they suffer after taking out a policy cover. This policy can be in the form of a funeral policy, education policy or travel policy. The insurance company's ability to perform the promise immediately and with accuracy remains a challenge to all insurance companies. Reliability has been found to have the strongest determinant of customer loyalty (Wolfenbarger & Gilly, 2003).

Trust in a sales-person over time can influence customer commitment in an exchange relationship. Social exchange theory can be used to explain trust and commitment relationships through the principle of generalized reciprocity, which holds that mistrust from one party may result in mistrust by the other party, which leads to a decreased commitment in the relationship (McDonald 1981). This implies that mistrust in the relationship may reduce customer satisfaction, since the perceived cost of mistrust may be more than the benefit associated with the exchanges that might affect future exchanges.

The assertion supports the fact that trust is a determinant of relationship commitment (Achrol, 1991; Morgan & Hunt, 1994).

In today's business environment, a customer is willing to patronize the offerings of a service provider when they perceive the service provider has demonstrated a high level of commitment in their service delivery. Parasuraman et al., (1991) described commitment in relationships as building on the foundation of mutual commitment. Customers therefore value the extent to which customer contact employees remain committed and this may influence customers' continuous exchanges.

Customer trust in sales-persons has a future contingency orientation that requires competence to reduce customer vulnerability in relational exchanges (Swan et al., 1999). Similarly, some scholars argued that trust may be stronger in the early stages of the relationship when customers lack familiarity or expertise in the offering of the service provider (Verhoef, Francis & Hoekstra, 2002). This may require competence in the delivery of services by the sales-person. In relational quality, the customer assesses how efficiently the sales-person can satisfy their needs. According to Ndubisi et al., (2007), competence can be defined as the buyer's perception of the supplier's technological and commercial competence.

Competence in service delivery can be referred to as the organizational strength from the customer's view-point, in the form of resources and technology to deliver services relatively better than competitors. The level of organizational competence displayed by the service provider may influence customers to be committed and repurchase the offerings of the service provider (Aldlaigan & Buttle, 2005). These perceived

competences should reflect in the sales-person's skill and technical knowledge associated with the service offering. Competence means skills, training and technical knowledge developed in relation to services to be rendered to customers and the general public (Kim & Cha, 2002). In the banking sector competence has been defined as the ability of the bank to serve customers well (Ndubisi et al., 2004).

Trust requires effective communication and should modify behaviour and translate actions into response specific action (Narteh, 2012). The term has been described in relationship marketing as keeping in touch with valued customers, providing timely and trustworthy information on services and service changes and communicating proactively if a delivery problem occurs (Ndubisi & Wah, 2005). Businesses can effectively promote their services through effective communication by several mediums available (Ndubisi, 2006). In relation to service failure, service providers have the opportunity to inform affected customers of the pragmatic steps adopted to rectify such events and to prevent that from occurring in the future (Ndubisi, Wah & Ndubisi, 2007). Effective communication therefore, is a vital attribute of relationship quality that can influence customer loyalty in the service industry (Narteh, 2009). Conflict handling has been described as an attribute of relationship quality that influences customer loyalty (Ndubisi et al., 2007).

The relevance of trust and relationship quality has been established as a mediator between relationship marketing practices, namely competence, conflict handling, communication and commitment, which eventually influences loyalty in the banking industry (Ndubisi et al., 2007).

In selling insurance policies, service providers or customer contact employees have to explain the terms of the policies being sold as well as the terminologies associated with insurance to prospective policy-holders. This is necessary to clear any form of ambiguities associated with the policy they are about to take.

Competence in the insurance industry has been referred to as the insurer's ability to pay claims as promised and manage the policy-holders' database effectively. The extent to which the insurer can be considered as competent will be evaluated by the customer and this will influence customer trust in the sales-person's ability to deliver effective service, while competence in the banking industry has been expressed as customer confidence and security in the operations of the bank for which the interest of customers is assured (Kumra & Mittal, 2004). From the customers' point of view, betrayal of this trust by the service providers that can lead to defection (Ndubisi et al., 2004). Similarly, trust expected from the service provider is usually entrusted in the customer contact employee who links the customer to the organization (Zeithaml, Bitner & Gremler, 2006).

The insurance industry provides an avenue for insured persons to be indemnified for losses they might suffer in future by paying regular premiums to the service providers (Tseng, Kang & Chung, 2014). The study of Chen and Wang (2009) in the life insurance industry has confirmed that relationship quality has a significant influence in determining customer satisfaction and eventually results in increasing customer loyalty. Tseng et al. (2014) used the Adams equity theory to evaluate customer response to loss-premium comparisons and insurance coverage to customer acceptance of insurance claim fraud. The study found that age and education may influence customer acceptance of insurance claim frauds. When policy-holders perceive the volume of premium paid to be less than

the insurance claims, they may tend to fraudulent practices. This requires quality interactions between the customer and the sales-person or agent to understand the principles behind insurance, which is a pool of fund to indemnify losses suffered by any policy-holder.

In the study of Tsu-Wei and Feng-Cheng, (2014), to assess the influence of trust in the relationship between insurer and sales-person relationship, it was found that the size of an insurance company does not have a significant effect on policy-holders, rather the policy-holder or customer of the insurance company built trust in the sales-person. Policy-holders and potential customers prefer to build relationships around friends, relatives and people closer to them than corporate entities.

A similar study by Rai and Medha (2013) revealed that service quality, customer satisfaction, trust, commitment, corporate image, switching cost and communication are the variables which determine customer loyalty. Subsequently the study revealed that service quality and commitment are the strongest predictors of customer loyalty while customer loyalty of public sector insurers is relatively higher than private sector insurers in the Indian life insurance industry.

2.7 Core Service Quality

Core service quality has been described as the outcome of the service delivery (Levesque & McDougall, 1996). Similarly, core service has been described as the actual product or service offering (Brogowicz, Delene, & Lyth, 1990). This concept can also be described as the ability of an organization to focus on quality in their offering to enhance customers' expectations. In the insurance industry, their core mandate is to sell policies intended to

indemnify policy holders should they suffer losses in the future. This requires a thorough explanation of insurance policy details to potential customers before signing up for an insurance policy. Subsequently, deductions are made as agreed and claims paid as and when necessary to affected parties.

In the service industry it have been revealed that mistakes, billing errors and service catastrophes are attributes of core service failure which might impact negatively on the outcome of service to the customer (Keaveney, 1995). This means core service quality can be described as avoiding mistakes, billing errors and service catastrophes associated with service delivery. The ability of the service provider to manage such challenges associated with core service delivery requires adequate conflict management techniques.

In service delivery, several elements such as human, machinery and technologies play a vital role in providing an effective service to customers. These elements may not always be effective due to factors that might not be easily predicted. This assertion has been confirmed by Zeithaml and Bitner (2000) to mean that service failure is inevitable even for the best firms with world class technology and systems. This means machinery breakdowns may occur during service delivery, technological failure or system failure may occur as well as human inefficiencies are bound to occur due to different moods and feelings of the service provider at different times that can affect core service delivery. The management of the occurrence of such service failures by service providers may influence customer satisfaction or otherwise. Service providers have to demonstrate prompt and effective mechanisms to address such challenges. An effective conflict handling practice may boost customer confidence to continue to repurchase a product or service offerings.

Existing studies in the service industry confirm a direct and positive relationship between conflict handling and customer loyalty (Ndubisi et al., 2007; Narteh, 2013).

2.8 Tangibles in Service Delivery

Tangibles in service delivery refer to the physical environment where the actual service takes place. The physical environment includes the buildings of the insurance companies, the furniture and lay out of the office as well as the ambience of the office. The nature of the building and office lay-out is vital in communicating to the public the company's ability to pay claims when a policy-holder suffers damage. The premises of an insurance company which is well built will signify that the company is well resourced while a wretched building will signify the company does not have enough resources for their operations. The ambience of the company refers to the lighting, sound and painting as well as colour of the buildings. The appearance of employees is equally essential in service delivery. This may appeal to customers and enrich the service encounter (Jamal & Naser, 2002).

2.9 Customer Loyalty

The concept of customer loyalty is defined by Oliver, (1999) as a deeply held commitment to re-buy a preferred brand of product or service consistently in the future, not withstanding situational influences and marketing efforts. The extent to which customers remain loyal might not necessarily mean there are satisfied. The confirmation of this assertion has been demonstrated in a study that explained that focusing only on satisfying customers who have the freedom to make choices in this competitive marketing environment is not enough to keep them loyal (Jones & Sasser, 1995). The study of the insurance industry found that insurance provider gets to recover their selling cost of an insurance policy only when the policy is renewed for three to four years (Zeithaml et al.,

1996). This implies that when customers are satisfied with the services of insurance companies, they intend to stay; this enables the company to recover its selling cost through the customer remaining loyal. Similarly, the study of the insurance industry revealed that maintaining long term relationships with customers will enhance cross-selling and positive recommendation intentions (Lombardi, 2005).

Customer loyalty has also been described as combining intentions, attitudes and seller performance indicators (Palmatier, Dant, Grewal & Evans, 2006). The interaction of attitudinal and behavioural components has become frequently used in academic studies in conceptualizing customer loyalty.

Subsequently, most researchers describe loyalty as an attitude-based phenomenon, which must be demonstrated by customers through a positive, preferential attitude towards a product or service (Reichheld, 1996; Uncles, Dowling, & Hammond, 2003). These scholars consider customer loyalty as attitudinal. On the other hand, customer commitment usually emerges from a customer's consistent favourable set of beliefs that relates to the brand being purchased. Inferring from their submission, attitudinal loyalty refers to the customer's state of mind in relation to beliefs, norms and values held by the customer towards a brand. The study of the Greek insurance industry found word-of-mouth (WOM) to be an antecedent of behavioural loyalty, however, satisfaction did not have a direct effect on repurchase intention (Tsoukatos & Rand, 2006).

Other scholars have described customer loyalty from the behavioural perspective (Bowen & Shoemaker, 1998; Too, Souchon & Thirkell, 2001; De Wulf et al., 2001). Customer loyalty from the behavioural perspective measures a consumer's purchasing frequency

and amount spent on a brand or service relative to a competing brand. Similarly, behavioural loyalty has been described as the volume of purchase, frequency of purchase and repeat purchases in the hospitality industry (Bowen & Shoemaker, 1998).

In order for businesses to enjoy the value of customer loyalty, there is a need to operationalise loyalty by moderated contingency variables in a customer's current circumstances such as finance and time pressure as well as purchasing behaviour in the relationship between attitude and behaviour purchases by customers (Uncles et al., 2003).

Marketing literature has confirmed the relevance of customer loyalty to the preference for a particular products category, service and/or store evidence from their repeated purchase of such product or services (Uncles et al., 2003). Subsequently, loyalty has been expressed in relation to service encounter that is long term in nature between the customer and service provider (Sheth & Parvatiyar, 1995). This development confirms the assertion of customer loyalty being an important component of relationship marketing (Palmer, 1994; Too et al., 2001). Behavioural loyalty has a direct impact to the revenue mobilization of businesses since customers will buy and subsequently continue to repurchase the services of the business. However, customers who do not encounter quality service may be influenced by other competitors and may communicate negatively about their experiences to other potential customers.

Attitudinal loyal customers on the other hand, have a great impact on businesses since they add strength to existing positive brands through positive word of mouth promotions to influence potential customers to patronize such brands. In the context of the insurance industry, customer loyalty is described as customers who continue to maintain their policy

with the same service provider and are willing to recommend the insurance policies of their service provider to other prospective customers.

2.10 Switching Costs (Moderating Variables)

In the marketing literature switching cost was first introduced by Porter (1980) to mean a one-time transactional cost incurred by consumers from a product or service provider to an alternative provider. Switching cost refers to a consumer's perception of uncertainties and adverse consequences of moving to an alternative service provider as opposed to remaining with the current service provider (Dowling & Staelin, 1994). The switching costs has been referred to as a perceived barrier that can deter customers from moving to an alternative supplier, especially when negative experiences occur (Porter, 1998; Sharma & Patterson, 2000; Jones, Mothersbaugh & Beatty, 2007). Uncertainties associated with switching to an alternative service provider can be described as the perceived cost to the customer. Perceived risk refers to consumers' uncertainty about losses or gains associated with any exchange encounter (Murray & Schlacter, 1990; Murray, 1991). According to Jackson (1985), switching costs is the sum total of economic, physical and psychological costs. In the life insurance industry, switching cost include termination costs imposed by the current service provider to costs of joining another service provider (Chen & Wang, 2009).

Businesses invest through promotional activities, prospecting for new customers or employ price reduction strategies to acquire new customers. This cost associated with acquiring new customers can only be recovered through customer repurchase of the offerings of the existing supplier's products or service.

Some scholars claim the switching cost refers to the extent to which consumers perceive financial cost, time cost, termination cost and psychological cost as barriers to their ability to switch from their current service provider and as such, influence a customer's decision to remain with the existing service provider (Sengupta, Krapfel & Pusateri, 1997; Burnham et al., 2003; Chen & Wang, 2009). Switching costs were operationalised as procedural switching cost, lost benefits cost and social switching cost (Jones et al., 2007). The study of the Spanish insurance market revealed that the switching costs is composed of six dimensions, which include, benefits loss cost; personal relationships loss cost; economic risk cost; cost of searching and evaluation; set-up cost and monetary loss cost (Barroso & Picón, 2012). The components of the switching costs have been described as financial, procedural and relational costs associated from changing a current service provider.

2.10.1 Financial Cost

Financial cost is any monetary benefit associated with service delivery, which may influence a customer from switching from the current service provider. These monetary benefits may include discounts, credit facilities and any form of financial incentive offered by the service producer to influence customer repurchase. In the Ghanaian life insurance industry, the financial cost associated with service delivery may take the form of relatively large sum assured policy-holder; assessing some portion of the policy periodically; receiving large sum of money after a period of time without suffering any losses as well as losing the entire investment should they exit the current service provider.

2.10.2 Procedural Switching Cost

Procedural cost refers to economic risk, customer evaluation and learning procedures as well as set up cost associated with switching from a current service provider to an

alternative service provider (Burnham et al., 2003). This may be loss of time, effort and termination costs associated with switching a service provider or brand. Time cost is the benefit associated with the length of period a customer continues to stay with a service provider in relation to switching to an alternative service provider. These benefits may include a customer becoming used to the operations of the service provider and the relationship that might be created may negatively influence customer intention to switch. In the Ghanaian life insurance industry, time cost may be referred to as the waiting period for a policy to mature before any benefits are attributed to the policy-holder should they suffer any losses.

Similarly, procedural cost has been described as the perceived termination cost associated with a customer switching from a current service provider to the joining cost with the alternative service provider (Colgate & Lang, 2001). According to Morgan and Hunt (1994), termination cost is defined as all expected losses from switching from a current service provider, which includes perceived lack of comparable potential alternative partners and relationship dissolution expenses. When customers perceive the effect of termination cost to be high, it can lead to commitment with the existing service provider or brand. Commitment has been described as an enduring desire to maintain a valuable relationship (Moorman, Deshpande & Zaltman, 1993). Commitment is one of the important variables for assessing customer loyalty and subsequently predicting repurchase intention (Morgan & Hunt, 1994; Gundlach, Achrol & Mentzer, 1995; Wilson, 1995). The term commitment implies that the service providers must display a higher sense of responsibility towards the establishment of a relationship which should satisfy and benefit stakeholders (Morgan & Hunt, 1994). Customer contact employees have to demonstrate their enduring desire by being prompt and willing to meet the needs and wants of

customers. This implies that the customer perception of a high termination cost can influence customer commitment and hence they remain loyal.

2.10.3 Relational Switching Cost

This has been described as psychological cost, which is the customer's own assertion of evaluating the current service provider in relation to an alternative provider in terms of interaction quality. This may include the customer's assertion of whether all service providers are the same or whether alternative providers may provide even better services. Relationship switching cost can also be explained as the emotional discomfort of the customer, which results from the relational bond existing with the current service provider as opposed to the new service provider which is unknown. The relational switching cost plays a significant role in retaining customers of various service providers in different service sectors (Colgate, Tong, Lee, & Farley, 2007; Chen & Wang, 2009).

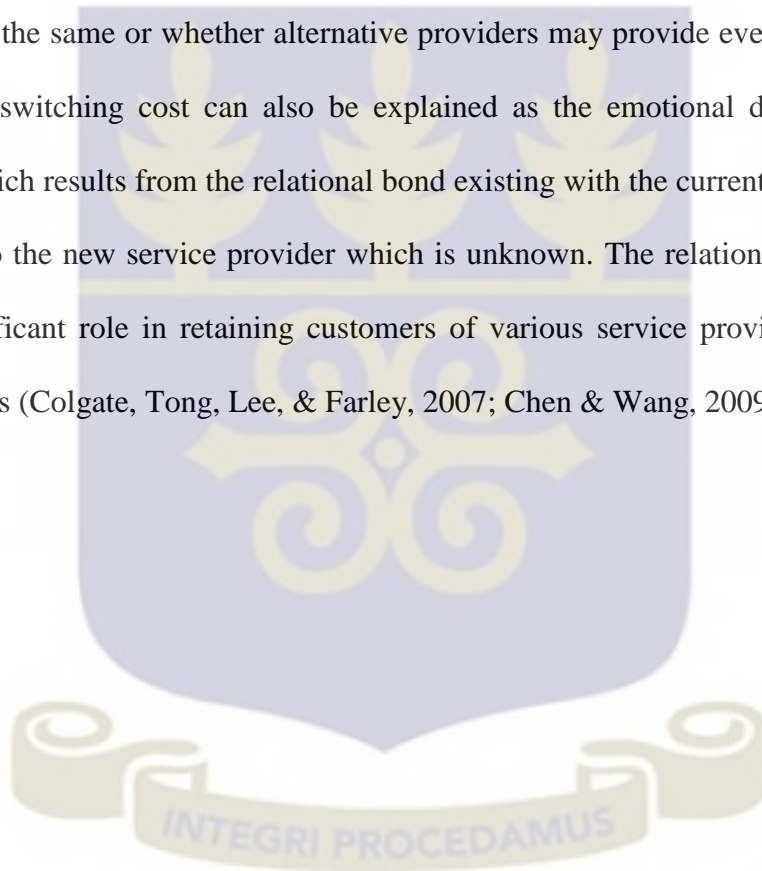
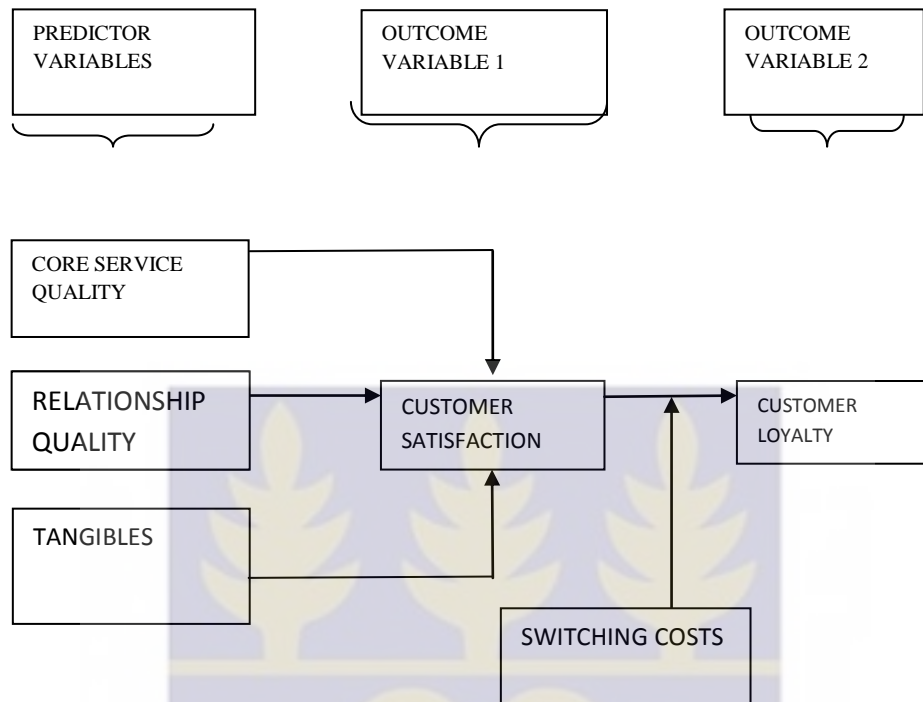


Figure 1: Conceptual Framework



Source: Author's Adaption (McDougall & Levesque, 2000; Chen & Wang, 2009; Narteh & Kuada, 2014).

This framework was adopted to evaluate the relationship between customer satisfaction and loyalty in the life insurance industry in Ghana. The antecedents of customer satisfaction are core service quality, relationship quality and tangibles associated with service delivery. The antecedents becomes the independent variable while customer satisfaction is the initial outcome variable. Subsequently, customer satisfaction becomes the independent variable while customer loyalty is the second outcome variable. Switching costs will moderate the relationship between customer satisfaction and loyalty to ascertain its impact on the relationship. This relationship was tested in the life insurance industry in Ghana.

2.11 Core Service Quality and Customer Satisfaction

In marketing literature, the relevance of core service quality to customer satisfaction has been established in different contexts (McDougall & Levesque, 2000; Narteh & Kuada, 2014). Other scholars have identified the impact of service quality on customer loyalty (Parasuraman et al., 1991; Cronin & Taylor, 1992; Hinson et al., 2006).

Core service has been described as the outcome of service delivery (Levesque & McDougall, 1996). Satisfaction has been linked to core service quality, which describes customer satisfaction as the extent to which actual service delivery equals a customer's perception of expected performance in an exchange encounter (Oliver, 1996). This implies that core service quality has a significant impact on customer satisfaction.

Some scholars have argued that core service failure has a negative impact on customer retention in the service industry (Keaveney, 1995). However, some studies identified the positive relationship between core service quality and repurchase intention (Brady & Cronin, 2001; Gera, 2011). This reveals the relevance of core service quality in relation to customer satisfaction in the service industry.

From the above submission, the researcher therefore proposes the following hypothesis:

H.1: There is a positive relationship between consumer perception of core service quality and customer satisfaction in the life insurance industry.

2.12 Relationship Quality and Customer Satisfaction

Literature on relationship marketing has been described as creating a bond between customers and service providers, which is based on mutual exchange and fulfillment of

promises (Gronroos, 1994). In relationship quality, the sales-person's ability to fulfill his or her promises improves relational exchanges.

In a service encounter, the service provider promises the customer a specific outcome, while the customer, in return, pays appropriate consideration or amount for the service received. The interactive aspect of relationship building is very crucial in understanding the customer and explaining exactly the implication of the service or insurance policy the customer is going to undertake. This is necessary to ensure customers develop trust for their service providers. The customers begin to doubt or lose trust in a service provider if they are not able to fulfill their promise to the customer. Trust is therefore the bases for building any long lasting relationship and as such, service providers should consider this element as vital in their quest to persuade customers to repurchase their products or services. In the life insurance industry, trust has been identified as an antecedent to customer loyalty and the third most important determinant of customer loyalty (Rai & Medha, 2013).

In the marketing literature however, overall customer satisfaction in service delivery has been influenced by the relevance of relationship quality (Crosby et al., 1990). Subsequent studies have found a direct relationship between the interpersonal relationship and customers' repurchase intention (Jones, Mothersbaugh & Betty, 2000). Other studies have confirmed that relationship quality is a key determinant in customer satisfaction (Gengler & Leszczyc, 1997; Hennig-Thurau & Klee, 1997; Chen & Wang, 2009). Subsequently, the study by Narteh and Kuada (2014) found relationship quality to strongly influence customers' overall satisfaction and recommended that future studies explore the

constituents of relationship quality dimensions more closely while emphasizing that trust is an important attribute in relationships.

From the development, the researcher therefore proposes the following hypothesis:

H.2: There is a positive relationship between relationship quality and customer satisfaction in the Ghanaian life insurance industry.

2.13 Tangibles and Customer Satisfaction

The relevance of tangibles in service delivery has been established in the banking industry to influence customer satisfaction (Narteh & Kuada, 2014). Contrary to the banking industry, a study of the Greek insurance industry found tangibles associated with service delivery to be insignificant (Tsoukatos & Rand, 2006). This implies that the customers do not consider tangibles in assessing satisfaction. Moreover, the physical evidence in service delivery may communicate the financial capacity of the insurance company and their ability to pay claims as and when they are due to a policy-holder.

From this development, the researcher proposes the following hypothesis:

H.3: There is a positive relationship between relationship quality and customer satisfaction in the Ghanaian life insurance industry.

2.14 Customer Satisfaction and Loyalty

The impact of customer loyalty on profitability has been demonstrated in literature where the ability of a company to retain a customer by 5% can lead to an increase in profits between 25% and 85% depending on the industry type (Reichheld & Sasser, 1990). According to Moore and Santomero (1999), high customer retention rates are associated with better financial performance.

The concept of loyalty has been argued to have a strong relationship to profitability of businesses and hence a strategic competitive tool (Reichheld, 1993; Hoffman & Kelley, 2000). A study of the insurance industry has confirmed customer satisfaction to have a direct influence on customer loyalty (Lai, Liu & Lin 2011). Some studies have confirmed that customer satisfaction significantly influences loyalty (Ganesan, 1994; Mittal, Ross & Baldasare, 1998; Mittal & Kamakura, 2001).

From this development, the researcher therefore proposes the following hypothesis;

H.4: There is a positive relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry.

2.15 Moderating Effect of Switching Costs

The construct between customer satisfaction and loyalty has been established in literature, however, its relative strength can be influenced by other variables. This study will evaluate the impact of switching costs on customer satisfaction and loyalty in the life insurance industry.

In a French study of mobile phone services, it was found that the impact of switching costs had a direct influence on the volume of purchase frequency and as such, strengthened the relationship between customer satisfaction and loyalty, which eventually results in customer retention (Lee, Feick & Katz, 2001). This implies that higher switching costs will negatively influence customer intention to switch. The study of the life insurance industry revealed that switching barriers has a statistically significant influence on the relationship between core service quality and customer satisfaction in terms of switching costs, relationship investment, attractiveness of alternatives, and

service recovery (Chen & Wang, 2009). Another study by Jones and Sasser (1995) has revealed the relevance of switching costs as a factor that discourages customers from changing their current service provider to another, despite existing competition in the industry.

Contrary to the other studies, a customer's decision to switch a service provider does not necessarily depend on the perception of switching costs and the alternative attractiveness (Wieringa & Verhoef, 2007). This assertion implies that customers may still switch service provider in spite of switching barriers developed by the service provider.

The level of customer satisfaction might be relatively low but it can significantly influence customer retention when the switching cost is relatively high (Colgate & Lang, 2001). Other scholars have argued that the higher switching costs are positively related to customer loyalty (Gronhaug & Gilly, 1991; Oliva, Oliver, & MacMillan, 1992; Bendapudi & Berry 1997; Lee & Neale, 2012; Laksamana, Wong, Kingshott & Muchtar, 2013). The effect of the switching cost as a moderating factor has been established to influence the relationship between satisfaction and loyalty (Jones et al., 2000). The moderating role of switching costs has been found to have a negative influence on switching intention in the car insurance industry (Anton et al., 2007). The switching costs associated with insurance services deters policy-holders from switching providers (Gera, 2011). A consumer perceived high switching cost can significantly influence unsatisfied customers to remain loyal (Gronhaug & Gilly, 1991). Bateson and Hoffman (1999) argued that customer satisfaction and switching costs are believed to be the most significant predictors of customer repurchase behaviour, which results in loyalty.

From this development, the researcher therefore proposes the following hypothesis:

H.5: There is a significant effect of the switching costs on the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry.



CHAPTER THREE

CONTEXT OF THE STUDY

3.0 Introduction

This chapter examines the geographical context of the insurance industry in Ghana. The study further examined the industry performance, characteristics and history of the sector. The chapter will provide insight into the insurance industry to readers of this document and relate the industry to the analysis of the study. Additionally the context of the study will provide details of policy framework and government position on the insurance industry as well as the contribution of the sector to total gross domestic product of Ghana.

3.1 The Geographic Location and Characteristics of Ghana

Ghana is a member of the Economic Community of West African States (ECOWAS) attained independence over five decades ago. The economy of Ghana continues to grow, recording a gross domestic product (GDP) of \$47.93 million dollars and a real GDP growth of 7.1% while inflation rate was at 11.6% and population of 25.9 million as of the end of 2013 (World bank, 2013). The major export commodities referred to as traditional exports of Ghana includes cocoa, logs, mineral ore, fresh yam and fish (Ghana Revenue Authority, 2014). Ghana, in recent times, has found crude oil in large quantities and this is expected to contribute to GDP through exporting oil to the international market (NIC, 2013).

3.2 Historical Development of Insurance in Ghana

The evolution of insurance in Ghana can be traced to the pre-colonial era where the insurance industry was dominated by British insurance firms who operated from the United Kingdom (Ansah-Adu et al., 2011). The policies and operations of the insurance industry were designed to satisfy the insurance needs of the British citizens operating in

the colony then known as Gold Coast. The relevance of insurance to foreign nationals lead to the establishment of Gold Coast Insurance Company in 1955 before Ghana attained independence on 6th March, 1957. The core business was to sell life insurance policies only (NIC report, 2011).

In order to facilitate trading activities after independence, the Ghana Insurance Company was established to provide insurance products for individuals and the business community. In 1960, the operation of the Ghana Insurance Company was diversified. The Ghana General Insurance Company was established to provide fire and motor insurance products in Ghana. The government of Ghana established the State Insurance Company (SIC) in 1962. This was done through an executive instrument by merging the Ghana Insurance Company and Ghana General Insurance Company (NIC, 2011). This development was to enable the government to gain control of the insurance company and further provide needed legislation to grow the industry. Meanwhile, the SIC, was the sole insurance company legally mandated to provide insurance services for government businesses and the private sector. In order to be efficient in the delivery of insurance services to serve both domestic and international markets, the Ghana Reinsurance Company (Ghana-Re) was established in 1972 as a subsidiary of SIC (Ghana Reinsurance, 2014). The establishment of Ghana-Re was to facilitate the insurance issues with regards to imports and international businesses. The efficient operation by Ghana-Re was recognized by the government and this lead to the company gaining autonomy in 1984. This resulted in Ghana-Re operating separately without any interference from SIC. Subsequently, the company was incorporated as a limited liability company in 1995.

The International Association of Insurance Supervisors (IAIS) law of 2006 was operationalised to enhance insurance operations across several countries. The objective of this regulatory body is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policy-holders, while contributing to global financial stability. According to IAIS, insurance industry players should operate freely with their competitors.

3.3 Profile of Insurance Companies used in the Study

The researcher used seven insurance companies for this study. Each of these companies agreed to the researcher administering questionnaires to its policy-holder through selected branches which had relatively more patronage.

3.3.1 Vanguard Life Assurance Company Limited

The corporate entity Vanguard Life Assurance Company Limited is a separate legal entity registered and licensed by the National Insurance Commission (NIC) to handle life insurance products in Ghana. The re-registration and concentration on the provision of only life insurance policies was in line with the requirements of the new insurance law Act 724.

Earlier Vanguard Assurance offered both life and non-life insurance policies to the general public and have been ranked among the top three insurance companies in Ghana for several years. Vanguard life insurance has been in operation within the last decade, however, the company has enjoyed a good reputation from over thirty-nine years of operating both life and non-life insurance policies in Ghana. Their current product range

includes welfare and retirement plans as well as investment packages (Vanguard Assurance, 2015).

3.3.2 Gemini Life Insurance Company Limited (GLICO)

The company commenced its operations in Ghana in 1987 by providing policies to improve the livelihood of Ghanaians. The success of their operations is evidence from their remarkable business performance record and a nationwide branch network. The company's growing financial strength and assets portfolio ensure prompt payment of claims and fulfillment of its social responsibility particularly in the area of sport and games. The commitment of GLICO to serve its customer better and contribute to the development of Ghana leads to the philosophy "GLICO We cushion you for life" (GLICO Life Insurance, 2015).

3.3.3 Enterprise Life Assurance Company Limited

The corporate entity, Enterprise Life Assurance Company Limited (ELAC) was incorporated in the year 2000. The operations of the insurance company was based on the initial shareholdings of Enterprise Insurance Company, (a listed general insurance company in Ghana), African Life (now Sanlam Sky a South African life insurance company) and the International Finance Corporation, (the commercial wing of the World Bank).

The company is currently being controlled by the shareholding of Enterprise Group Limited and Sanlam. ELAC operates as a specialist life insurance company providing affordable and innovative products, designed to meet the needs of its policy-holders.

Table 1: ELAC Products (Life Policies)

Nos	Individual Life Products	Group Life Products
1	Funeral Finance Plan	Group Funeral Plan
2	Lifetime Needs Plan	Group Corporate Life Plan
3	Educare Plan	Church Funeral Scheme
4	Family Income Protection Plan	Voluntary Funeral Scheme
5	Life Time Needs Plan	Credit Life

Source: Enterprise life, 2015

3.3.4 StarLife Assurance Company Limited

StarLife Assurance Company Limited was incorporated in October, 2005 as a limited liability company in compliance with the new Insurance Law 2006, Act 724. This means their operations were separated to provide either life or general insurance.

StarLife Assurance Company provides a wide range of life policies to meet the demands of the general public. The success of their operations in satisfying their policyholder has been recognized, as they are rated among the top three insurance companies in Ghana (StarLife, 2015).

Table 2: Starlife Products (Life Insurance Policies)

Nos	Corporate Products	Individual Products	Specialized Products
1	StarLife Employment Security Plan	Star Child Lifeline Plus	Bancassurance
2	StarLife Keyman Plan	StarLife CashBuilder Plus	GroupWealfare Scheme
3	StarLife Loan Protection Plan	StarLife Esteem Homecall Plan	
4	StarLife Mortgage Protection Plan	StarLife Family Protection Policy	
5		StarLife Wealthmaster Plus	

Source: StarLife, 2015

3.3.5 Provident Life Assurance Company Limited

The corporate entity was registered by the Registrar-General's Department in February 2006, under the Company's Code, 1963 (Act 179), numbered as CA-23, 538.

Provident Life Assurance offers life assurance policies both in Ghana and abroad. The company provides quality and efficient service in the industry, while offering innovative life assurance products. Their product range includes;

Table 3: Provident Life Products & Services

No.	Products (Policies)
1	Keyman Policy
2	Provident Education Plan
3	Credit Life Assurance
4	Funeral Expense Policy
5	Personal Accident Policy
6.	International Travel Insurance
7.	Life Annuity
8.	50 plus Security Plan
9.	End of Service Benefit Plan
10.	Mortgage Protection Plan

Source: Provident, 2015

3.3.6 Metropolitan Life Insurance Ghana Limited

The company was formed as a joint venture between Metropolitan Insurance Company Limited of Ghana and Metropolitan Holdings Pty of South Africa. Metropolitan Life was licensed by the National Insurance Commission and commenced its operations in Ghana on 23rd February, 2006. The company's strength relates to its size, scale and scope, propelled globally by a brand which has been in the business of financial solutions for over 117 years and endorsed by over 10 million clients across the world. Metropolitan Life Insurance Ghana is a member of the Metropolitan Group of companies in Ghana, comprising Metropolitan Pensions Trust Ghana and Metropolitan Health Insurance Ghana. The company offers competitive and innovative products such as School Finance Plan, Eternity Plan and Finance Provider Plus (Metropolitan Life, 2015).

3.3.7 SIC-Life Company Limited

The historical background of SIC-Life Company Limited can be traced to the reputable multi-line insurer, State Insurance Company of Ghana Limited (SIC). SIC has been in operation since 1962 operating life insurance policies. The company was registered as a public corporation. In 1995 the company was converted into a public limited liability company as part of the Government of Ghana's initiative to divest part of its shareholding in all state corporations.

Developments in the insurance industry require compliance with the Insurance Law 2006, Act 724 leading to the creation of SIC-Life company limited (SIC-Life) in 2007. Currently, SIC-Life is the largest and most reputable insurance company in Ghana controlling the largest share of the insurance market for both life and non-life insurance business lines. The company is the leader in the life insurance industry. This is evidence from their operations as well as key performance indicators such as capital base, shareholders' fund, total assets, profitability and market share.

The company has a solid financial base, coupled with highly motivated and experienced human resources. The company enjoys a favorable image within the life insurance industry both locally and internationally and equally has a wide network of area and branch offices throughout the country. SIC-Life has a large agency force whose focus is to respond professionally to the varying needs of the insuring public.

Table 4: SIC-Life Policies

Nos	Life Policies
1	Family Security Plan
2	Flexi-Child Educare Plan
3	Education Plan
4	Ultimate Life Plan
5	Group Life Endowment Policy
6	Final Journey Plan
7	School Fees Protection Plan
8.	Loan Protector Plan
9.	Key-Man Assurance
10.	Mortgage Protection Plan
11.	Group Life (Team Assurance) Policy
12.	Guaranteed Endowment Plan
13.	Sika Plan (OKUM-KA)

Source: SIC-Life, 2015

3.4 Life Endowment Policy (Full Risk Policy)

An endowment policy is an investment product that one can purchase from a life assurance company. The policies are long term investments, which involve the policyholder making regular premium payments to the insurance company and after a set period the company pays out the lump sum assured. The policy benefits both the life assured and the family of the assured depending on the occurrence of any life losses. The policy makes provision for the family of the life assured in the event of his early death, or else the life assured benefits from a lump sum assured at a desired age.

3.5 Risk plus Investment

Investment financial plans are usually operated by the banking sector. However, the insurance companies have adapted innovative means to design investment products

embedded with insurance policies to serve the short term needs of policy-holders as well as prospective investors. These products were developed to meet the needs of the customer and prospective customer who intend to invest and benefit from insurance at the same time.

3.6 Function of National Insurance Commission

The National Insurance Commission is mandated to oversee the operations of all insurance companies in Ghana (NIC, 2011). In order to carry out its duties the Commission carries out the following functions in accordance with;

1. Licenses insurers and insurance intermediaries who transact insurance business in Ghana;
2. In consultation with relevant bodies it approves and sets standards for the conduct of insurance business and insurance intermediary business;
3. Encourages the development of and compliance with, the insurance industry's codes of conduct;
4. Approves, where appropriate, the rate of insurance premiums and commissions in respect to any class of insurance;
5. Provides a bureau to which complaints may be submitted by members of the public for resolution;
6. Arbitrates insurance claims referred to it by any party to an insurance contract;
7. Recommends to the Minister of Finance proposals for the formulation of policies for the promotion of a sound and efficient insurance market in the country;
8. Supervises and approves transactions between insurers and their reinsurers;
9. Undertakes sustained and methodical public education on insurance;

10. Takes action against any person carrying on an insurance business or the business of insurance intermediaries without a license;
11. Maintains contact and develops relations with foreign insurance regulators and international associations of insurance supervisors and maintains a general review of internationally accepted standards for the supervision of insurers and insurance intermediaries;
12. Supervises, regulates and controls compliance with the provisions of this Act (2006) and Regulations made under it and any other enactment relating to insurance; and
13. Performs other functions that are incidental to the carrying out of its functions under this Act (2006).

3.7 Players in the Life Insurance Industry

The insurance industry in Ghana continues to grow. The insurance industry players constituted 25 non-life companies, 18 life insurance companies, 2 reinsurers companies and 60 brokers as at the year ending 2013 (NIC, 2013). The continuous growth of the insurance industry presents a competitive environment and highlights the necessity to be efficient in order to satisfy the needs of policy-holders.

Non-life insurance policies include motor car, general products and properties such as buildings, businesses and machinery, while the life insurance policies are intended to promote the personal welfare of individuals who chooses any of the policies.

This study focuses on the life insurance industry, specifically the full risk policies and risk plus investment policies in Ghana.

3.7.1 Insurance Brokers

Insurance brokers are professional in insurance and risk management who act on behalf of their clients and provide advice in their interest. In Ghana their operations are regulated by the Ghana Insurance Brokers Association (GIBA).

According to the NIC, the top 10 performing brokerage firms in the year 2013 were;

1. KEK Insurance Brokers Limited
2. Edward Mensah, Wood & Associates Limited
3. Gras Savoye (Gh.) Limited
4. Tri-Star Insurance Services Limited
5. Horizontal Insurance Brokers Limited
6. Safety Insurance Services Brokers Limited
7. KEK Reinsurance (Africa) Limited
8. Crown Insurance Brokers Limited
9. Shield Insurance Brokers Limited
10. Midas Insurance Brokers Limited

3.7.2 Insurance Agents

Service delivery in the insurance industry is characterized with the use of agents to reach a wider population, promote the policy and to manage the activities of policy-holders. Currently the industry has over 4,523 licensed tied agents across Ghana who represents the interest of all the insurance companies in Ghana (NIC, 2013). In addition to the individual agents, insurance companies are merging some of their operations with some banks and micro financial institutions to further promote the insurance product to customer. The corporate agents constitute 10 banks and 3 micro financial institutions as of

the end of 2011(NIC, 2011). This implies that the insurance industry agents constitute individuals and corporate bodies who assist the operations of the insurance companies to promote their services at a fee.

The following financial institutions were licensed by the NIC to operate as intermediaries under the banc-assurance partnership arrangement as of the end of 2011.

1. Bayport Financial Services Limited - Enterprise Life Assurance Co. Ltd.
2. Consumer Finance Company Limited - Enterprise Life Assurance Co. Ltd.
3. Agricultural Development Bank Limited - Vanguard Life Assurance Co. Ltd

Subsequently the two banc-assurance partnerships were approved as of the year ending (NIC, 2013).

1. Ghana Commercial Bank Limited – Starlife Assurance Company Limited
2. Agricultural Development Bank Limited – Vanguard Assurance Company Limited

3.8 Regulation to Operate a Single Insurance Policy

The Ghanaian insurance industry is regulated by the Insurance Act, 2006. This Act however, complies with the provisions of international association of insurance supervisors (IAIS). The IAIS was established in 1994 as an insurance regulator of insurance industries across the world. The regulatory body is a supervisor of more than 200 jurisdictions in nearly 140 countries, constituting 97 percent of the world's insurance premiums (IAIS, 2011).

According to the Act, all insurance companies were to diversify their operation to either Life Insurance or General Insurance but not to operate both policies as a single unit. The policy compliance has seen companies separating their operations. The scope of the study

is limited to the life insurance industry which is made up of eighteen companies as listed below;

Table 5: Life Insurance Companies in Ghana

No.	Company	Gross Premium Gh¢ (2013)
1	Capital Express Assurance (Gh) Limited	809,346
2	Colina Life Insurance Company Limited	906,352
3	Donewell Life Insurance Company Limited	8,118,905
4	Enterprise Life Assurance Company Limited	123,846,285
5	Express Life Insurance Company Limited	5,378,355
6	Ghana Life Insurance Company Limited	10,533,661
7	Ghana Union Assurance Company Limited	4,724,564
8	Glico Life Insurance Company Limited	55,546,000
9	IGI Life Insurance Company Limited	E A
10	Metropolitan Life Insurance Ghana Limited	21,574,030
11	Phoenix Life Insurance Company Limited	7,121,098
12	Provident Life Assurance Company Limited	15,458,278
13	Quality Life Assurance Company Limited	7,021,932
14	SIC Life Insurance Company Limited	127,244,626
15	Starlife Assurance Company Limited	53,428,493
16	Unique Life Assurance Company Limited	3,798,298
17	UT Life Insurance Company Limited	11,952,035
18	Vanguard Life Assurance Company Limited	12,122,417
TOTALS		469,634,675

Source: NIC, 2013

NB: Enforcement Action by company

The legislation provided avenue for Ghanaians to be actively engaged in the ownership and operation of insurance in Ghana. This compelled all insurance companies operating in the country to be incorporated in Ghana with at least 40 percent of their investment being owned by a Ghanaian. This policy has totally reduced the dominance of foreigners' control of the Ghanaian insurance industry.

3.9 Developments in the Insurance Industry

The insurance industry in Ghana continues to improve service delivery. This has led to some developments in the sector and these have been explained below;

3.9.1 Agricultural Insurance

The Ghana Agricultural Insurance Program (GAIP) is dedicated to the provision of insurance to the agricultural sector of Ghana. The program is provided by a pool of seventeen Ghanaian Insurance Companies and two Ghanaian Reinsurance companies (NIC, 2013). Their operations commenced in May, 2011. The Ghana Insurers Association has a technical management unit, which is responsible for the underwriting of this business on its behalf. The program started its policy on maize production but has put in place measures to extend the coverage to other crops such as rubber and cocoa and livestock in general. The development of agricultural insurance products for farmers is a landmark for the country that has been approved and supported by the National Insurance Commission to promote agriculture.

The Ghana Agriculture Insurance Company (GAIP) currently has three insurance products on the market intended to mitigate losses associated with farming in Ghana. The Weather Index Insurance is available for small scale farmers with a farm size of less than

twenty hectares. This insurance cover will aid farms during drought since adequate provisions will be made by the insurance company to reduce losses should such events occur. Additionally the Poultry Policy Insurance is available for farmers who are into the production of all kinds of poultry birds. This policy protects birds against accidental mortality. The farmer who opt for this policy will be indemnified should this event occur. However, the events leading to the accidental mortality is clearly stated in the policy. The means the occurrence of any accidental losses specified under this policy will be borne by the insurer or insurance company. The policy covers losses to stock during the rearing period; egg laying period and broilers but does not include their waiting period. The Multiple Peril Crop Insurance (MPCI) is another agricultural insurance package for commercial farmers whose farm size is more than twenty hectares. This policy covers farmer's crops from natural or climate causes as well as any infections that can affect the yield of agricultural products or livestock.

3.9.2 The Draft Insurance Bill

The provision of insurance services is guided by the International Association of Insurance Supervisors (IAIS). The mission of the IAIS is to promote and supervise the operations of insurance industries around the world. This is required to develop and maintain fair, safe and stable insurance markets for the benefit and operation of policyholders and contributes to global financial stability. The IAIS was established in 1994.

In Ghana the NIC oversees the operations of insurance companies through compliance with the Insurance Act 2006. The provisions of the Act should be consistent with that of the IAIS. The IAIS in 2011 revised its provisions to improve service delivery in the insurance industry. This has led to the NIC's continuous effort to upgrade the current Act

to include current provisions of the IAIS. The Insurance Commission of Ghana has therefore prepared a draft bill to government through the Ministry of Finance and Economic Planning. The passage of the draft bill will confirm legal compliance to the IAIS and further improve the provisions of insurance delivery in Ghana.

3.10 Insurance Products in Ghana

There is vast potential for growth in the insurance industry of Ghana. This has led to companies within the industry to continuously introduce innovative insurance products to influence consumers to patronizing any of their services intended to restore them to their current status should any eventualities occur. The life policies set out in Table 6 below were approved by the NIC;

Table 6: Products Approvals

No	Company	Product	Category
1	Colina Life Ghana Limited	Funeral Plan Express	Life
2	Enterprise Life Insurance Company Limited	Educare Plan for Standard Chartered Bank Ltd.	Life
3	Express Life Insurance Company Limited	1.Tigo Hospitalization Support Plan 2. Credit Life Plan 3.Tigo Family Care Plan	Life
4	Ghana Union Assurance Company Limited	Gyaesu Plan	Life
5	Quality Life Assurance Company Limited	Smart Plan	Life
6	Starlife Assurance Company Limited	Abusua Nkyemfa	Life
7	Unique Life Assurance Company Limited	Schooling Plan	Life
8	Metropolitan Life Insurance Ghana Limited	Barclays Embedded Travel Ins. Master Policy	Life

Source: NIC, 2013

These are some insurance products on the Ghanaian market, however new products are being developed year after year and are being approved by the NIC to suit the taste and preference of consumers.

3.11 Customer Challenges

Customers in the insurance sector continue to face some challenges from their providers. The NIC, as the regulatory body, has set up a complaints unit intended to receive customer complaints and possibly assist in resolving such issues. The complaints however, have continued in a similar trend as previous years. Most of the complaints received were related to motor claims and includes; delay in settlement of claims; dispute over quantum; delay in payment of settled claims; and repudiation of claims

Complaints related to life policy-holders were as follows; benefits promised by insurers differ from benefits on policy documents; insurance company's failure to cease deductions after the policy had been surrendered; payments of low surrender values; delay in processing matured policies for payment; delay in returning refund of wrongful deductions; unauthorized premium deductions; and failure of insurance companies to resubmit policy documents.

The Commission received a total of 312 complaints from the general public as of the end of 2013 (NIC, 2013). Some of these service delivery challenges might influence the future repurchase intention of policy-holders, which requires providers to improve upon their service delivery.

These developments, therefore, make the choice of the insurance industry, which forms part of the financial sector of Ghana, worth investigating to determine the influence of customer satisfaction and loyalty in relation to the switching costs.

3.12 Contribution of the Insurance Industry to the Economy of Ghana

Insurance penetration in Ghana is relatively slow. The insurance penetration has been related to the contribution of total insurance premium to Gross Domestic Product (GDP) which is still less than 2 percent of Ghana's GDP (NIC, 2013). However, insurance has contributed much more to the development of other countries such as South Africa (14.8 percent), Namibia (7.3 percent), Kenya (2.8 percent), Kenya (2.8 percent) and Malaysia (4.8 percent). The exception is Nigeria whose penetration rate is 0.6 percent of gross domestic product (Swiss Re Sigma Report, 2011).

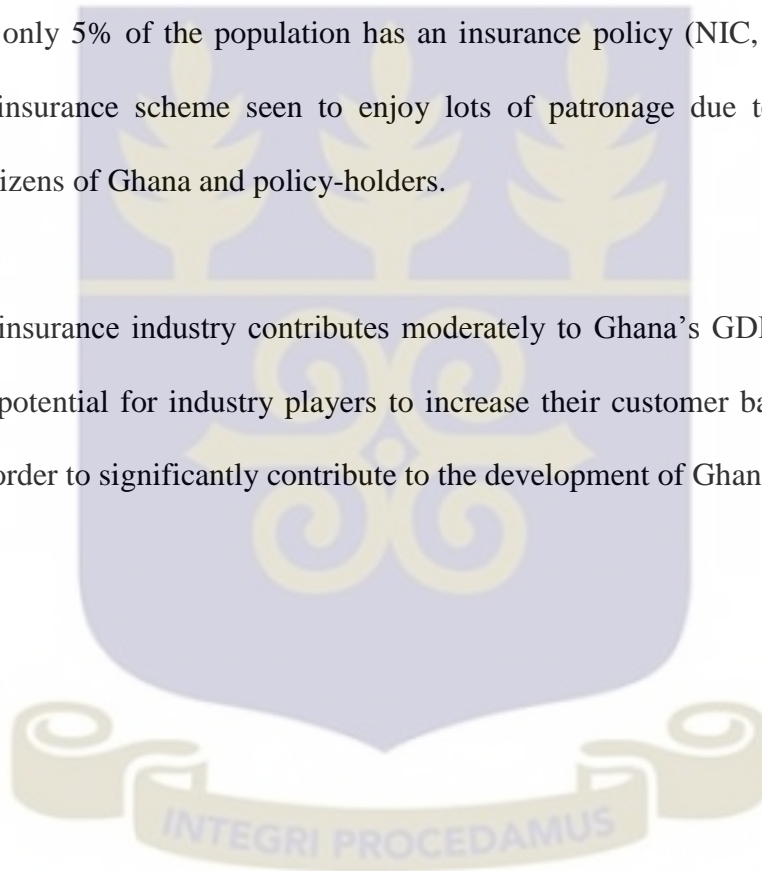
The average growth rate in the industry for both life and non-life insurance gross premium fell sharply from 35.3% to 23.6% between 2012 and 2013. In real terms total gross premium collection for life and non-life grew from 850.7 million to 1,052.1 billion from 2012 to 2013 (NIC, 2013)

The total gross premium of Gh¢1, 0521.1 billion consists of Gh¢469.6 million for life and Gh¢582.4 million for non-life insurance. The performance indicators of the two major policies direction sector are promising. The non-life insurance premium has increased from GH¢142 million in 2007 to GH¢582.4 million as of the end of 2011. Similarly, the life insurance premium also increased from GH¢187.3 million in 2010 to Gh¢469.6 million by the end of 2011 (NIC, 2013).

Moreover, Ghana in recent times has found crude oil in large quantities. The government, through policy, has directed all companies operating within the oil and gas industry to take out an insurance policy for all their commercial buildings. This directive is expected to further increase insurance premium collection and will add to the total gross domestic product of the country.

Further examination by the Government of Ghana on the financial sector through a survey revealed that only 5% of the population has an insurance policy (NIC, 2011). However the national insurance scheme seen to enjoy lots of patronage due to its cost benefit analysis to citizens of Ghana and policy-holders.

In effect the insurance industry contributes moderately to Ghana's GDP, however there exists a vast potential for industry players to increase their customer base and premium collection in order to significantly contribute to the development of Ghana.



CHAPTER FOUR

RESEARCH METHODOLOGY

4.0 Introduction

This chapter explains the processes and research techniques used in analysing the data for the study. These techniques used provided details as to how the research questions were to be answered, with the research questions being deduced from the research objectives. The methodology for the study was therefore systematic and rigorous in order to draw the conclusions that are reliable and objective to the life insurance industry of Ghana.

The chapter explained the data collection processes, the instruments used in collecting data as well as how the data was analysed. The research complied with all ethical concerns by explaining to all stakeholders what the study entailed and the intended use of the data. The compliance with ethical concerns protects the rights of respondents who provide data for the study.

4.1 Purpose for Conducting Research

Research is a systematic approach to investigating a phenomenon. The purposes for conducting research have been described as exploratory, descriptive and explanatory (Robson, 2002). Exploratory research is most appropriate when a phenomenon needs to be explored by examining one or more cases within a bounded system (Creswell, 2007). The exploratory studies have been widely described as qualitative research. The conduct of such studies seeks to provide insight and not to measure (Hinson, Boateng & Madichie, 2010). The exploratory studies are usually conducted within a bounded system that provides insight into an issue being investigated. This approach to research has been described as the interpretive approach to conducting research (Fisher, 2010). The

qualitative methodology shares its philosophical foundation with the interpretive paradigm, which supports the view that there are many truths and multiple realities. The qualitative approach usually collects data by interviewing respondents. Moreover, they equally administer open-ended questionnaires to solicit the views and feeling of respondents to an issue under investigation. The analysis of such data requires creativity and compliance with scientific processes to convince the scientific community of the credibility of the finding and the extent to which bias has been eliminated from the study. The sample sizes used in such studies are relatively small. Exploratory research is useful when the researcher does not know the variables to examine. The researcher may adopt this approach because the topic is new, the topic has never been addressed with a certain sample or group of people and existing theories do not apply with the particular sample or group under study (Morse, 1991).

Descriptive research seeks to measure a phenomenon under investigation and mostly relies on numerical data in its analysis. This type of research provides accurate statistics of people, events or situations, which serves as a basis for decision making. Subsequently, descriptive research has been described as a study that provides a clear statistical illustration about a phenomenon, which has already occurred (Robson, 2002).

The explanatory research provides an understanding into specific issues being investigated. This type of study seeks to collect data relating to how or why a specific situation has occurred. The approach has been considered as practical in nature since it seeks to understand the problem being investigated. In effect, explanatory research seeks to find the causal relationships between variables (Saunders, Lewis & Thornhill, 2007).

This study will apply both descriptive and explanatory approach to evaluate the relationship between customer satisfaction and loyalty in relation to switching costs. The descriptive aspect will provide information relating to the gender, educational level of respondents, number of years on the policy as well as the form of policy, which can be full risk or risk plus investment. The explanatory approach, on the other hand, measures the causal relationships between core service quality, relationship quality, tangibles and customer satisfaction to loyalty by moderation switching costs in the later variables.

4.2 Research Approach

In literature, the approach to conducting scientific research has been described as either quantitative or qualitative or both. The researchers choice of research approach should be based on the research problem, purpose and questions that need to be answered. This approach to conducting research has been described as inductive and deductive (Saunders et al., 2007). The approach to a study informs the methodology. The deductive approach can be described as the quantitative method of conducting research.

The deductive approach relies on an established theory to develop a framework. This framework is then tested to find answers to the relationship among the variables to confirm or reject the assertion. Quantitative research has been described as a research method that systematically finds answers to questions by collecting numerical data to explain the phenomena using mathematically based methods (Aliaga & Gunderson, 2000). The world wide view of the quantitative approach is described as the positivist approach to research (Fisher, 2010). This approach uses a large sample size or number of respondents relative to the qualitative approach of research. The application of mathematical tools and techniques makes the outcomes of such studies more reliable

since the positivist philosophy argues that there is one objective reality in research. The data collection tool, mostly used is the closed-ended questionnaires where the respondents are asked to tick the appropriate answer from a multiple choice provided. The findings from such studies are more credible since statistical tools are used in the analysis. In such studies, biases are reduced due to the distance between the researcher and the research.

The inductive approach to research usually begins by observing a phenomenon and developing a pattern for the occurrence of such an event. This approach to research relies on observation to solve a specific issue in the society. The inductive approach has been described as qualitative research which aims at exploring a social phenomenon. This occurs by collecting data from the participants, by setting and developing themes through observation to provide meaningful explanations intended to address the phenomenon under investigation (Creswell, 2007).

This study adopted the deductive approach since the relationships to be examined have been confirmed by literature. Consistent with studies on customer loyalty and/or switching in the insurance industry, the survey method was used (Colgate & Lang, 2001; Chen & Hitt, 2002; Tsoukatos & Rand, 2006; Chen & Wang, 2009; Gera, 2011).

The study used the survey method in order to achieve its objectives of measuring the relationships of established variables derived from an extensive review of existing literature.

4.3 Research Design and Strategy

The study developed a framework to assess the antecedents of customer satisfaction and its outcome on service delivery in the life insurance industry. The framework provides the basis for measuring the relationships between the variables under consideration. The essence of research design is to structure the research to answer research problems clearly and accurately to solve an issue (McGivern, 2006).

The convenience sampling technique was used to reach policy-holders of seven insurance companies who agreed to the researcher using their premises to reach out to their customers within selected branches of the life insurance companies. The data collection was limited to policy-holders within the Greater Accra Region. The study administered fixed choice questionnaires to policy-holders. In analyzing the data, the researcher used the descriptive technique as well as correlation and regression techniques. The findings of the study will aid the researcher to make appropriate recommendations to the Ghanaian life insurance industry.

4.4 Sampling and Sample Technique

Sampling is referred to as the process of selecting samples with similar characteristics, values and behaviour from a population to collect information relating to a phenomenon under investigation. There are two broad categories of sampling, which includes probability and non-probability sampling. With the non-probability sampling technique members of the population do not have an equal chance of being selected. Moreover, probability sampling provides equal opportunity for all members to be selected. The probability technique sampling is more realistic for studies that are intended to be generalized since it provides a fair response of the population.

This study, however, used the non-probability sampling technique in administering questionnaires to its target sample as a result of the inability of the insurance companies to provide the researcher with its customer base. The population of the life insurance industry consists of all policy-holders in Ghana. This sector of the insurance industry is made up of 18 registered life insurance companies (NIC, 2013). The researcher sought the concern of insurance companies by submitting letters to industry players. The companies who agreed to the researcher's request were used for the study and these include; the SIC-Life, Enterprise Life, Glico Life, Starlife Assurance, Provident Life, Metropolitan Life and Vanguard Life Assurance. The study was limited to the Greater Accra Region of Ghana and therefore adopting any of the probability sampling techniques was not appropriate.

Existing literature confirms the appropriateness of convenience sampling in the service industry (Chen & Wang, 2009; Narteh, 2013; Levy, 2014). The study adopted the convenience sampling technique in administering questionnaires to policy-holders within the seven insurance companies. This helped the researcher to collect relevant data from policy-holders for the analysis.

The samples size chosen for this study was based on evidence from published articles on relationship marketing, customer satisfaction and/or loyalty in the service industry. In the study of the insurance industry by Chen and Wang, (2009), 160 responses were valid and used in their analysis. Similar studies in the insurance industry confirmed, 258 responses was accepted (Gera, 2011), while 247 questionnaires were properly completed and used in another study (Anton et al., 2007). Furthermore, in the study by Tseng et al. (2014) they also administered 350 questionnaires of which 208 were returned while assessing

insurance claim fraud. Most of these studies adopted the mail survey and had a very low rate of completed questionnaires.

The evidence from the above studies has provided the researcher with insight into the appropriateness of the sample size chosen for this study. The study therefore administered 420 questionnaires manually to life insurance policy-holders of the seven companies within the sector. Moreover, the analysis of Hair, William, Barry, Rolph & Ronald, (2006) indicated that a sample size of 100 and above is ideal in a survey for which findings can be generalized.

4.5 Data Collection Methods

In conducting research, there are two major sources of data collection, namely, primary and secondary sources. Primary data are raw facts collected for a specific purpose, while secondary data are processed that are intended for other purposes. This study relies mainly on primary data, which was collected through the administration of questionnaires to get direct responses from the sample chosen. In order to develop the questionnaire for the study a detailed review of literature was conducted by the researcher to identify relevant measuring items to test the antecedents of customer satisfaction and its outcome in the life insurance industry. Measuring scales of the previous studies were modified where appropriate to fit the context of this study. The quantitative approach was adopted and close-ended questionnaires were administered to derive core information about what makes customers loyal. Responses from policy-holders were obtained using a 5 point Likert-type scale with anchors of 1 to indicate strongly disagree and 5 to indicate strongly agree.

Core service quality was measured with four items, which were adapted from previous studies (Jamal & Naser, 2002; Al-Eisa & Alhemoud, 2009). Relationship quality was measured with two dimensions; trust of the sales-person and satisfaction with the sales-person. The study adapted twelve items for satisfaction with the sales-person and trust (Crosby et al., 1990). In relation to the tangible dimensions of service delivery, four items were adapted from literature (Parasuraman, Zeithaml & Berry, 1994). Subsequently, overall customer satisfaction was measured with five items from previous studies (Verhoef et al., 2002); while loyalty was equally measured with five items and was adapted from literature (Zeithaml et al., 1996). Finally, the switching costs were assessed under three sub-dimensions, namely, finance, and procedural and relational cost. This switching cost's constructs were adapted from existing literature (Burnham et al., 2003).

The questionnaire was administered personally throughout March and April, 2015. This strategy was necessary since existing literature on customer satisfaction and/or loyalty conducted in most services industries administered questionnaires by mail and the response rate were relatively low (Anton et al., 2007; Chen & Wang, 2009; Gera, 2011). The questionnaires were administered personally through selected offices of the seven life insurance companies. The researcher chose two branches of each of the seven life insurance companies and administered thirty questionnaires on average per branch. This provided a platform to reach existing policy-holders to respond to the questionnaires. The process was not without challenges since some policy-holders had to reject the questionnaires due to lack of time on their part. On average, a respondent spent 30 minutes per questionnaire.

The study equally relied on existing literature, reports on the insurance industry and other relevant documents to support its arguments. These documents includes journal articles, National Insurance Commission Reports, international association reports on insurance, news paper publications, previous studies on the subject and government policies or reports on insurance in Ghana.

4.6 Pre-testing the Questionnaire

The technique of pre-testing the questionnaire is a means of assessing the clarity of the questions to be administered to the entire sample size. This was done with 15 policy-holders of life insurance of which 5 constituted insurance workers who are also policy-holders to possibility identify ambiguous questions and some difficulties that might be associated with respondents' understanding of the issues at stake. The other 10 respondents constituted policy-holders. Through this processes some corrections were made to the questionnaires in order to reduce ambiguity associated with some questions. Furthermore, the pre-testing stage gives the researcher the opportunity to test the viability of the measuring scale to confirm if those items will eventually give the desired responses after the actual data collection processes is completed.

4.7 Analysis of the Data

The assessment of reliability of the measuring items intended to be tested for the use of the questionnaire was done through the use of Cronbach's alpha ' α '. Cronbach's alpha provides an estimate of the internal consistency of items to be used in a study (Hair, Black, Babin & Anderson, 2010). This will confirm the consistency or reliability of different variables used to estimate an event. The Cronbach's alpha reliability coefficient is expressed mathematically, in ratio terms that normally range between 0 and 1. The

closer the alpha coefficient is to 1 the greater the internal consistency. The reliability test of Cronbach alpha of 0.7 or greater will be accepted as a good indication of a reliable measure (Hair et al., 2010). However, a lower limit of Cronbach alpha of 0.6 or less will not be acceptable and hence not reliable to test a phenomenon (Sekaran, 2003). The reliability test was used in analysing each of the variables; core service quality, relationship quality, tangibles, customer satisfaction, loyalty and switching cost.

Regression analysis as well as correlation was used in the study. Regression analysis is useful in determining and/or explaining the independent variables to a dependent variable. It can determine the association between variables as well as their significance level. Multiple regression analysis was used to determine the relationship between core service quality, relationship quality and tangibles (as independent variables) and satisfaction (as a dependent variable). Secondly, another linear regression was made to test the relationship with customer satisfaction and loyalty. Finally, the stepwise regression test was conducted to assess the significance of each of the variables of switching costs.

Subsequently a correlation test was conducted. The correlation analysis measures the association between variables. The correlation coefficient is denoted by the symbol (r) and ranges between -1 and +1 which indicates the direction and strength of the linear association between the two variables. The correlation between two variables can be positive (which means higher level of one variable are associated with higher level of the other) or negative (which implies that higher level of one variable are associated with lower level of the other). A correlation close to zero suggests no linear association between two continuous variables (Aiken & West, 1991).

Moderation refers to the interaction effect between two variables, where introducing a moderating variable changes the direction or relative significance of the relationship between the variables (Aiken & West, 1991).

A moderation effect could be:

1. Enhancing, where increasing the moderator would increase the effect of the predictor (x) on the outcome (y); or
2. Buffering, where increasing the moderator would decrease the effect of the predictor on the outcome; or
3. Antagonistic, where increasing the moderator would reverse the effect of the predictor on the outcome.

The SPSS statistical software was used for the analysis in this study. The statistical analysis offered descriptive and graphical inferences on the responses from the policy-holders which enriched the study.

4.8 Model Estimation and Measurement of Variables

To test the relationship between core service quality, relationship quality and tangibles to customer satisfaction and subsequently test the relationship between customer satisfaction and loyalty by moderating switching costs in the life insurance industry, the equations below were developed:

To test the effect of customer satisfaction,

$$sat = B_0 + B_1CSQ + B_2RQ + B_3Tan + \varepsilon$$

Stage 1; Multiple Regression Equation

Sat = Customer satisfaction (Dependent variable)

X1= Core service quality (Independent variable) - CSQ

X2 = Relationship quality (Independent variable) - RQ

X3= Tangibles (Independent variable) - Tan.

B0 = Constant of the equation

e = Error Term

To test the effect of customer loyalty,

$$loy = \beta_0 + \beta_1 sat + \varepsilon$$

Stage 2: Linear Regression Equation

Loy = Customer loyalty (Dependent variable)

X1 = Customer satisfaction (Independent variable) - Sat

B0 = Constant of the equation

B1 = Standardized Beta co-efficient of Customer satisfaction - Sat

e = Error Term

To test the moderating effect of switching costs on the relationship between customer satisfaction and loyalty,

$$loy = \beta_0 + \beta_1 sat + \beta_2 sat * Sc + \varepsilon$$

Stage 3: Moderated Regression Equation

Loy = Customer loyalty (Dependent variable)

X1 = Customer satisfaction (Independent variable) - Sat

X2 = Switching cost (Moderating variable) – Sc

B3 = Satisfaction and Switching cost – Sat*Sc

B0 = Constant of the equation

B1 = Standardised Beta co-efficient of Customer satisfaction

B2 = Standardised Beta co-efficient of Switching cost

B_3 = Standardised Beta co-efficient of Satisfaction by Switching costs

e = Error Term

Approach to Moderation (Switching Costs - High or Low)

Step 1- Customer satisfaction is presumed to cause Loyalty in the life insurance industry

Step 2- Apply the median or mean method to classified customer response into low switching costs (below median) and high switching costs (above median) on a questionnaire anchored on the Likert scale (1-strongly disagree; 5- strongly agree).

Step 3- Multiply the customer satisfaction with switching costs to create the interaction term

Step 4- Does switching costs alter the strength of the causal relationship?

Step 5 – Complete moderation occurs when the causal effect of Customer satisfaction on Loyalty goes to zero with the addition of the moderator (Kenny, Kashy & Bolger, 1998).

4.9 Ethical Considerations for the Study

In conducting the study, the issue of ethics was of outmost importance to protect respondents from any liabilities or issues that might affect them after completion of the questionnaire. Ethical issues considered in the study include asking clear and short questions devoid of ambiguity; managing confidential information collected through the study and putting in place measures to protect the identity of respondents. Additionally, the researcher distanced himself from the research and therefore reduced any possible bias.

The respondents were mainly workers. The closed-ended questionnaires were administered which required respondents to tick suitable answers making it less time

consuming to complete the questionnaire. The study sought the prior approval of respondents before answering the questionnaires. Respondents were informed of the intention of the study to be for academic purposes only, which was also clearly stated in the questionnaires.

4.10 Limitations of the Study

The study intended to obtain information from policy-holders in the life insurance industry of Ghana. However, the study was limited to the responses of policy-holders in Accra because of, the timeframe of this research and resource constraints. Moreover, the sample size selected was a fair representation of the population, since most of the insurance companies have their head offices or representation in Accra, the capital city of Ghana. This provides a basis for the findings to be generalized to the life insurance industry.

This study adopted the quantitative approach to research in its analysis. The Ghanaian insurance industry provides life insurance and general insurance policies for its citizenry. Furthermore, the industry operates with supporting bodies such as brokers, agents and some banks in delivering its services. However, the study was limited to issues relating to life insurance. The data collection process was not without challenges since most policy-holders are workers of companies and institutions and the researcher had to persist to get the attention of the respondents to complete the questionnaires.

CHAPTER FIVE

DATA ANALYSIS AND DISCUSSION OF FINDINGS

5.0 Introduction

This chapter presents the analysis and interpretation of the empirical data collected for the study. The study sample consists of randomly selected customers of seven insurance companies in Accra, namely, the SIC Life; Enterprise Life; Glico Life; Starlife Assurance; Provident Life; Metropolitan Life and Vanguard Life Assurance. The broad objective of the study was to assess the relationship among the variables and moderate switching cost on the relationship between customer satisfaction and loyalty.

In general, a total of 420 questionnaires were distributed to respondents of which 353 were retrieved and merited evaluation for inclusion in the analysis. Thus, the study obtained 84.05% response rate.

The chapter employs descriptive mean analysis, a correlation and a regression test to unravel its specific objectives. The presentation of the analysis and interpretation of the data follows.

5.1 Background/Demographic Information

This section of the chapter reports on the biographical data of respondents who participated in the study. The major components are respondents' gender, age, educational level, years spent in the policy and type of insurance held.

5.1.1 Gender

On the basis of gender, the study found as many as 193 (54.7%) of the respondents to be females whereas males constituted less than half 160 (45.3%) of the respondents.

5.1.2 Age

Greater proportions of the sample (128 representing 36.3% of the respondents) were found in the age category of 40 to 49. This was closely followed by 114 (32.3%) of the respondents who were in the age category of 30 to 39 and 74 (21%) in the age category of fifty years and above. The age category least represented in this study was 20 to 29, which constituted 37(10.4%) of the total respondents.

5.1.3 Level of Education

Most of the respondents to the study were educated; those with university degrees were 138 representing the majority (39.1%). This was followed by 101 (28.6%) with various diploma certificates and 36 (10.2%) with post graduate degrees. There was a significant portion (78 representing 22.1% of the respondents) held some professional certificate. Considering the educational background of the respondents, it is evidence that most of the customers who subscribe to insurance in Ghana are the educated populates in society.

5.1.4 Years on Policy

The study collected information on the period of time respondents have subscribed to the insurance policy. From the responses, it is noted that as many as 161 (45.6%) of the respondents have had the insurance policy for a period of 4 to 6 years. This was followed by 80 (22.7%) of the respondents who have had the policy for 7 to 10 years and 72 (20.4%) who reported having the policy 1 to 3 years. The least represented group was respondents who had the policy for more than ten years accounting for only 40(11.3%).

5.1.5 Type of Policy

The majority of the respondents had subscribed to a full risk insurance policy, (254 representing 72 percent), whereas 99 representing 28 percent of the respondents have subscribed to risk plus investment policy.

5.1.6 Biographic Data of Policy-holders

Summary of the biographic data of respondents of the life insurance companies.

Table 7: Background Information on Respondents

Variables	Frequency	Percent
Gender		
Male	160	45.3
Female	193	54.7
Total	353	100.0
Type of policy		
Full Risk	254	72
Risk plus Investment	99	28
Total	353	100
Age		
20 – 29	37	10.4
30 -39	114	32.3
40 – 49	128	36.3
50 years and above	74	21
Total	353	100.0
Educational Level		
Diploma	101	28.6
Degree	138	39.1
Professional	78	22.1
Post Graduate	36	10.2
Total	311	100.0
Years on Policy		
1 – 3	72	20.4
4 – 6	161	45.6
7 – 10	80	22.7
Above 10 years	40	11.3
Total	353	100.0

Source: Field data, 2015

5.2 Reliability Analysis

The questionnaire for the study contained five sections. The first section sought the respondents' background information, while the subsequent sections contains 40 items on core service quality, relationship quality, tangibles, customer satisfaction, loyalty and the moderating switching costs. The questionnaires were administered randomly to policyholders of the seven life insurance companies. Participants responded to the items using a 5-point Likert scale ranging from 1 ("Strongly Disagree") to 5 ("Strongly Agree"). The items were phrased so that strong agreement indicated a measure that the respondent's insurance provider has positive and high functionality of the measuring item.

Reliability of the measures was assessed by the use of Cronbach's alpha ' α '. Cronbach's alpha provides an estimate of the internal consistency of the measures (Hair et al., 2010). Thus, the researcher tested the consistency or reliability of the different variables. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer the alpha coefficient is to 1 the greater the internal consistency. George and Mallery (2003) showed that, alpha greater than or equal to 0.7 is acceptable and a good indication of a reliable measure. The Cronbach's alpha for core service quality, relationship quality and tangibles respectively scored 0.783, 0.794 and 0.852. Similarly, customer satisfaction and customer loyalty items respectively obtained reliability scores of 0.783 and 0.742. Finally, switching costs measures (financial cost, procedural cost and relational cost) respectively obtained 0.711, 0.697, and 0.745 as their reliability score. Considering the scores above, all items were found to be valid and were included in the analysis. Table 8 below provides further details of these scores.

Table 8: Reliability Statistics

Variables	No. of Items	Cronbach's Alpha
Core Service Quality	4	0.783
Relationship Quality	12	0.794
Tangibles	4	0.852
Customer Satisfaction	5	0.783
Customer Loyalty	5	0.742
Financial Switching Cost	4	0.711
Procedural Switching Cost	3	0.697
Relational Switching Cost	3	0.745

Source: Field data, 2015

5.3 Testing for Multicollinearity

The researcher tested for the presence of multicollinearity in the use of multiple regression. The variance inflating factor (VIF) test was conducted to access the extent to which multicollinearity was a problem. The rule of thumb is that when the VIF exceeds 10, then multicollinearity is not a problem (Gujarati, 2004).

5.3.1 Antecedents of Customer Satisfaction (Independent Variables)

The test revealed that, none of the variables has a variance inflating factor which is less than 10. This is an indication that multicollinearity was not a problem in the study. The assumption regarding multicollinearity was not violated therefore the researcher could successfully proceed to perform the regression test. This implies that, all the variables were found to be in acceptable region for the regression test. See Table 9 below for more details.

Table 9: Results for Variance Inflating Factor

Variable	VIF
Core Service Quality	1.32
Relationship Quality	1.41
Tangibles	1.66
Mean VIF	1.46

Source: Field data, 2015

5.4 Core Service Quality

In a bid to examine the operations of core service quality among Ghanaian life insurance companies in the delivery of services to their client, respondents were asked to rate measuring items of core service quality. The statement, “my insurance provider provides fast service” accorded the most approval rating from the respondents. On the other hand, respondents least agreed to the statement “my insurance provider has competitive premiums and charges”. In general, respondents approved the existent of the operations of core service quality in the delivery of service among the insurance companies up to ‘agreed’ level as it was represented by an aggregated mean of 4.11. See Table 10 for results

5.5 Relationship Quality

Respondents in general approved of the level of relationship quality (Mean = 4.25). This implies that the responses on relationship quality in the service delivery among the insurance companies are at as ‘agreed’ level. Specifically, the statement that respondents most agreed to was the fact that the agents and/or the sales-persons of the insurance companies can be relied upon as they do keep their promises. In furtherance, the

statement “My insurance agent/salesperson puts the customers’ interest before his/her own” received the least approval from the respondents. Analysis of results is shown in Table 10 below.

5.6 Tangibles in Service Delivery

The study assessed the tangibility component of service delivery among the selected insurance providers. The study recorded an overall mean rating of 4.07 as aggregated from respondents’ score ratings and this represents a general view of high performance on the basis of tangibility by the insurance providers. Specifically, the statement that respondents most affirmed with high performance on tangibility was the fact that materials associated with the services of the insurance providers are visually appealing. On the other hand, the statement which attracted the least approval from the respondents was the fact that the insurance companies have modern looking facilities. See Table 10 for the statistical results.

5.7 Assessment of Customer Satisfaction, Loyalty and Switching Costs

This section examines and analyzes responses obtained from respondents regarding their satisfaction, loyalty and switching costs in service delivery. An overall mean and standard deviations were calculated for the purpose of comparison. Below are the presentations of the analysis.

5.8 Customer Satisfaction

The result obtained from the analysis of data on satisfaction with services delivered by the insurance providers suggests that customers in general were satisfied, with an overall mean rating of 4.23 on the 5 point scale. Individually, the statement that attracted the most satisfactory rating from the respondents is “my insurance company meets my expectations

of a good insurance provider” while the statement “I am very satisfied with products offered by my insurance company” attracted the least approval rating from the respondents. See Table 10 for results.

5.9 Customer Loyalty

On the assessment of customer loyalty, the study recorded a general positive approval rating ($M = 4.30$, $SD = 0.31$) from the respondents. The respondents gave the highest favorable rating for the statement, “I will encourage friends and relative to use the services of my insurance provider” from the respondents. On the other hand, respondents least agreed with the statement “I say positive things about my insurance provider to other people”. An analysis of results is evidence in Table 10 below.

5.10 Switching Costs (Moderating Variables)

5.10.1 Financial Switching Cost

This section examines and analyzes responses obtained from respondents regarding their financial cost associated with insurance companies in Ghana. The responses suggest that customers, in general terms, recognize the effect of financial cost, with an overall mean rating of 4.50 with its standard deviations of 0.31. The most financial cost rating from the respondents is “my insurance company pays significantly large claims (Sum Assured)”. The statement “my insurance company’s allows me to assess some portion of my policy periodically” attracted the least approval rating from the respondents. The analysis of results is evidence in Table 10 below.

5.10.2 Procedural Switching Cost

The general approval given to the procedural cost component of insurance companies was found to be high. This is presented by an overall approval mean rating of 4.65. Individually indicator approval ratings were found to be high. The statement found to gained the most favorable approval ratings from the respondents was “It will require me to have some waiting period to assess claims” while the least approval was given to the statement “life insurance policy is long term in nature”. An analysis of results is evidence in Table 10 below.

5.10.3 Relational Switching Cost

The respondents in general terms agreed that the relational switching cost was at a moderate level ($M = 4.42$, $SD = 0.48$). The statement that respondents most agreed with was that, in general, it will be a hassle switching to another insurance company. On the other hand, customers agreed to the statement “I am more comfortable interacting with the people working for my service provider than I would be if I switched provider”. An analysis of results is shown in Table 10 below.

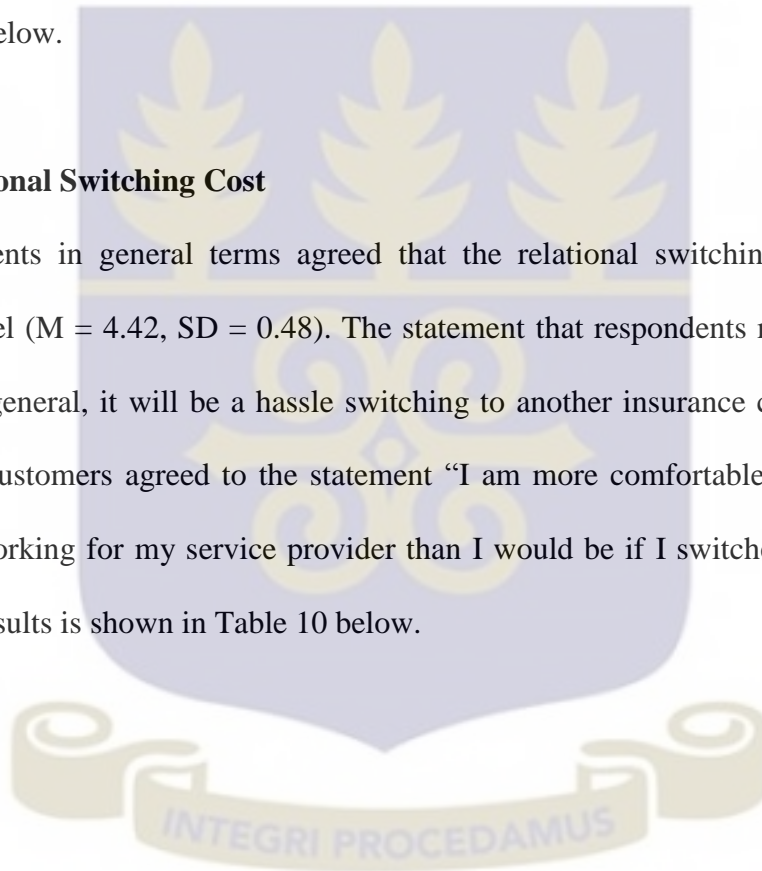


Table 10: Descriptive Statistics

Variables	M	SD
Core Service Quality	4.11	0.20
Relationship Quality	4.25	0.18
Tangibles	4.07	0.17
Customer Satisfaction	4.23	0.30
Customer Loyalty	4.30	0.31
Financial Switching Cost	4.50	0.31
Procedural Switching Cost	4.65	0.37
Relational Switching Cost	4.42	0.48
Total	4.32	0.11

Source: Field data, 2015 (NB: N=353)

5.11 Significance Test

5.11.1 Discussion of Major Findings

The objective of the study was to determine the relationship between core service quality, relationship quality, tangibles and customer satisfaction to loyalty by moderating the effect of switching costs. The antecedents of customer satisfaction identified from literature include core service quality, relationship quality and tangibles while its outcome constituted customer loyalty in the life insurance industry of Ghana. The study measured the relationship and associations between these constructs. Analysis from the study has revealed that, core service quality, relationship quality and tangibles had a positive relationship with customer satisfaction and subsequently loyalty. Similarly, the Pearson correlation test of significant was performed to identify the associations among the variables.

The study found a moderate and positive association between relationship quality and customer satisfaction in the Ghanaian life insurance industry with a correlation coefficient value of ($r = 0.494$). On the other hand, core service quality was found to have a relatively stronger and positive association with customer satisfaction at a correlation coefficient

value of ($r = 0.509$). While tangibles associated with service delivery in the life insurance industry was found to have a positive and moderate association between tangibles and customer satisfaction at a correlation coefficient value of 0.482 that produced a significant value of 0.000.

Similarly, the study found a positive and relatively stronger association between customer satisfaction and customer loyalty with a correlation coefficient value of 0.734 and a significant value of 0.000. Finally, the moderating variables equally showed positive correlation values. See Table 11 for details.

The positive association among the variables implies that as one variable improves in performance, it influences the other to equally improve in the life insurance industry.

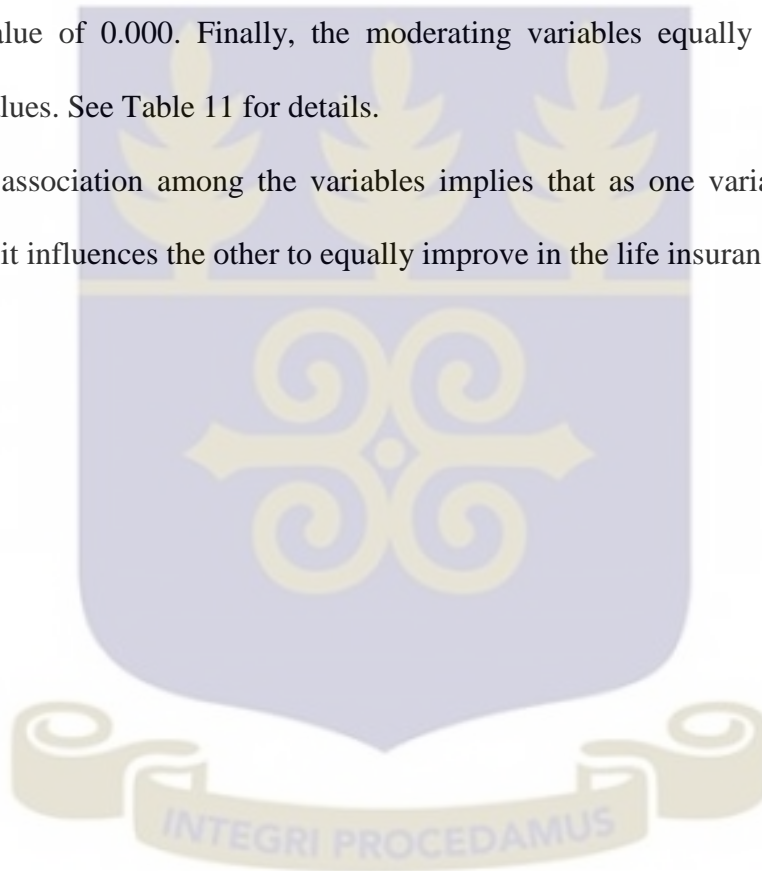


Table 11: Pearson Correlation Test Results

	CS	CL	CSQ	RQ	Tan	FSC	PSC	RSC
CS	1							
CL	.734**	1						
	.000							
CSQ	.509**	.310**	1					
	.000	.000						
RQ	.494**	.761**	.162**	1				
	.000	.000	.002					
Tan	.482**	.350**	.214**	.262**	1			
	.000	.000	.000	.000				
FSC	.419**	.386**	.124*	.251**	.346**	1		
	.000	.000	.020	.000	.000			
PSC	.204**	.257**	.159**	.191**	.030	.236**	1	
	.000	.000	.003	.000	.578	.000		
RSC	.139**	.177**	.032	.119*	.112*	.440**	.248**	1
	.009	.001	.553	.025	.036	.000	.000	

** Correlation is significant at the 0.01 level (2-tailed). NB (N=353)

* Correlation is significant at the 0.05 level (2-tailed).

Source: Field data, 2015

5.12 Objectives Test

5.12.1 Regression Test of the Antecedents of Customer Satisfaction

A multiple linear regression test was performed between core service quality, relationship quality and tangibles as independent variables and customer satisfaction as a dependent variable. The test revealed a statistically significant relationship ($F = 123.467$, $P < 0.05$). This means that the independent variables jointly influence the dependent variable significantly at ($r = 0.719$) which implies that there is a strong positive association between the independent variables and the dependent variable. The R Square value of 0.517 is an indication that the independent variables jointly determine 51.7% of variability in customer satisfaction.

Comparatively, core service quality was found to have the highest predictive capacity of customer satisfaction among the variables used, which is evidence as the highest beta coefficient of 0.392. See Table 12 for details.



Table 12: Regression Relation between Core Service Quality (CSQ), Relationship Quality (RQ), Tangibles (tan.) and Customer Satisfaction (CS)

Variable	β	S.E	T	Prob.
Constant		.216	2.071	.000
CSQ	.392	.030	10.185	.000
RQ	.341	.023	8.748	.000
Tan.	.309	.048	7.850	.000
R	.719		F-statistic	123.467
R-Square	.517		Prob. (F-stats.)	0.000

Source: Field data, 2015

5.12.2 Objective 1

To identify the relationship between core service quality and customer satisfaction in the Ghanaian life insurance industry:

The study tested for the relationship between core service quality and customer satisfaction. Core service quality is also referred to as the outcome of the service delivery (Levesque & McDougall, 1996). Similarly, Brogowicz et al., (1990) referred to core service as the “what” of a service offering.

The study found a positive and significant relationship between core service quality and customer satisfaction. This implies that the outcome of service delivered in the insurance industry is very relevant to the policy-holder and as such, an improvement in core service delivery will increase customer satisfaction in the life insurance industry. The regression coefficient of core service quality to customer satisfaction is positive. The path coefficient is statistically significantly ($\beta = 0.392$, $p < 0.05$). Based on the findings, the first objective has been achieved. This means that, core service quality has a significant impact on

customer satisfaction, which is consistent with previous studies (McDougall & Levesque, 2000; Chen & Wang, 2009; Narteh & Kuada, 2014). See Table 12 for statistical details.

5.12.3 Objective 2

To examine the relationship between relationship quality and customer satisfaction in the Ghanaian life insurance industry:

The study found a positive and significant relationship between relationship quality and customer satisfaction in the life insurance industry of Ghana. The relevance of relationship quality has been established in this study. According to Ndubisi (2007), relationship quality could be achieved through the service employees' efficient communication and behaviour that can reduce perceived uncertainty and increase customer satisfaction. Similarly, relationship quality has been referred to as the process aspects of the service delivery (Parasuraman et al., 1991; Morgan & Piercy, 1992; McDougall & Levesque, 2000).

The regression coefficient of relationship quality to customer satisfaction is positive. The path coefficient is statistically significantly ($\beta = 0.341$, $p < 0.05$). Based on the findings, the second objective has been achieved. This implies that, relationship quality has a significant impact on customer satisfaction. The result of the analysis is consistent with that in the literature (Crosby et al., 1990; Chen & Wang, 2009; Narteh & Kuada, 2014). See Table 12 for statistical details.

5.12.4 Objective 3

To evaluate the relationship between tangibles associated with service delivery and customer satisfaction in the Ghanaian life insurance industry:

The study found a positive and significant relationship between tangibles and customer satisfaction in the life insurance industry of Ghana. The regression coefficient of tangibles to customer satisfaction is positive. The path coefficient is statistically significantly ($\beta = 0.309, p < 0.05$). Based on the findings, the third objective has been achieved. This implies that, tangibles associated with service delivery have a significant impact on customer satisfaction, which is consistent with the literature (Narteh & Kuada, 2014). See Table 12 for statistical details.

5.12.5 Objective 4

To evaluate the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry:

A simple linear regression relationship test was performed between customer satisfaction and loyalty, which produced a statistically significant effect of the independent variable on the dependent variable. An F-statistic of 410.387 was found to be significant at 0.000. In sum, the analysis found that customer satisfaction can predict customer loyalty up to a level of R square of 53.9%.

The study eventually established a positive and significant relationship between customer satisfaction and loyalty. Oliver, (1999) described satisfaction as a customer's judgment that the consumption of a product or service is providing a pleasurable level of fulfillment of the customers' needs, desires, and goals.

Findings from the regression analysis have revealed that the coefficients of customer satisfaction is equally significantly ($\beta = 0.734$, $p < 0.05$). The findings strongly support the objective that customer satisfaction is an important determinant to customer loyalty, which is consistent with the literature (McDougall & Levesque, 2000; Tsoukatos & Rand, 2006; Chen & Wang, 2009; Rai & Medha, 2013; Narteh & Kuada, 2014). See Table 13 for statistical details.

Table 13: Regression Relation between Customer Satisfaction and Loyalty

Variable	β	S.E	T	Prob.
Constant		0.157	7.219	0.000
Satisfaction	0.734	0.037	20.258	0.000
R	0.734		F-statistic	410.387
R-Square	0.539		Prob. (F-stats.)	0.000

Source: Field data, 2015

5.12.6 Objective 5

To identify the impact of perceived high switching costs on the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry:

The moderating test was conducted based on the mean value of switching costs responses where all responses anchored on 1-strongly disagree to 5- strongly agree was divided by the total number of respondents (mean = 4.5). The result indicates that 225 respondents were identified as the high switching costs group, while 128 were found to be of the low switching costs group. The use of median or mean split is common in moderation tests

(Aydin, Ozer & Arasil, 2005; Olsen, 2007; Chen & Wang, 2009; De Matos et al., 2009). Prior to forming a product term to represent an interaction between switching costs and customer satisfaction, scores on both variables were centered by subtracting the sample mean. Subsequently, two moderated regression analyses were conducted to test the effect of customers' perceived low and high switching costs in the relationships.

Model 1: Switching costs (low). The coefficient of the interaction term for switching costs (low) and customer satisfaction in the moderated regression analysis found a non-significant interaction effect with customer loyalty ($\beta = -.028$, $t = -.487$, $p > 0.05 = .627$). The model for customer perception of low switching costs is insignificant and therefore cannot improve the relationship between customer satisfaction and loyalty. This implies that policy-holders of the life insurance companies who perceive the switching costs to be low continued to remain loyal as a result of the satisfaction they derive from service delivery.

Model 2: Switching costs (high). Contrary to customers' perceived low switching costs being insignificant, the coefficient of the interaction term for customers' perceived high switching costs and customer satisfaction, the moderation effect on the regression analysis found a significant interaction effect with customer loyalty ($\beta = 0.112$, $t = 2.178$, $p < 0.05$). From the findings, the fifth objective has been achieved. This means that, customers' perceived high switching costs significantly improves the relationship between customer satisfaction and loyalty in the Ghanaian life insurance company. This implies that the majority of the policy-holders in the life insurance industry continued to remain loyal as a result of satisfaction and perceived high switching costs associated with the industry.

The finding of the study is consistent with previous studies (Gronhaug & Gilly, 1991; Lee et al., 2001; Yang & Peterson, 2004; Chen & Wang, 2009; De Matos et al., 2009). See Table 14 for details.

Table 14: Regression Model - Low and High Customer Perceive Switching Costs

Model	Variable	Beta	t- Stat.	P > T	r	R square	F-stat. change	Prob > F	Stand. Error
1	(Constant)		4.130	.000	.807	.651	234.631	.000	.21266
	satisfaction	.807	15.318	.000					
2	(Constant)		3.354	.001	.807	.651	.237	.627	.20046
	satisfaction	.818	14.088	.000					
Low	switching costs	-.028	-.487	.627					
2	(Constant)		7.090	.000	.635	.403	150.723	.000	.20046
	satisfaction	.635	12.277	.000					
2	(Constant)		1.220	.224	.645	.416	4.743	.030	.19880
	Satisfaction	.627	12.199	.000					
High	Switching costs	.112	2.178	.030					

a. Predictors: (Constant), Customer_Satisfaction

b. Predictors: (Constant), Customer_Satisfaction, Switching Cost

c. Dependent Variable: Customer_Loyalty

Source: Field data, 2015

5.13.0 Hypothesis Test

5.13.1 Stepwise Regression (Hypothesis 1, 2, 3)

In order to test the hypothesis, a stepwise regression test was conducted to establish the relationship between core service quality, relationship quality, tangibles and customer satisfaction in the Ghanaian life insurance industry. The study found the independent

variables to be significant and that explains 51.7% of the variations in the dependent variable, with a correlation coefficient of $r = 0.719$. The results, therefore, confirm hypothesis 1, 2 and 3, which indicates that core service quality, relationship quality and tangibles associated with insurance delivery, has a positive and significant relationship with customer satisfaction. See Model 1 of Table 15 for statistical details.

5.13.2 Hypothesis 4

The result of the study supports the fourth hypothesis, which states that there is a positive and significant relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry. According to the study, customer satisfaction is highly significant and can predict up to 53.9% of the variations in the loyalty of policy-holders in the life insurance industry. Based on the finding the hypothesis is supported. See Model 2 of Table 15 for statistical details.

5.13.3 Hypothesis 5

In order to assess the significance of the switching costs on the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry, the stepwise regression analysis was again performed to assess the moderating effect of the components of switching costs on customer satisfaction and loyalty. The regression included switching costs, customer satisfaction and the cost_satisfaction interaction term as predictors of customer loyalty. Standardized regression coefficients are reported, unless otherwise stated.

From Model 2: The relationship between customer satisfaction and loyalty was statistically significant, $r = 0.734$, $R^2 = 0.539$, $F = 410.387$, $p < 0.05$. This will form the basis to introduce the moderating variables, namely, financial switching cost, relational switching cost and procedural switching cost.

From Model 3: With the introduction of the moderating variable (financial switching cost) the overall regression improved significantly, $r = .739$, $R^2 = .546$, $F\text{-stat} = 210.886$, $p < 0.05$. Financial cost was found to significantly moderate the relationship between customer satisfaction and loyalty ($\beta = 0.095$, $p = 0.017$). This implies that the financial switching cost in the life insurance industry influences policy-holders to remain loyal to their current service providers.

From Model 4: Similarly, when the procedural switching cost was introduced with the financial switching cost in the stepwise regression analysis both were found to significantly moderate customer satisfaction to loyalty in the Ghanaian life insurance industry. The effect of procedural switching cost resulted in overall regression improvement, $r = .742$, $R^2 = .0551$, $F\text{-stat} = 214.743$, $p < 0.05$. Procedural switching cost was found to significantly moderate the relationship between customer satisfaction and loyalty ($\beta = 0.112$, $p = 0.002$). This implies that the procedural switching cost in the life insurance industry can equally influence policy-holders to remain loyal to their current service providers.

Subsequently, relational switching cost were found not to be significant and could not moderate the relationship between customer satisfaction and customer loyalty since it had a coefficient value ($\beta = 0.054$, $p = 0.143$, $r = .742$, $R^2 = .0551$, $F\text{-stat} = 214.743$). The regression values were found to be constant with the introduction of relational cost to

financial and procedural cost. This implies that the relationship switching costs is necessary in the life insurance industry but it does not influence customer loyalty. Based on the findings, the fourth objective has been achieved.

These findings are not consistent with the study by Burnham et al. (2003), who found all switching costs variables (relational, financial and procedural) significantly moderate the relationship between customer satisfaction and loyalty.

See Table 15 for statistical details.

Table 15: Stepwise Regression Test

Model	Variable	Beta	t – Stat.	Prob > T	r	R square	F - stat	Prob > F	Stand Error
1	(Constant)		2.071	.000	.719	.517	123.467	.000	.21091
	CSQ	.392	10.185	.000					
	RQ	.341	8.748	.000					
	Tan.	.309	7.850	.000					
2	(Constant)		7.219	.000	.734	.539	410.387	.000	.20983
	Satisfaction	.734	20.258	.000					
3	(Constant)		4.723	.000	.739	.546	210.886	.000	.20841
	Satisfaction	.694	17.514	.000					
	Financial cost	.095	2.406	.017					
4	(Constant)		4.143	.000	.742	.551	214.743	.000	.20738
	Satisfaction	.711	19.444	.000					
	Financial cost	.088	1.934	.024					
	Procedural cost	.112	3.057	.002					

a Predictors: (Constant), Core Service Quality, Relationship Quality, Tangibles

b Dependent Variable: Customer_Satisfaction

c Predictors: (Constant), Customer_Satisfaction, M_Relational_Cost, M_Financial_Cost, M_Procedural

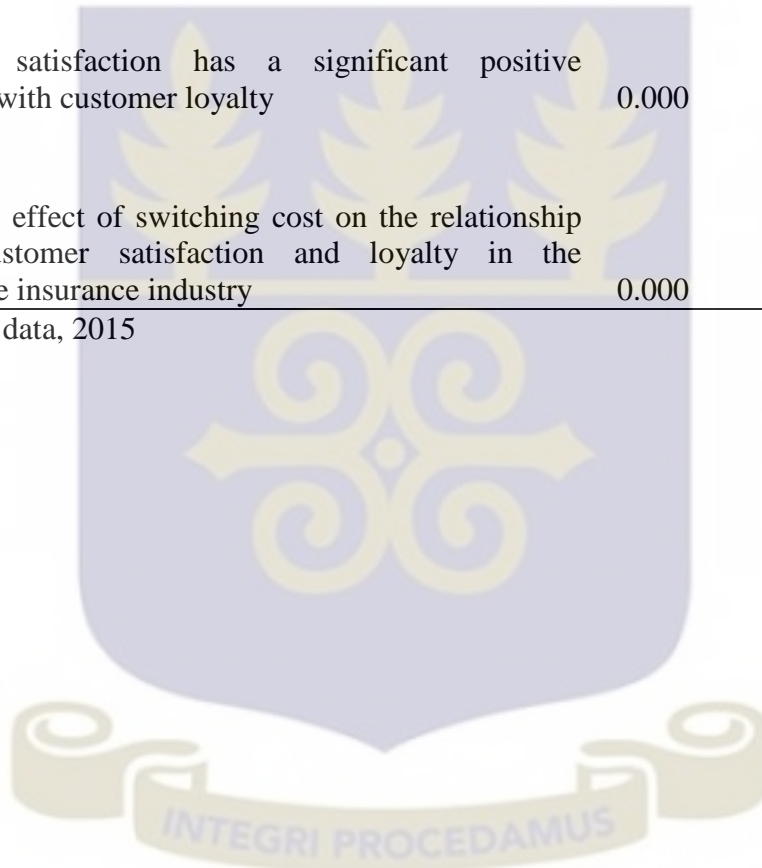
d Dependent Variable: M_Customer_Loyalty

Source: Field data, 2015

Table 16: Summary of Hypothesis for the Study

Hypothesis	Sig. Value	Decision
1. Core service quality has a significant positive effect on customer satisfaction	0.000	Accepted
2. Relationship quality has a significant positive effect on customer satisfaction	0.000	Accepted
3. Tangibles will have a significant positive effect on satisfaction	0.000	Accepted
4. Customer satisfaction has a significant positive relationship with customer loyalty	0.000	Accepted
5. Significant effect of switching cost on the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry	0.000	Accepted

Source: Field data, 2015



CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This chapter summarizes the findings of the study based on the interpretation of the data analyses collected from policy-holders in the life insurance industry. The study was conducted to explain the impact of switching costs on the relationship between customer satisfaction and loyalty by employing quantitative techniques to elicit the responses of policy-holders. The findings of the study confirmed most facts attested by literature. Conclusions were drawn by relating the findings to literature and explaining its implications to service providers within the life insurance industry. This chapter concludes by providing suggestions and recommendations for future research.

6.1 Summary

The impact of customer satisfaction and loyalty has gained much attention in the marketing literature. The study identified three key determinants of customer satisfaction from literature. These variables include core service quality, relationship quality and tangibles, which is consistent with studies in the service industry (Chen & Wang, 2009; Narteh & Kuada, 2014). Subsequently, the relationship between customer satisfaction and loyalty was equally confirmed in this study. The relevance of this relationship varies in relationship with customers' perception of high or low switching costs associated with exchange relationships. The study confirmed that perceived high switching costs associated with the life insurance industry influence policy-holders to remain loyal. The study further identified the moderating effect of switching costs in the relationship between customer satisfaction and loyalty in the life insurance industry of Ghana. In relation to switching costs, existing literature has confirmed the overall attributes of

switching costs to include financial, relational and procedural costs which were used in the study (Burnham et al., 2003; De Matos et al., 2009).

The researcher administered 420 questionnaires to policy-holders of seven insurance companies who agreed to be part of the study through some selected branches. The sample size chosen was in relation to prior studies conducted in customer satisfaction and loyalty. The data was then analyzed using descriptive analysis to identify the biographic data of policy-holders as well as their responses to the questionnaire. The questionnaire was developed from items adapted from existing literature. The study further conducted the correlation test to identify the association between the variables and subsequently the regression test was conducted to assess the extent to which an independent variable predicts the dependent variable in the insurance industry.

6.2 Major Findings

The outcome of the study is summarized in relation to the objectives of the study.

Objective 1

The first objective of this study was to find the relationship between core service quality and customer satisfaction in the Ghanaian life insurance. The regression test was conducted to identify the relationship between core service quality and customer satisfaction. The relative importance of core service quality was established to be the highest predictor of customer satisfaction in the life insurance industry. The test found a positive and moderate relationship between core service quality and customer satisfaction. This implies that the policy-holders consider fast and accurate services as well as competitive premiums and charges to influence their satisfaction in the life insurance industry.

Objective 2

The second objective of this study sought to identify the relationship between relationship quality and customer satisfaction in the Ghanaian life insurance industry. The significance of relationship quality was established in the study as the second predictor of customer satisfaction in the life insurance industry. This may explain the fact that insurance products are policy documents that usually need sales-persons or agents to clarify certain terminologies or conditions for prospects as well as policy-holder in order to reduce any form of ambiguity associated with the policy. This implies that the sales-person or agent's relationship with the policy-holder as well as potential clients is relevant in increasing customer satisfaction.

Objective 3

The third objective of this study sought to identify the relationship between tangibles associated with service delivery and customer satisfaction in the Ghanaian life insurance industry. The relative importance of tangibles associated with service delivery was established in the regression test to have a positive and relatively moderate association with customer satisfaction in the life insurance industry. This implies that the policy-holders value modern looking facilities of insurance companies, appearance of employees and documents associated with service delivery.

Objective 4

The fourth objective was to evaluate the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry.

The study found a strong and significant relationship between customer satisfaction and customer loyalty. The analysis of data revealed core service quality, relationship quality

and tangibles positively influence customer satisfaction. Subsequently overall customer satisfaction significantly influences customer loyalty. In the insurance industry, policy-holders actually patronise the services of insurance companies rather than merely having positive values, belief and favourable intentions about their policies which may not result in purchase. This implies that the policy-holders in the life insurance industry can be described as behavioural loyal customers.

Objective 5

The fifth objective was to identify the effect of perceived high switching costs on the relationship between customer satisfaction and loyalty in the Ghanaian life insurance industry.

The effect of customer perceived high switching costs was found to significantly moderate the relationship between customer satisfaction and loyalty. On the contrary, customer perceived low switching costs was found to be insignificant in this study. This implies that when policy-holders perceive switching costs to be high, the more they become loyal. The study used the mean method as a base to separate the customer responses of perceived high and low switching costs in the life insurance industry.

The extent to which policy-holders perceived switching costs to be high or low may be influenced by three variables, namely, relational, procedural and financial cost.

The study found financial and procedural costs to significantly moderate the relationship between customer satisfaction and loyalty in the insurance industry. This implies that perceived high switching costs associated with the life insurance industry is being influenced by procedural and financial cost.

6.3 Conclusions

Existing literature has confirmed the impact of customer loyalty on the profitability of businesses (Reichheld, 1996). This study has confirmed that customer satisfaction significantly influences loyalty and therefore enhances the premium collection ability of insurance companies. Satisfaction has been established to form the basis of customer loyalty in the life insurance industry (Crosby et al., 1990; Colgate & Lang, 2001; Chen & Wang, 2009).

This study has confirmed core service quality, relationship quality and tangibles as antecedents of customer satisfaction in the Ghanaian life insurance industry. The significance of the interaction effect of the switching costs has equally been established with financial and procedural cost being significant, while relational cost and was not significant in the study. The impact of customers' perceived high switching costs associated with the life insurance industry was established in the study. This implies that customers' perceived high switching influences the relationship between customer satisfaction and loyalty and subsequently influences a customer's decision to maintain exchange relations with the existing service provider.

In conclusion, insurance companies, especially the new and relatively smaller ones, should be mindful of the impact of core service quality, relationship quality and tangibles associated with service delivery in the life insurance industry while developing lucrative switching costs, especially relating to financial and procedural costs in their operations.

6.4 Implications for Managers

Insurance companies should invest their resources in developing the competence and product knowledge of their sales-persons and agents in order to improve upon the quality of interactions between sales-person or agent and policy-holders. Similarly, the efficient delivery of their core service is essential in ensuring satisfaction. This means insurance companies should invest in technologies needed to improve upon their core service delivery by providing fast and accurate services as well as competitive charges and premiums. Additionally, the physical attributes of the insurance companies, such as offices, branded cars, ambience and the physical appearance of employees should be appealing to communicate the ability of the insurance companies to pay claims as and when they fall due to any policy-holder. Finally switching costs associated with insurance should be designed to be very lucrative to enhance loyalty. The study has confirmed that over concentration of customer satisfaction alone is not enough to ensure customer loyalty. In the formulation of strategic decisions in the life insurance industry, managers must consider the relative importance of the dimensions of switching costs especially the financial and procedural costs in relation to the overall determinant of customer satisfaction to ensure loyalty.

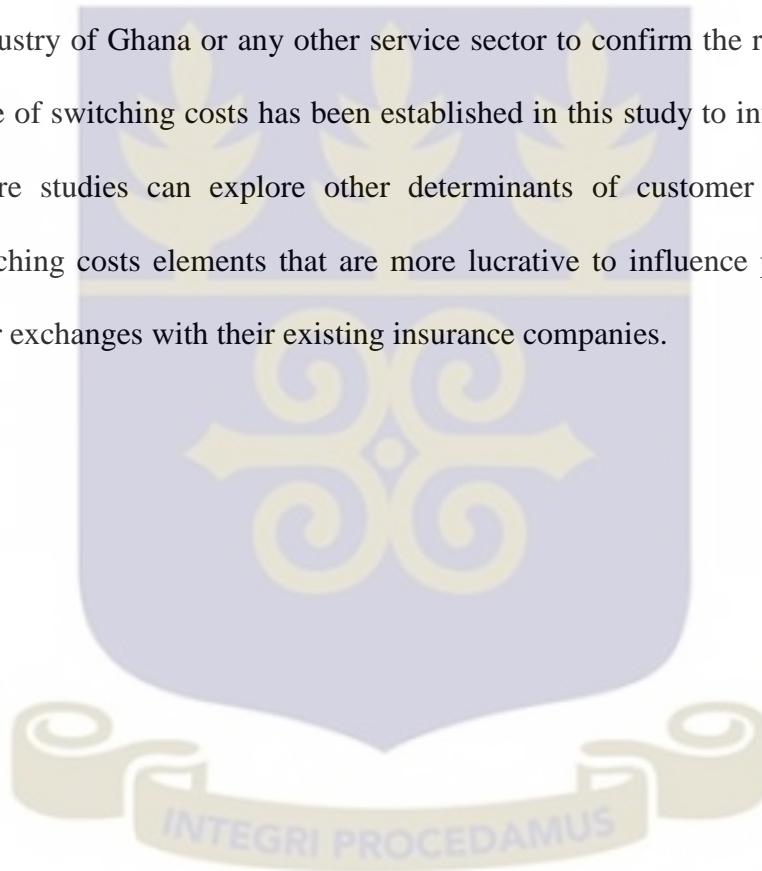
6.5 Implications for Theory

Studies on switching costs as a moderating variable between customer satisfaction and that of loyalty is rare in the extant consumer behaviour literature, particularly, explaining these relationships from the social exchange theory perspective. This research therefore contributes to the literature on the role of switching cost on consumer intention to stay or change existing service provider. There is paucity of such studies in sub-Saharan African countries such as Ghana. The significance of the findings will enhance service delivery

and improve efficiency in the insurance sector, most importantly in the context in which the study was conducted.

6.6 Study Limitations and Suggestions for Future Research

The study was conducted in the life insurance industry of Ghana. The insurance industry consists of both life and general insurance. This study can be replicated in the general insurance industry of Ghana or any other service sector to confirm the research findings. The relevance of switching costs has been established in this study to influence customer loyalty. Future studies can explore other determinants of customer satisfaction and possible switching costs elements that are more lucrative to influence policy-holders to maintain their exchanges with their existing insurance companies.



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APPENDIX

Questionnaire

UNIVERSITY OF GHANA BUSINESS SCHOOL
DEPARTMENT OF MARKETING AND CUSTOMER MANAGEMENT
QUESTIONNAIRE FOR LIFE INSURANCE POLICY-HOLDERS
(CUSTOMERS)

I am an Mphil student of the University of Ghana Business School, undertaking a survey in the area of Customer Satisfaction and Loyalty: Assessing the moderating role of switching cost in the insurance industry. Kindly assist me by completing this questionnaire for academic purposes. The information you provide will only be used for the purpose of this study and will be treated with utmost confidentiality. Please feel free and answer all the questions truthfully.

Section A: Background information (Please tick as appropriate)

Gender: Male [] Female []

Age: 20-29 years [] 30-39 years [] 40-49 years [] 50 years and above []

Highest education attained: Diploma [] Degree [] Professional [] Post graduate []

How many years have you been on the policy?

1-3 [] 4-6 [] 7-10 [] 10 and above []

Type of insurance: Full Risk [] Risk Plus Investment []

Section B: An assessment of Variables

Please rank the following statement on the Likert scales ranging from strongly disagree to strongly agree;

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree

Statements	1	2	3	4	5
Core Service Quality					
1. My insurance provider provides fast service					
2. My insurance provider provides accurate services					
3. My insurance provider has competitive premiums and charges					
4. My insurance provider offers a variety of life and investment policies					
Relationship Quality					
5. My insurance agent/sales-person can be relied upon to keep his/her promise					
6. My insurance agent/sales-person is usually sincere					
7. I am confident in dealing with my life insurance agent					
8. My insurance agent/sales-person puts the customers interest before his/her own					
9. My insurance agent/sales person and I are not in competition –selling of insurance					
10. My insurance agent/salesperson is trustworthy					
11. My insurance agent/salesperson is able to blend the facts to create the impression he/she wants					
12. My insurance agent/salesperson is honest					
13. My insurance agent/salesperson provides me with relevant information needed to purchase a life policy					
14. My insurance agent/salesperson has adequate knowledge of the insurance products					
15. My insurance agent/salesperson possesses the right skills					
16. My agent/salesperson of my insurance company is effective					
Tangibles					
17. My insurance company has modern looking facilities					

18. My insurance company's physical features are very appealing					
19. Employees/agents of my insurance company appears neatly dressed					
20. Materials associated with the service (policy document, manual, leaflet) are visually appealing					

Section C: Customer Satisfaction

Please ranks the following statement on the Likert scale ranging from strongly disagree to strongly agree.

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree

Statements	1	2	3	4	5
21. I am very satisfied with products offered by my insurance company					
22. I am very satisfied with the personal contact in my insurance company					
23. My insurance company meets my expectations of a good insurance provider					
24. My insurance provider is close to being the ideal insurance company					
25. My decision to choose my insurance company as an insurance provider was wise					

Section D: Customer Loyalty

Please ranks the following statement on the Likert scale ranging from strongly disagree to strongly agree.

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree

Statements	1	2	3	4	5
26. I say positive things about my insurance provider to other people					
27. I would recommend my insurance provider to those who seeks my advice on insurance					
28. I will encourage friends and relatives to use the services of my insurance provider					
29. I intend to do business with my present insurance provider					
30. I would put out good messages about my insurance provider					

Section E: Switching Cost

Please ranks the following statement on the Likert scale ranging from strongly disagree to strongly agree.

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree

Statements	1	2	3	4	5
Financial Cost					
27. My insurance company allows me to assess some portion of my policy periodically					
28. My insurance company pays some money after a period without suffering any losses					
29. My insurance company pays significantly large claims (Sum Assured)					
30. I will lose my contributions and benefits when I terminate my policy					
Procedural Cost					
31. Life insurance policy is long term in nature					
32. It will require me to have some waiting period to assess claims					
33. I will have to fill out some documents and provide my bank details					
Relational Cost					
34. I am more comfortable interacting with the people working for my service provider than I would be if I switched provider					
35. I would miss working with the people at my service provider if I switched provider					
36. In general it will be a hassle switching to another insurance company					

THANK YOU.