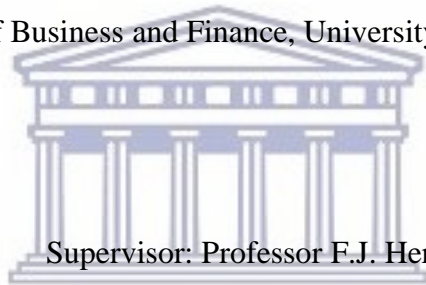


**Investigating the impact of service quality and customer satisfaction on customer
loyalty in life insurance in South Africa**

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A Research Report submitted in partial fulfilment of the requirements for the degree
of MASTER OF COMMERCE IN MANAGEMENT
in the School of Business and Finance, University of the Western Cape.



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January 2017

FINAL VERSION

ABSTRACT

Service quality and satisfaction are very important concepts that companies must understand to remain competitive and grow (Angelova & Zekiri, 2011:232). Satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty and positive word of mouth (Tsoukatos & Rand, 2006:501).

The quality of service and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers (Taylor, 2001:30). Insurance companies are seeking to increase customer satisfaction and loyalty through improved service quality (Siddiqui & Sharma, 2010:171).

The aim of this study is to examine the concepts of service quality, customer satisfaction and customer loyalty and their relationships with the goal of establishing greater clarity on the path of the relationship flow at Metropolitan in the life insurance industry in South Africa. 398 Metropolitan customers from the Customer Walk-in-Centres completed a structured questionnaire through computer assisted telephonic interviews (CATI).

The analysis revealed that customer satisfaction mediates the relationship between perceived service quality and customer loyalty for customers from the Customer Walk-in-Centres of Metropolitan in South Africa. The results and findings provide extra information concerning customer's needs, wants and satisfaction for Metropolitan.

KEYWORDS: Customer Loyalty, Service Quality, Customer Satisfaction, Life Insurance, South Africa, Metropolitan, Customer Walk-in-Centre.

DECLARATION

I declare that *Investigating the impact of service quality and customer satisfaction on customer loyalty in life insurance in South Africa* is my own work, that it has not been submitted before for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Bradford Carelse

January 2017

Signed:



ACKNOWLEDGEMENTS

I would like to thank the following people for their contributions to my research project:

My supervisor Professor Frikkie Herbst for his help, advice and knowledge.

My wife, Merle and my daughters Caitlin and Cadence for their support and love during my studies.

My colleagues at Metropolitan for their support and assistance.

The University of the Western Cape's Division for Postgraduate studies for their assistance.

Above all, I wish to thank God, who gave me the opportunity and strength to complete this research project.

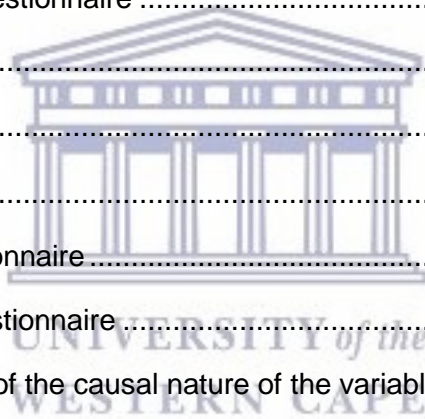


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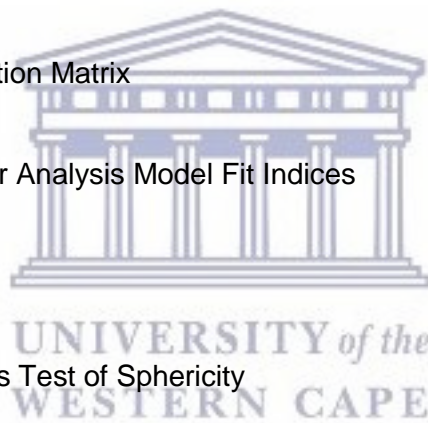


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CHAPTER 1

INTRODUCTION TO THE RESEARCH PROBLEM

1.1 INTRODUCTION

Any company seeking to attract and retain customers in a competitive market relies on marketing. In turn, marketing can only create strategies to attract and retain customers if the company understands its customers. This understanding comes through research (Du Plessis, 2010:113). This chapter presents the synopsis of the research at hand by outlining the background of the study, discussion of terminology, problem statement, research objectives, significance of the study and the literature review. Furthermore, the chapter will briefly discuss the research methodology followed by the data analysis, ethical considerations and research structure.

1.2 BACKGROUND OF THE STUDY

1.2.1 Customer loyalty and customer retention

The formation of customer loyalty has been an important area of research for over 25 years. Customer loyalty has been recognised as an important source of sustained competitive edge in terms of customer retention, repurchase and long-term customer relationships (Srivastava & Rai, 2013:139). Insurers across the world are failing in the efforts to meet the demands of customers across the multiple customer touch-points and are therefore finding it difficult to retain and attract customers (KPMG, 2014:9).

Improving customer retention rates has the effect of increasing the size of the customer base (Buttle, 2004:16). In life insurance, high retention rates are closely related to economic performance (Tsoukatos & Rand, 2006:502). Ahmad and Buttle (2001:29) claim that a five percent improvement of customer retention can cause a profitability increase that range between twenty five percent and eighty five percent. Furthermore, acquiring a new customer can be as much as six times costlier than keeping an existing one.

Life insurance companies are therefore finding it necessary to develop a customer centric approach for future survival and growth (KPMG, 2014:9). Guillen, Nielsen and Perez-Marin (2008:209) believes putting the customer at the centre of the organisation (customer centricity)

is a crucial approach for insurance management, as satisfied customers are the ones who create value for the company (they remain with you, they refer the company to their friends and families and they are usually prepared to buy new products).

Customer loyalty not only ensures repeat purchases and positive publicity with greater value in terms of reliability, it also leads to a host of other significant benefits such as cross buying intentions, exclusive and priority based preference to the company and its products/ services, greater share of wallet which provide a competitive edge to the company (Srivastava & Rai, 2013:139). Moreover, loyal customers are less likely to change a provider because of price, while they also tend to recommend a company to others (Santouridis & Trivellas, 2010:330).

1.2.2 Customer loyalty and services

Intense competitive forces and the current customer relationship orientation of business has resulted in customer loyalty emerging at the heart of marketing activities across various industries and especially ones that deal in services (Srivastava & Rai, 2013:139). Services are inherently relational and relationships are a central part of loyalty (Grönroos, 2000:7).

Life insurance is a high credence product, which has minor tangible representations of its quality and is highly relational during most transactions (Siddiqui & Sharma, 2010:172). Credence properties are service characteristics that are difficult for customers to evaluate even after purchase and consumption (Zeithaml, Bitner & Gremler, 2006:62; Lovelock & Wirtz, 2011:619). In the life insurance sector, most of the companies have equivalent offerings. Another feature of life insurance is that the consequence of choosing an offering typically becomes clear only after a considerable period. Therefore, immediate post purchase evaluation cannot take place which alters the basis for overall satisfaction (Siddiqui & Sharma, 2010:172).

1.2.3 Service characteristics

Understanding the characteristics of services is important for service companies to acquire customer loyalty (Lovelock & Wirtz, 2011:68). Zeithaml et al.'s (2006:21-24) suggest five characteristics that distinguish a service from a physical product. First, the production/consumption interaction, which means a service, is consumed as its being produced. The second characteristic, lack of ownership and transaction of ownership means that when a service is purchased the customer does not own anything and the customer is given the right to use it. Thirdly service have a lack of heterogeneity because of the variations in consistency that may occur between different service interactions. The fourth characteristic

is a factor of perishability as services can't be stored in a storeroom like goods for later usage. The final differentiating characteristic of services is intangibility (Boshoff, 2014:7-9).

Lovelock and Wirtz (2011:46) declares that intangibility is the most important characteristic of a service. The customer is unable to feel, taste, smell or see a service before they buy it, making it difficult to do a thorough evaluation of a service.

1.2.4 The management of service quality

Santouridis and Trivellas (2010:333) believe to foster customer loyalty, the satisfaction experienced by the customer from the service consumption is important for companies to understand. Lovelock and Wirtz (2011:58) explain that in the service purchase process customers go through a three-stage model of service consumption. The pre-purchase stage is the first stage in the service purchase process where customers become aware of a service need. The service encounter stage is the second stage in the service purchase process where the delivery takes place through interactions between customers and the service provider.

Zeithaml et al.'s (2006:124) assert that the service encounter interaction between the company and its customers may take varying forms: face-to-face, over the telephone, by letter, or by automated means (e.g. a digital kiosk). The final stage in the service purchase process is the post encounter stage where customers evaluate the service experienced and form their satisfaction /dissatisfaction judgement with the service (Lovelock & Wirtz, 2011:59)

The service encounter stage is the core of the service experience as the perceived quality experienced by the customer during the service encounter is 'the moment of truth' (Zeithaml et al.'s, 2006:124). Every time a customer encounters any aspect of the organisation he/she has an opportunity to form an impression of the service provided (Lovelock & Wirtz, 2011:68). A characteristic of most service provision is the simultaneous production and consumption which necessitates interpersonal interaction between an organisation's employees and its customers. Such encounters typically have a high impact on the customer and the quality of the service encounter is thus a vital ingredient in the overall quality of service experienced by the customer (Zeithaml et al.'s, 2006:123).

1.3 CLARIFICATION OF KEY CONCEPTS

1.3.1 South African life insurance industry

The Life insurance industry in South Africa is regulated by the Financial Services Board (FSB). In South Africa, a total of 82 life insurers were registered with the FSB as at 31 March 2015. Every insurer is required to be registered for a specific class or classes of business, namely assistance, disability, fund, health, life and /or sinking fund. The main companies operating in the South African life insurance industry are Metropolitan, Momentum, Old Mutual, Sanlam, Liberty and Discovery (Financial Services Board, 2015:34). This study will focus on Metropolitan.

1.3.2 Metropolitan

Over the last 108 years, since selling its first insurance policy Metropolitan has become one of South Africa's leading insurance providers. Metropolitan along with Momentum and Gaurdrisk are a part of the MMI Holdings group. Metropolitan targets the entry-level market segment in South Africa offering savings, income generation, income protection and funeral solutions. In 2015 the total funds received amounted to R16.57 billion and the profits after tax to R748 million for Metropolitan (MMI Holdings, 2015:2).

1.3.3 Differentiation between consumer, customer and client

It is important to clarify the concepts consumer, customer and client because Rootman (2006:28) argues that no precise differentiation has been made between the three concepts, as many authors use the terms interchangeably without offering an explanation why one concept is preferred to the other in a context. For this study the concept customer will be used to describe a person in the context where services and particularly insurance service are referred to in broader or global terms.

1.3.4 Metropolitan customer

For this study a Metropolitan customer refers to an individual, natural person, owning one or more of the following Metropolitan policies: investment (endowment), retirement annuity, risk (covering death, disability, dreaded disease) funeral plan and a health care product (hospital cash plan).

1.3.5 Customer walk-in-centre

The Customer Walk-in-Centres of Metropolitan that the study is based on are situated throughout South Africa. The Customer Walk-in-Centres provide the customer of Metropolitan with easy, personal contact and access to financial advisers and customer service employees.

Should a customer not have a personal financial adviser, he/she can approach the centre and speak to one who will assist the customer with financial planning and the effecting of policies. Customers can also make enquiries concerning their policies and resolve complaints at the centre (Du Plessis, 2010:8).

1.4 PROBLEM STATEMENT

Service quality has drawn attention from researchers and practitioners due to its strong impact on profitability, business performance, customer satisfaction and customer loyalty (Santouridis & Trivellas, 2010:333). Service quality and customer satisfaction has been put forward to be key success factors in gaining competitive advantage for service providers (Hu, Kandampully & Juwaheer, 2009:111). Lovelock and Wirtz (2011:351) argue the foundation of true loyalty lies in customer satisfaction, for which service quality is a key input. As highly satisfied customers are more likely to become loyal ambassadors of a company, whereas dissatisfaction drives customers away and is a key factor in switching behaviour.

The quality of service and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers (Taylor, 2001:30). Insurance companies are seeking to increase customer satisfaction and loyalty through improved service quality (Siddiqui & Sharma, 2010:171).

Hence, the study will investigate how much customer loyalty exists amongst Metropolitan customers by understanding how the customers rate their perceived service quality and satisfaction. The focus of this study will be the service encounter at the Customer Walk-in-Centre of Metropolitan in South Africa and understanding the interaction from the customer's perspective.

1.5 OBJECTIVES OF THE STUDY

The main objective of this study is to establish the nature of the relationship between perceived service quality, customer satisfaction and customer loyalty at Metropolitan in South Africa.

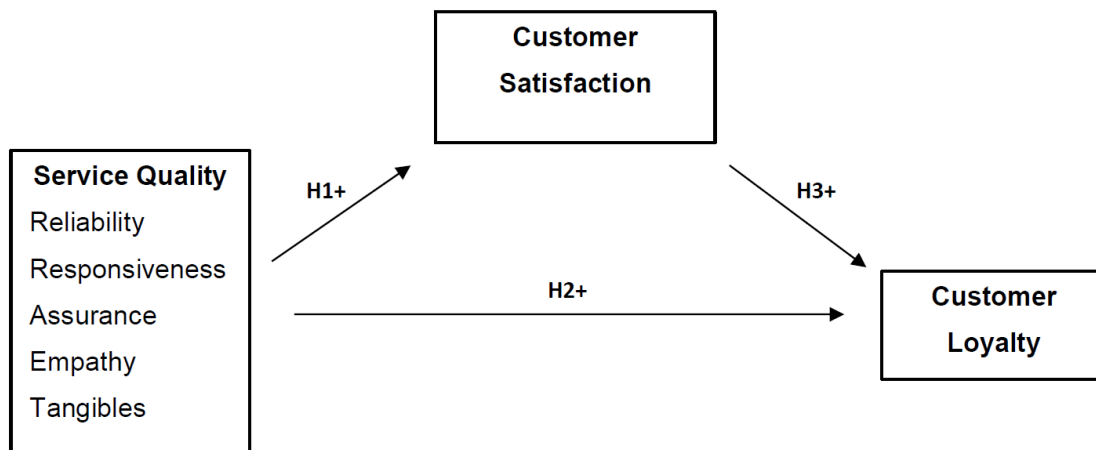
1.6 RESEARCH HYPOTHESES

A hypothesis is a proposition that can be proved or disproved through empirical testing. It is an empirical statement concerning the relationship among variables (Zikmund, Babin, Carr & Griffin, 2010:42). The following hypotheses were formulated:

- H₁: Perceived service quality has a positive effect on customer satisfaction in the context of insurance services.
- H₂: Perceived service quality has a positive effect on customer loyalty in the context insurance services.
- H₃: Customer satisfaction has a positive effect on customer loyalty in the context of insurance services.

The relationships between the constructs are depicted in the conceptual model, Figure 1.1 below.

Figure 1.1: Conceptual Model



Source: Developed for this study

An independent variable (IV) is a variable that is expected to influence the dependent variable (DV) in some way. The dependent variable is the variable that is to be predicted or explained (Zikmund et al.'s, 2010:120). A moderating variable is an independent variable that is believed to have a significant contributory or contingent effect on the IV-DV relationship (Cooper & Schindler, 2008:62).

Customer loyalty is the DV that is influenced or predicted by the IV namely the perception of service quality and customer satisfaction. In addition, the moderating variable customer satisfaction moderates the relationship between the perceived service quality and customer loyalty. Cronin, Brady and Hult (2000:195) suggest the interrelationship between perceived service quality, satisfaction and customer loyalty can be attributed to the general framework proposed by Bagozzi (1992:188), which considers the relationship between attitude and intentions. The framework proposes that the initial service evaluation (i.e. appraisal) leads to an emotional reaction that, in turns drives behaviour. Adapting the framework to a services

context suggests the more cognitively-orientated service quality precedes satisfaction and loyalty (Cronin et al.'s 2000:195).

Therefore, the process is described by which these two variables together help create and explain how much customer loyalty exists amongst Metropolitan customers by understanding how the customers rate the perceived quality and satisfaction (Zikmund, et al.'s, 2010:120).

1.7 SIGNIFICANCE OF THE STUDY

The study will add to the theoretical and empirical knowledge on service quality, customer satisfaction and loyalty in South Africa with specific reference to the life insurance industry. The study also bears significance for Metropolitan because of the increased managerial focus of maximizing customer value in more cooperative and long lasting relationships.

1.8 LITERATURE REVIEW

The literature reviewed focusses on perceived service quality, customer satisfaction and customer loyalty and the nature of the relationships among these constructs. Chapter two will discuss the secondary sources used in this study. A brief introduction of the constructs follows.

1.8.1 Service quality

Quality is a multi-dimensional concept that has different meanings for different industries and disciplines. Lovelock and Wirtz (2011:406) argues that the nature of services requires a distinctive approach to defining and measuring service quality. The intangible, multifaceted nature of many services makes it harder to evaluate the quality of services compared to goods. In the service context quality can hardly ever be assessed objectively and the perception of quality is what is of importance (Zeithaml et al.'s, 2006:116).

1.8.2 Customer satisfaction

Like service quality customer satisfaction is a multi-dimensional construct (Boshoff, 2014:15). Dabholkar, Shepherd and Thorpe (2000:140) theorise in the development of the literature that satisfaction was originally defined as disconfirmation, but later disconfirmation was viewed as an antecedent to satisfaction. Further studies argued that satisfaction should be viewed as an emotion.

Buttle (2004:21) believes customer satisfaction is the customer's fulfilment response to a consumption experience or some part of it. Customer satisfaction is a pleasurable fulfilment

response and the most common approach to operationalise customer satisfaction is to compare the customer's perception of an experience with their expectations.

1.8.3 Customer loyalty

Caruana's (2002:812) review of the literature revealed the conceptualisation of the loyalty construct has evolved over many years. Much of the work on loyalty in the 1970s and early 1980s was on brand loyalty with respect to tangible goods, which was measured in terms of its outcome characteristics. A further aspect of loyalty identified by other researchers in more recent years is cognitive loyalty, which is a higher order dimension and involves the customer's conscious decision making process when evaluating a company's services (Caruana, 2002:813).

1.9 RESEARCH DESIGN

The research design is a masterplan specifying the methods and procedures for collecting and analysing information (Zikmund et al.'s, 2010:657). Chapter three will discuss the research design and data collection methods used in this study. A brief introduction of the design and data collection methods follow.

1.9.1 Research design

The study applied a quantitative causal research approach. The purpose of quantitative research is to determine the quantity or extent of some phenomenon in the form of numbers (Zikmund et al.'s 2010: 111). Data in the form of numbers were collected from the participants by means of a questionnaire. Cooper and Schindler (2008:151) advocate causal studies are typically structured with clearly specified hypotheses and the research objective is the discovery of association among different variables. The purpose of the study is to determine the nature of the relationships between service quality, customer satisfaction and customer loyalty at Metropolitan in South Africa.

1.9.2 Sample design

1.9.2.1 Sample technique

For this study a simple random probability sampling method was used. In simple random sampling, each element in the population has a known and equal chance of selection. The sample results may be projected to the target population (Malhotra, 2004:325).

1.9.2.2 Data collection

Primary and secondary sources were used for this research. Secondary sources included books, journals and information from the Internet. Primary data were collected from Metropolitan customers (as defined in paragraph 1.3.4) who visited one of the forty-two Metropolitan Customer Walk-in-Centres located throughout South Africa in the month of August 2016. A structured questionnaire administered via a computer assisted telephonic interviews (CATI) survey was used to collect data for the research. The questionnaire included items from questionnaires used in previous research.

Reliability and validity are the assurances of good measurement and the means to assessing the trustworthiness of any research conducted (Cooper and Schindler, 2010:292). In this study, factor analysis was performed to assess the criterion and discriminant validity of the questionnaire (Ho, 2006:218). The reliability measurement for this study was the internal consistency reliability test.

1.9.2.3 Data analysis

The statistical package software, Statistical Package for Social Science (SPSS) AMOS version 24 used by the University of the Western Cape was used with the processing and statistical analysis of the data. The data were analysed in five phases. During the first phase, descriptive statistics was used to analyse the frequency distribution of the demographic variables and the participants' responses to the statements in the questionnaire. Next the questionnaire used to measure perceived service quality, customer satisfaction and customer loyalty was subjected to factor analysis to assess the discriminant validity. Once a clear factor structure emerged, the internal reliability of each factor was assessed using Cronbach Alpha. Lastly, the factors that emerged after the exploratory factor analysis were then used in the structural equation modelling (SEM) to assess the relationships predicted by the three hypotheses and graphically depicted in paragraph 1.6, Figure 1.1.

1.10 ETHICAL CONSIDERATIONS

The study complied with the University of the Western Cape's Ethics Protocol and Guidelines. Eriksson and Kovalainen (2015:65-67) suggest that when conducting survey research researchers should follow the consent protocol and ensure the components of informed consent are adhered to.

Following these guidelines, the survey participants were given "good-faith" time estimates for completing the interview. Secondly, they were guaranteed of their confidentiality and

anonymity throughout the research process. In addition, participants were informed of the purpose of the research, the survey topic, the identity of the sponsor as well as why certain participants were included in the sample.

The participants were informed that participation was voluntary and that Metropolitan would not be informed of non-participation. Furthermore, participants were informed of the acceptability of non-responses on any item. Lastly, the interviewer asked the participant permission to begin the survey (see Appendix 1). During the analysis and presentation phase of the research a dataset was used that didn't contain the participant's identity.

1.11 CHAPTER OUTLINE

Chapter 2 gives insights into the aspects of service quality, customer satisfaction and customer loyalty and places the nature of their relationships in perspective. Aspects such as the conceptualisation, definition and measurement of the three constructs are discussed.

Chapter 3 is concentrated around the research design and methodology to be followed to achieve the research objectives. In other words, emphasis is on the research method, research format, research technique, population and sampling methodology, which included sampling size, sampling type and sampling technique and data analysis.

The analysis and interpretation of data is presented in Chapter 4. From the results, it will be possible to determine whether the research objectives as specified in the first chapter were achieved and if the problem statement as described is relevant.

The researcher's conclusions and recommendations are in Chapter 5. The results obtained is compared to findings of the already published empirical studies and the literature review on which the study is based. Conclusions will be drawn and recommendations made.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

Section 1.8 discusses a brief introduction of the constructs perceived service quality, customer satisfaction and customer loyalty and the aim of this chapter is to review the literature on the constructs. The nature of the interrelationship among them is also discussed with regards to the theoretical and empirical justification for the study.

2.2 SERVICE QUALITY

2.2.1 Defining service quality

As highlighted in section 1.8.1, service quality has been defined from the customer's perspective and Zeithaml et al.'s (2006:116) make a distinction between objective quality and perceived quality. Objective quality refers to measurable verifiable superiority against some predetermined ideal standard or standards. Perceived quality, on the other hand, refers to the consumer's judgment of the products overall excellence or superiority. Service quality is defined from the user's perspective as consistently meeting or exceeding the customer expectations (Zeithaml et al.'s, 2006:116).

Also, because the customer is often involved in the service production, a distinction needs to be drawn between the process of service delivery and the actual output of the service. Grönroos (2000:67) suggests the process of service delivery is called technical quality and relates to what the customer gets from the service. Functional quality is associated with how the service is delivered. Both the technical quality and the functional quality determine the service company's quality image (Boshoff, 2014:40).

A common denominator of research on service quality is the conclusion that because services are intangible, heterogeneous and their "production" and "consumption" are usually inseparable, the process used by customers to evaluate service quality is exceptionally complex and subjective (Grönroos, 2000:63; Boshoff, 2014:39).

2.2.2 The concept of service quality

Knowing what the customer expects is the first and possibly most critical step in delivering service quality (Zeithaml et al.'s, 2006:81). The different types of service expectations that customer hold can be regarded on two levels, which Zeithaml et al.'s (2006:83) term the desired service level and the adequate service level. The highest, the desired service is the level of service the customer hopes to receive; the wished-for level of performance. Adequate service represents the minimum tolerable expectation, that is, the bottom level of performance acceptable to the customer (Zeithaml et al.'s, 2006:81).

The differences between the desired service level and the adequate service level are called the zone of tolerance, which is the extent to which customers recognise and are willing to accept heterogeneity in service delivery (Boshoff, 2014:41). Customers' tolerance zones not only vary between services, but also over time and for different service dimensions (Zeithaml et al.'s, 2006:87).

2.2.3 Measuring service quality

The criteria that customers use to base their service quality expectation on can be referred to as the dimensions of service quality (Boshoff, 2014:41). Several measurement instruments have been developed that aim to capture and explain the service quality dimensions.

The first was the Nordic approach of Lehtinen and Lehtinen (1982) that introduced a three-dimensional view of service quality, which consisted of interaction, physical and corporate quality (Wiese, 2013:91). The model proposed by Grönroos (1984:36) highlighted the role of technical (or output) quality and functional (or process) quality. The North American debate started with Parasuraman, Zeithaml and Berry (1985:36) who introduced the SERVQUAL model, a gap based measure, and Cronin and Taylor (1992:55) who presented the SERVPERF model, which was a performance only measurement. Among all the service quality models, SERVQUAL is the most widely used (Boshoff, 2014:48).

SERVQUAL has been developed in a series of stages leading to a consecutively more refined version. In the most widely used version by Parasuraman et al.'s (1988:35), the gaps model of service quality, where service quality is operationalized as the gap between expectation and performance perception of the customer using five dimensions, namely:

- i. Reliability – the ability to perform the promised service dependably and accurately.
- ii. Responsiveness – the willingness to help customers and provide prompt service.

- iii. Assurance – knowledge and courtesy of employees and their ability to convey trust and confidence.
- iv. Empathy – caring and individualised attention.
- v. Tangibles – the physical facilities, equipment and appearance of personnel.

Closing the gap between what customers expect and what they perceive is critical to delivering quality service and forms the basis for the gaps model. Regardless of the type of service, customers basically use similar criteria in evaluating service quality (Zeithaml et al.'s, 2006:34).

Parasuraman et al.'s (1988:30) believes SERVQUAL provides a basic framework through its expectations and perceptions format encompassing statements for each of the five service quality dimensions. The measurement instrument, when necessary, can be adapted or supplemented to fit the characteristics of specific research needs of a company.

Zeithaml, Berry and Parasuraman (1996:39-40) maintain that there is much debate as to the best way to operationalise service quality, whether as the difference between customers' perceptions and expectations rating or simply as the perception ratings. Both the SERVQUAL and SERVPERF models are widely used in the service quality research, but the performance-only model has the advantage of efficiency in empirical data collection (Juga, Juntunen, & Grant, 2010:498). In addition, Zeithaml et al.'s (1996:39-40) contend that there is consensus that a study's purpose may influence the choice of which measure to use.

Zeithaml et al.'s (1996:39-40) argue the performance-expectations difference measure is appropriate if the primary purpose is to accurately diagnose service shortfalls. Whereas, the perceptions only approach is more appropriate when the primary purpose of measuring service quality is to explain the variance in some dependent construct. The purpose of this study is to explain the variance in the dependent construct customer loyalty; hence the perception only operationalisation will be used to measure the perceived service quality of the customers with Metropolitan in South Africa.

2.3 CUSTOMER SATISFACTION

2.3.1 Defining customer satisfaction

Following the introduction from paragraph 1.8.2 selective definitions of customer satisfaction are discussed. Lovelock and Wirtz (2011:619) define customer satisfaction as “a short-term

emotional reaction to a specific service performance.” Satisfaction is a customer’s emotional response to their evaluation of the perceived discrepancy between his or her prior experience with the product and company and the actual experience performance, as perceived after interacting with the company and appropriating the product (Vavra, 2002:5).

Kotler (2003:36) defines customer satisfaction as “a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectation”. Therefore, satisfaction is closely related to customer’s expectations. More specifically the narrower the gap is between the customer’s expectations and the actual performance of the product of service, the higher is the customer’s satisfaction (Santouridis & Trivellas, 2010:332).

Customer satisfaction is described as a function of expectations and disconfirmation resulting from comparison between expected and perceived performance. Therefore, satisfaction is a result of confirmation or positive disconfirmation of customer expectations, and dissatisfaction is caused by negative disconfirmation of customer expectations. It is also possible that customers with expectations of receiving bad service may in fact feel less dissatisfied than those who initially expected good service. It is expected, however, that most customers will be dissatisfied when there is bad service (Durvusula, Lysonski, Mehta & Tang, 2004:316).

Customers that have expectations can judge performance. Therefore, companies need to understand their customer’s requirements and expectations to find out what’s important for them and have the knowledge of the variables that can potentially influence their service quality expectations (Du Plessis, 2010: 51).

2.3.2 The concept of customer satisfaction

Boshoff (2014:15) maintains in the service environment that there are two schools of thought in how customer satisfaction is viewed, either an outcome of a consumption activity or experience and a process in terms of what was received or what was expected. Boshoff and Gray (2004:28) advocate both schools of thought had been widely recognised in the literature.

The process-orientated approach seems more appropriate in the service environment given that consumption is an experience and consists of collective perceptual, evaluative and psychological processes that combine to generate customer satisfaction. The satisfaction as a process school of thought stresses that satisfaction or dissatisfaction is not inherent in the product but instead in the individual’s perceptions of that products attributes as they relate to that individual.

Therefore, satisfaction is personal and is formed by the interaction of perceptual interpretation of the service and customer expectations of that service. Consequently, different customers will have varying levels of satisfaction for an experience which is essentially the same (Boshoff & Gray, 2004:28).

2.3.3 Measuring customer satisfaction

Zeithaml et al.'s (2006:108) propose customer's perception of their encounter with a company can be either transaction specific perceptions as well as overall perceptions of a company based on all their experiences. A distinction when researching customer satisfaction is how it is conceptualized, either as transaction-specific or cumulative. Transaction specific satisfaction refers to "the customer's dis/satisfaction with a discrete service encounter" and overall satisfaction refers to "the customer's overall dis/satisfaction with the company based on all encounters and experiences with the particular company" (Zeithaml et al.'s, 2006:109).

Jones and Suh (2000:148) advise customers are likely to comment on events of a service interaction, e.g. specific employee actions when asked about transaction specific satisfaction. Conversely when asked about overall satisfaction, customers are likely to comment on global impression and general experiences with the company, e.g. the honesty of the company. In general, transaction-specific satisfaction may not be perfectly correlated with overall satisfaction since service quality is likely to vary from experience to experience causing varying levels of transaction-specific satisfaction (Jones & Suh, 2000:148).

Whereas, overall satisfaction can be viewed as a moving average that is relatively stable and or like an overall attitude, for example a customer may have a dissatisfying experience because of a rude employee at an insurer's customer walk-in-centre (i.e. low transaction-specific satisfaction) yet still be satisfied with the insurer (i.e. overall satisfaction) due to multiple previous satisfactory encounters (Jones & Suh, 2000:148).

Boshoff and Gray (2004:28) postulate that more recently research has focussed on satisfaction at a more general or organisational level. From this brand specific perspective, satisfaction is an overall judgment based on many transient experiences with goods or service over time and as such satisfaction can be thought of as an ongoing evaluation of a company's ability to deliver the benefits a customer is seeking.

Zeithaml et al.'s (2006:109) recommend that overall satisfaction is likely to be multidimensional based on all encounters and experiences with a service company. In addition, overall satisfaction is a better predictor of loyalty as transaction specific satisfaction is critical for

diagnosing service issues and making immediate changes (Zeithaml et al.'s, 2006:109). Therefore, in this study satisfaction is conceptualized as a cumulative measure of the customer's satisfaction with Metropolitan in South Africa.

2.4 CUSTOMER LOYALTY

2.4.1 Defining customer loyalty

Referring to Oliver (1999:34) Kotler and Keller (2009:123) defines customer loyalty as “a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour”.

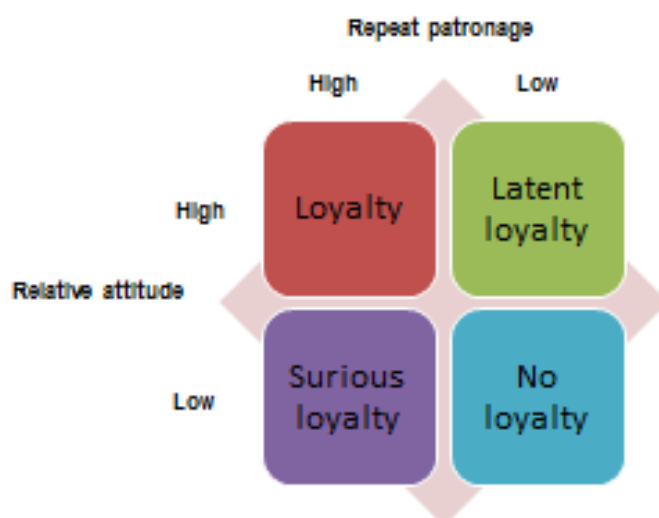
Whereas, Palmatier, Dant, Grewal and Evans (2006:139) define customer loyalty as a composite or multidimensional construct combining different groupings of intentions, attitudes, and seller performance indicators. Boshoff's (2014:352) review of the literature advocate that loyalty is regarded as an attitude, behaviour or a purchasing situation. Loyalty can be defined as “the willingness of a customer to keep buying from a specific provider over the long term” and loyalty can also be defined as “an attitude that leads to a relationship with a brand” (Boshoff, 2014:352).

2.4.2 The concept of customer loyalty

Following the introduction from paragraph 1.8.3, Buttle (2004:22) proposes a two-dimensional model of customer loyalty, which identified four forms of loyalty that a customer experiences per the attitudinal strength and repeat purchase behaviour of the customer.

Figure 2.1 below depicts the relationships of the two-dimensional model of customer loyalty.

Figure 2.1: Two-dimensional Model of Customer Loyalty



Source: Adapted from Buttle (2004:22)

Figure 2.1 above illustrates that true loyal customers are those that have high levels of repeat buying and a strong relational attitude. High repeat purchasing not associated with a strong attitude may reflect inertia, high switching costs for the customer or indifference. Latent loyalty exists when a strong attitude is not accompanied by repeat buying.

Du Plessis (2010:25) proposes that companies understand that it is more profitable to keep and satisfy existing customers than to renew a strongly churning customer base constantly. Therefore, a five percent increase in customer retention can lead to a twenty-five to a hundred percent increase in profit for a company, depending on the industry it operates in.

Du Plessis (2010:26) believes that to make relationship marketing work, marketers have adopted a customer management perspective, which emphasises the importance of customer lifetime value, retention as well as the changing nature of the relationship between the customer and the company.

Rai and Srivastava (2013:140) believe that a customer can persevere in his relationship with a company and exhibit loyal behaviour on the basis that he has faith in the brand.

2.4.3 Measuring customer loyalty

Defining and measuring loyalty from the perspective of the literature is mostly used using behaviour and attitude (Srivastava & Rai, 2013:140). Behavioural loyalty is measured using a customer's behaviour on repeat purchasing, which is expressed as a continued preference

that a customer has for a company's brand or service. In life insurance, behavioural loyalty is expressed through the customer's intention to keep/renew an existing and /or to purchase a new policy from the same supplier (Tsoukatos & Rand, 2006:506).

Attitudinal loyalty refers to a customer's intention to repurchase and recommend a company. These measures are good indicators of a loyal customer. Attitudinal loyalty is assessed by the customer's attitude such as their beliefs and feelings as well as their repurchase intention and likelihood to recommend the company (Boshoff, 2014:352).

Using the attitudinal approach to loyalty can assist managers to understand what needs to be done to build high levels of commitment as such a customer is very likely to remain with a company (Du Plessis, 2010:26; Buttle, 2004:21-22). Word of mouth captures the likelihood that a customer will refer a seller positively to another potential customer and therefore, indicates both attitudinal and behavioural dimensions of loyalty (Palmatier et al.'s, 2006:140).

Lovelock and Wirtz (2011:338) believe customer loyalty expresses an intended behaviour related to the service or the provider. This includes the likelihood of future renewal of service contracts, the likelihood of change of patronage, the likelihood of positive word of mouth, or the likelihood of customer complaints. Lovelock and Wirtz (2011:68) propose that a customer's discernment of face-to-face interaction with the service employee is taken as a significant determinant of customer loyalty.

In a complex service context, such as life insurance, customers face considerable uncertainty stemming from factors such as intangibility, complexity, a lack of service familiarity and a long-term horizon of delivery (Chen & Wang, 2009:1109). Thus, uncertainty implies the potential for service failure and negative outcomes (Boshoff, 2014:371). Positive word of mouth is particularly important for service companies as services tend to have high proportions of experience and credence attributes and are therefore associated with high perceived risk from customers.

Word of mouth even takes place during service encounters (Lovelock & Wirtz, 2011:206). Durvusula et al.'s (2004:315) claimed when customer's exhibit high levels of both behavioural and attitudinal loyalty they were 44% more likely to be active marketers and 26% more likely to be passive word of mouth marketing.

To more fully understand the relationship among these constructs, it is imperative to understand the theoretical nature as well as the conceptual framework along with their

directional influences. Therefore, the following section will elaborate on the theoretical nature of the relationships among the constructs and discuss the empirical research.

2.5 CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Olorunniwo, Hsu and Udo (2006:63) from their analysis of previous literature argue that there are three perspectives on the interrelationships among perceived service quality, satisfaction and customer loyalty. One group of researchers believe satisfaction is an antecedent to service quality. Whereas, another group holds that neither of the two constructs is an antecedent or superordinate of the other. The third group of researchers considers that service quality precedes satisfaction as service quality is a cognitive evaluation and a positive service quality perception can lead to satisfaction, which may in turn lead to loyalty. In addition, there are mixed opinions as to whether service quality has a direct relationship with customer loyalty in all service contexts.

For this study the viewpoint is that service quality precedes satisfaction and that service quality has a direct effect on customer loyalty and an indirect effect through satisfaction. Therefore, satisfaction also has a mediating role between service quality and loyalty in the context of the insurance industry in South Africa.

The explanation of the relationship between the study's constructs and the rationale for the hypotheses (refer to Figure 1.1) is discussed in the following three sections:

- i. The first section focuses on the nature of the relationship between perceived service quality and customer satisfaction and the reasoning for H₁.
- ii. The second section regards the nature of the relationship between perceived service quality and customer loyalty and the rationale for H₂.
- iii. The third section centres on the nature of the relationship between customer satisfaction and customer loyalty and the justification for H₃.

2.5.1 Relationship between perceived service quality and customer satisfaction

There has been considerable confusion in the marketing literature as to the distinction between perceived service quality and customer satisfaction. However, several studies distinguish service quality perception from customer satisfaction judgments (Hu et al.'s, 2009:115).

Juga et al.'s (2010:498) review of the literature suggest service quality and customer satisfaction as related concepts that are sometimes understood to be synonymous, especially by practitioners, but theoretical and empirical research mostly support the view that they are distinct concepts and that quality performance leads to satisfaction.

Angelova and Zekiri (2011:239) suggest expectations play an important role in satisfaction formation. The extent to which products or services fulfil a customer's need and desires may play an important role in forming feelings of satisfaction because of the impact of confirmation or disconfirmation on satisfaction (Angelova & Zekiri, 2011:239).

The expectancy disconfirmation theory suggests customers will enter a service encounter with pre-encounter expectations (Boshoff, 2014:372). Confirmation results when the perceived performance matches the standards, whereas disconfirmation results from the mismatch. Confirmation and disconfirmation are expected to determine customer satisfaction and dissatisfaction (Lovelock & Wirtz, 2011:74).

Lovelock and Wirtz (2011:74) suggests that there is a discrepancy between the customer's perception of the actual service performance and their expectation, noting three types of disconfirmation:

- i. Positive disconfirmation: the service is better than expected.
- ii. Negative disconfirmation: the service is worse than expected.
- iii. Simple confirmation: the service is as expected.

Lovelock and Wirtz (2011:74) contend that satisfaction is the emotional reaction to a specific product/service experience and these emotional reactions come from disconfirmation of performance. When the perceived performance exceeds expectation, the disconfirmation results in a positive effect, e.g. pleasure, whereas a negative effect, e.g. disappointment occurs when the disconfirmation is realised by expectations exceeding the perceived performance. Satisfaction may also emerge as a response not only to a single experience but also a prolonged set of multiple experiences.

Murray and Howat (2002:36) in their study test the distinctiveness of service quality and customer satisfaction as constructs as well as whether satisfaction is an antecedent or an outcome of service quality. These findings suggest that service quality acts as an antecedent to satisfaction.

Durvusula et al.'s (2004:318) in their review of the literature advocates that service quality has been extensively depicted as an antecedent to customer satisfaction. Durvusula et al.'s (2004:318) argues in life insurance a positive perception of an agent's service quality is considered to enhance the overall customer satisfaction. Al-Hawari, Ward and Newby (2009:466) posit that service quality has been the focal point of inquiries into the parameters affecting the degree of customer satisfaction in the context of financial services.

Based upon the above, the following hypothesis is formulated and illustrated in Figure 1.1:

H₁: Perceived service quality has a positive effect on customer satisfaction in the context of insurance services.

2.5.2 Relationship between perceived service quality and customer loyalty

Zeithaml et al.'s (2006:548-49) propose service quality influences profits through increased market share and lowered cost, although time lags in the market share effects makes the relationship between quality and market share difficult to discern in the short term. Cronin et al.'s (2000:209) suggest that the association of perceived service quality with customer loyalty differ from industry to industry. In the case of pure services such as financial services service quality will be the dominant elements in customers' evaluations (Zeithaml et al.'s, 2006:116).

Bei and Chiao (2001:135) also recommend that high levels of perceived service quality had an indirect but significant positive effect on customer loyalty via customer satisfaction. Zeithaml et al.'s (2006:116) argue that loyalty can fall off swiftly when customers reach a level of dissatisfaction or when they are dissatisfied with critically important service attributes.

Olorunniwo et al.'s (2006:66) in a study of hotel guests reported an indirect effect of service quality on customer loyalty with satisfaction mediating the effect. The effect is stronger than the direct effect of service quality on customer loyalty.

Taylor and Hunter (2002:452) suggest a positive relationship between service quality and customer satisfaction, which in turn was positively related to customer loyalty in their business to business study of software and internet services companies.

Path analysis results illustrate that service quality has an indirect relationship on customer loyalty via satisfaction (Durvusula et al.'s, 2004:314).

Liang and Wang (2006:120) propose that the sequences of service quality and satisfaction on customer loyalty can be indications of retention or defection. Durvusula et al.'s (2004:318) posit that service quality has an indirect effect on loyalty via satisfaction and value. In a life insurance study in the United States, Taylor (2001:47) suggests that both service quality and satisfaction are important determinants of customer loyalty.

Very often gaps exist between the service provider and the client over expectations and perceptions of quality. It is important for the service provider to be acquainted with the client expectation and to ensure that these expectations are met in service quality to improve the customer's satisfaction and loyalty (Rootman, 2006:52).

Based upon the above, the following hypothesis is formulated and illustrated in Figure 1.1:

H₂: Perceived service quality has a positive effect on customer loyalty in the context of insurance services.

2.5.3 Relationship between customer satisfaction and customer loyalty

Apart from directly determining the state of loyalty among customers, satisfaction also influences the relationship between customer loyalty and other cognitive, affective and conative variables as well as the customer's evaluative judgement such as service quality, which is a major antecedent of loyalty (Srivastava & Rai, 2013:95). Many other factors have been demonstrated to influence the satisfaction that a customer experiences with a service. These include affective or emotional attachments with the service, self-esteem or self-concept concerns or even social norms (Murray & Howat, 2002:26).

Mittal, Katrichis & Kumar (2001:343) believe customer satisfaction influences the factors that link to the long-term orientation of a relationship and that it is as an essential factor responsible for the long-term association between suppliers and buyers. Mittal et al.'s (2001:344) argue that it has often been declared that the affect component of satisfaction could stimulate a satisfied customer to patronize the service provider as well as referring its services to others.

Jones and Suh (2000:147) in a study of the services of hairstylist argue that overall satisfaction has a direct influence on repurchase intentions as well as a moderating influence on the transaction-specific satisfaction/repurchase intention relationship. When overall satisfaction is

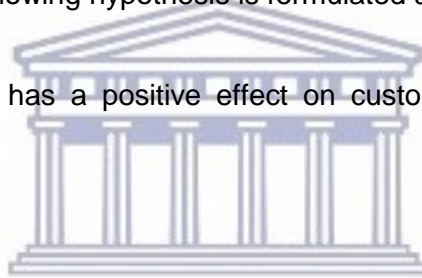
high, transaction-specific satisfaction has little impact on repurchase intention, but when overall satisfaction is low, transaction-specific satisfaction has a positive influence on repurchase intention.

Akbar and Parvez (2009:37) propose perceived service quality, customer satisfaction and trust to have a positive effect on customer loyalty among telecommunications clients in Bangladesh. Overall, it can be concluded that research has illustrated that customer satisfaction has significant effects on both behavioural and attitudinal aspects of loyalty (Santouridis & Trivellas, 2010:333).

Cronin et al.'s (2000:196) suggest most studies indicate that service quality influences customer loyalty only through value and satisfaction, others such as Zeithaml et al.'s (1996:40) considers customer loyalty to be a direct effect of service quality perceptions.

Based upon the above, the following hypothesis is formulated and illustrated in Figure 1.1:

H₃: Customer satisfaction has a positive effect on customer loyalty in the context of insurance services.



2.6 CONCLUSION

This chapter discussed the concepts of perceived service quality, customer satisfaction and customer loyalty. The definition, conceptualisation and operationalisation of the concepts have also been discussed and the nature of the interrelationships between them.

The next chapter will discuss the research design and methodology.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1. INTRODUCTION

This chapter provides the detail of the theoretical and practical discussion of the research design and methodology. A focus is provided on the population and selected sample of the study, the design of the questionnaire, the data collection method selected as well as the data analysis technique applied to the research study.

3.2. RESEARCH DESIGN

A research design is a framework for the collection and analysis of data (Bryman and Bell, 2014:100).

3.2.1. Research design

Research may be classified as exploratory, descriptive or causal. The main objective of exploratory research is to gain an understanding of a subject area and is used in cases when the problem must be defined more precisely (Malhotra, 2004:75).

Unlike exploratory research, descriptive studies require some previous understanding of the nature of the research problem. The researcher may understand the research problem but conclusive evidence that provides answers to the questions should still be collected to determine the cause of action (Zikmund et al.'s, 2010: 55). The objective of descriptive research is to test hypotheses and examine specific relationships. Descriptive research can determine the degree of association between variables but it is not appropriate for examining causal relationships. Hence, causal research is used to obtain evidence of cause-and-effect relationships, in which variables are manipulated in a relatively controlled environment. The effect of this manipulation on one or more independent variables is then measured to infer causality (Malhotra, 2004:85).

As mentioned in paragraph 1.9.1 causal research was chosen as a research format for this study based on the study's objective of testing the formulated hypotheses to determine the nature of the relationships between service quality, customer satisfaction and customer loyalty at Metropolitan in South Africa.

3.2.2. Research methodology

Research methodology has been defined as a framework that outlines the methods and procedures to be followed when collecting and analysing the required information from participants (Zikmund et al., 2010:56). A distinction can be made between two research criteria, namely qualitative and quantitative.

Qualitative research comprises gathering in-depth detailed information through research processes such as in-depth interviews, projective techniques and focus groups. Quantitative research involves the collection of primary data from large numbers of participants with the intention of projecting the results to a wider population. It seeks to quantify data by applying statistical analysis. The research findings are subjected to statistical manipulation to produce broadly representative data of the population and forecasts of the future events under different conditions (Patten & Bruce, 2014:19).

For this study a quantitative research method using a causal design was used to obtain the responses from participants.

3.3. SAMPLING

A sample is a subgroup of the population selected for participation in a study (Malhotra, 2004:314).

3.3.1. Population and sampling unit

Sampling design begins by specifying the target population, which should be defined specifically (Malhotra, 2004:315). The population is the larger pool of individuals from which the sampling elements are drawn and to which the findings can be generalised (Andres, 2012:93).

The population for this study included Metropolitan's entire individual, natural person, customers who visited one of the forty-two Metropolitan Customer Walk-in-Centres located throughout South Africa. Paragraph 1.3.4 defines a customer of Metropolitan for the study. The sampling frame is the list of customers recorded on the company database who visited one of the forty-two Metropolitan Customer Walk-in-Centres located throughout South Africa in the month of August 2016 and totalled 89 562 customers.

The sampling method applied to select a representative sample for the study was important for the research and will be explained in the following section.

3.3.2. Sampling method

The process of sampling involves any procedure using a small number of items or parts of the whole population to make conclusions regarding the whole population. A sample is a subset of the larger population. The method of selection may be based on a non-probability or a probability approach. Non-probability sampling relies on a sample that has not been selected using a random selection method. These strategies require the judgement of the researcher to select the sample (Andres, 2012:97; Bryman & Bell, 2014:171).

Probability samples select the sample using random selection. Whereby, each unit in the population has a known, non-zero probability of being included in the sample. A representative sample is more likely when this method of selection is used (Andres, 2012:103; Bryman & Bell, 2014:170). Non-probability sampling methods include: quota sampling, convenience sampling, judgement sampling and snow ball sampling. Probability sampling methods include: simple random sampling, systematic sampling, stratified random sampling and cluster sampling (Andres, 2012:101).

For this study a probability sampling method was used. Probability sampling is the most commonly associated method with survey-based research where you need to make inferences from the sample about a population to answer research questions or to meet set objectives (Du Plessis, 2010: 138). With this method, each element of the population, namely all the visitors to the Customer Walk-in-Centres has a known, non-zero chance of being included in the sample. This means that it is possible to answer research questions by estimating statistically the characteristics of the population from the sample (Saunders et al.'s, 2003:152).

The process of probability sampling can be divided into four stages (Saunders, Lewis & Thornhill, 2003:153):

- Identify suitable sampling frame based on research objectives;
- Select the most appropriate sampling technique and select the sample
- Decide on a suitable sample size;
- Check that the sample is representative of the population.

3.3.3. Sampling technique

There are basically five techniques that can be used during probability sampling. They are (Cant, Gerber-Nel, Nel & Kotze, 2005:168-175; Saunders et al.'s, 2003:159-169):

- Simple random sampling: With this type of sampling technique each element in the population has a known and equal chance of being selected in the sample. Every element is selected independently. An example of random sampling would be to place all the elements of a population in a container and draw the sample from this.
- Systematic sampling: During systematic sampling, the elements of the population are numbered from one to the number elements in the population. Before systematic sampling can be done, the population size must be divided by the sample size to determine an interval i.e. the answer will be rounded off to the nearest integer. If the population consists of 100 000 elements and a sample of 1 000 should be selected, then the interval will be $100\ 000 / 1\ 000 = 100$.
- Stratified sampling: Stratified sampling is a two-step process where the population is first divided into subgroups or strata. A stratum is a segment of the population that has one or more common characteristics. These strata should be mutually exclusive and collectively exhaustive. This means that each element should be included into only one sub group. This can be done with simple random sampling.
- Cluster sampling: With cluster sampling the population is divided into mutually exclusive and collectively exhaustive clusters or subgroups, after which certain clusters are selected in the sample. In this regard cluster sampling is exactly the opposite of stratified sampling because various clusters should be as homogenous or similar as possible. The elements of all the clusters will therefore have similar characteristics. The assumption is therefore made that any of the clusters selected in the sample will represent the clusters that are not selected in the sample.
- Two-and multi-stage sampling: This sampling technique is used to usually overcome problems with a geographically dispersed population when face-to-face contact is needed but would be too expensive. During this sampling technique, a sample is first drawn from the population for example the metropolitan areas in South Africa. From the sample, a second sample is then drawn, for example a specific residential area in a metropolitan area. Finally, sample can be drawn from that to focus only on a specific street in a residential area.

Insurance companies have well developed customer databases from which customers can be selected to survey (Hellier, Geursen, Carr & Rickard, 2003:1775). Kasunic (2005:24) believe when the population is a manageable size and can be enumerated, simple random sampling

is the most straightforward approach. Simple random sampling was used in this study to obtain a representative sample of the population. Computer assisted telephonic interviews (CATI) were conducted with randomly selected customers at each selected Customer Walk-in-Centre. If the customer did not want to take part in the research, the next willing customer was selected.

3.3.4. Sample size

Patten and Bruce (2014:65) conclude that the size of the sample relates to three key areas in a study. Firstly, to determine the statistical precision of the findings as well as being a function of change in the population parameters under study. Lastly, as an estimation of the quality that is needed by the researcher. Generally, larger samples result in more precise statistical findings (Patten & Bruce, 2014:65-66).

Israel (1992:1) suggests four approaches of determining the sample size for probability sampling, which include: using a census for small populations; imitating a sample size of similar studies; using published tables and applying formulas to calculate the sample size.

For this study a formula will be applied to calculate the sample size. Diamantopoulos and Schlegelmilch (2000:17) conclude that the level of precision and confidence level are important statistical considerations for calculating an appropriate sample size. Diamantopoulos and Schlegelmilch (2000:17-18) describes the desired level of precision as a measure of how close an estimate is to the actual characteristics of the population. Diamantopoulos and Schlegelmilch (2000:17-18) points out that the confidence level stipulates how confident the researcher is that the error tolerance does not exceed what was planned for in the precision specification.

Yamane provides a simplified formula to calculate the sample size for simple random sampling design, with a 5% level of precision and a 95% confidence level for the equation (Kasunic, 2005:30).

The formula for the equation is:

$$n = N \left(1 + \frac{e^2}{N} \right)$$

Where

n is the sample size

N is population size

e specifies the desired level of precision, where $e = 1 - \text{precision}$

Therefore, based on a 5% level of precision and a 95% confidence level the sample was determined from the 89 562 customers that visited a Metropolitan Customer Walk-in-Centre in August 2016. Using the calculation, a sample of 398 customers will be sampled for the study.

$$n = N \sqrt{1 + N(e)^2} = 89562 \sqrt{1 + 89562(.05)^2} = 398 \text{ customers}$$

3.4. DATA COLLECTION

The primary data was collected from the participants through a structured questionnaire administered through CATI. The secondary data was collected from books, journals and information on Internet websites. The secondary data collection was used to supplement the findings of the study.

3.4.1. Data gathering technique

The questionnaire was administered through a process of CATI, which uses a computerised questionnaire administered to participants by using the telephone. CATI entails that the interviewers typically sit in front of a computer screen and wear a headset, which substitutes a telephone. The computer replaces a paper and pencil questionnaire. Upon command, the computer dials the participant's telephone number and when contact is made the interviewer reads the posed question on the computer screen. This allowed the responses to be entered directly into the computer for interim and updated reports to be compiled instantaneously as the data is collected (Malhotra & Peterson, 2009:216).

The interviews were conducted by a team of agents that Metropolitan employs for marketing research. All telephone interviews were recorded electronically and listened-in by a full-time quality controller. Each agent participating in the interviewing process was continuously evaluated on the accuracy of their work, their professional conduct and their adherence to the requirements of the research objectives.

The value of CATI is also that the interviews could be conducted relatively quickly due to low travelling time. Furthermore, sample control is good and call-backs could be implemented. Lastly, the response rate to the calls made is good (Malhotra & Peterson, 2009:216). These components were quite important to the researcher considering his available resources and constraints.

However, CATI also has a few drawbacks. Interviewers can't use physical stimulus such as pictures and demonstrations, therefore questions are restricted to the spoken word. In addition, interviewers can't ask complex questions as they would be difficult to explain (Malhotra and Peterson, 2009:217). An online based survey using participants email addresses is a more cost-effective research approach, offering lower cost per participant than field surveys and telephonic interviews. However, a telephonic contact is considered a more appropriate method to minimise response bias (Easterby-Smith, Thorpe & Jackson, 2008:219).

3.4.2. Survey errors

Surveys offer quick, inexpensive, efficient and accurate ways of gathering information about the population or research objects. But when using surveys the researcher must minimise the common survey errors through; defining the population carefully, ensuring that the sample represents the population, selecting participants who can cooperate in the research. The participants must also understand the questions and interviewer must correctly understand and record the participants' responses (Cant et al.'s, 2005:89; Du Plessis, 2010:143). Three common potential sources of error in surveys are sampling error, response error and non-response error (Malhotra, 2004:89).

A sample error occurs when the researcher does not take care when the sample is drawn and the results of the sample consistently deviate from the values of the population (Cant et al.'s, 2005:91). In this study, a sample of 398 participants, selected randomly from all the Customer Walk-in-Centres in South Africa of Metropolitan was used to minimise sampling error.

Response errors occur when the interviewers influence the responses from participants by emphasising certain aspect or when the interviewer makes mistakes by indicating the wrong answer (Saunders et al.'s, 2003:156-157). Response errors were minimised by constructing Likert-type statements on the questionnaire from related literature and pre-testing the questionnaire with participants in the population. The use of the telephonic interview technique assisted in reducing response errors, because unclear questions were explained by the researcher to the participants.

Non-response errors occur when the results of the participants who participated in the research vary from what the results would have been if all the participants originally selected had participated in the research. Participants may wish not to participate because they do not have time or because they are just not interested (Churchill & Iacobucci, 2005:381).

The selected sample for this study was big enough to guarantee representativeness and the use of telephonic interviews improved the response rate as participants were willing to cooperate. Refusals were replaced by contacting other members of the population to ensure a total of 398 participants were interviewed. Data for the study at hand was obtained from the customers at the Customer Walk-in-Centres of Metropolitan in South Africa who were willing to complete the questionnaires.

3.5. QUESTIONNAIRE

Questionnaires are designed to basically achieve three goals (Du Plessis, 2010:120)

- To maximise the relevance and accuracy of the data collected;
- To maximise the participation and cooperation of the target participants and
- To facilitate the collection and analysis of the data.

The literature was used as a guideline for the development of the statements in the questionnaire (Appendix 1).

3.5.1. Questionnaire design

The questionnaire is the primary research instrument that was used in the study. A questionnaire is a data collection instrument used to gather primary data in survey based studies. A structured questionnaire consists of well-formulated questions and fixed response alternatives that are directly related to the research objectives (Du Plessis, 2010: 119).

The questionnaire contains fixed-alternative questions, which are questions where the participants are given specific limited alternative responses and asked to choose the one closest to their viewpoint (Ndubisi & Wah, 2005:547). The questionnaire used consisted of 27 adapted items (refer to Appendix 1) from previously tested questionnaires. There is enough similarity amongst the elements within the population to conclude that a few of the elements (the sample) will adequately represent the characteristics of the total population (Van der Wal, 2002:328). Therefore, screening questions were not necessary as the sample selected ensured the correct participants were being interviewed. No demographic questions were contained in the questionnaire as the demographic information of the customers is held on the company's database that the researcher has access to. The questionnaire is divided into three sections with each item measured by a seven-point Likert type scale.

Seven-point Likert scales are generally used for the following reasons (Du Plessis, 2010:120)

- They reduce the development of response bias amongst the participants;
- They evaluate attitudes, beliefs, opinions and perceptions;
- The use of a Likert scale makes the response items standard comparable amongst the participants
- The answers from the Likert statements are easy to code and analyse directly from the questionnaires

The scale used to measure perceived service quality was based on the SERVQUAL instrument developed by Parasuraman et al.'s (1988:39-40), however only the performance-based scale was used that ranged from "strongly disagree" (1) to "strongly agree" (7). Customer satisfaction can be measured as either a single-item scale or as a multi-item construct (Santouridis & Trivellas, 2010:332). Satisfaction, as a composite construct, was measured with three items using a seven-point rating scale, anchored by "very dissatisfied" (1) to "very satisfied" (7) based on Dimitriadis (2006:791) and Caruana (2000:827). The scale items for customer loyalty included the repurchase intention and the willingness to recommend the preferred provider to others, based on Zeithaml et al.'s (1996:38), using a scale ranging from "not at all likely" (1) to "very likely" (7).

3.5.2. Pre-testing of the questionnaire

Pre-testing refers to the procedure that involves a trial run with a group of participants to identify and eliminate potential problems in the survey design (Malhotra, 2004:301; Du Plessis, 2010:125). The questionnaire should be tested on a small sample of participants to identify and eliminate potential misinterpreted questions. The participants in the pre-test should be like those included in the actual survey. Pre-testing will identify problems with the questionnaire, as participants may think some questions are ambiguous or instructions on the questionnaire are too long and questions that should be included were left out (Malhotra, 2004:200).

The questionnaire was pre-tested in a pilot study with ten Metropolitan customers who visited the Customer-Walk-in-Centre in Cape Town. The pre-testing revealed that the average time for a participant to complete the survey was ten minutes. During the pre-test adjustments were made to the wording of three questions namely; overall satisfaction, recommendation and word of mouth. The face validity was also confirmed as the testing revealed that the questionnaire's statement tested the required items to ensure that the objectives of the study will be met.

3.6. DATA ANALYSIS

During the analysis phase several interrelated procedures are performed to summarise and rearrange data. Important part of analysis includes editing and coding as well as processing of data (Zikmund et al.'s, 2010:70).

3.6.1. Coding the data

Coding refers to the process of assigning a code or symbol, preferably a number to each possible answer to a question. The purpose of coding is to transform the participant's answers to the survey questions into codes or symbols that can easily be entered and read by a statistical analysis software package (Cooper & Schindler, 2008:416). The items in the questionnaire have been pre-coded to obtain the data directly from the questionnaire (see Appendix 1).

3.6.2. Processing the data

As highlighted in Chapter one the statistical package software, Statistical Package for Social Science (SPSS) AMOS version 24 used by the University of the Western Cape was used with the processing and statistical analysis of the data. The processing of the data involved assessing the validity and reliability of the questionnaire as well as the inter-relationships among the constructs.

The following sections details the methodology for the processing of the data.

3.6.2.1. Validity of the questionnaire

The extent to which a measure is free from both systematic and random error indicates the validity of the measure. Validity addresses the questions of whether what was attempted to be measured was measured (Zikmund et al.'s, 2010:307; Patten & Bruce, 2014:69). Validity can be defined as the extent to which differences in observed scale scores reflect the true difference between objects on the characteristics being measured rather than systematic or random errors (Patten & Bruce, 2014:69).

Construct validity evaluates an instrument's ability to evaluate the constructs that it is supposed to measure (Cooper & Schindler, 2008:291). Convergent and discriminant validity are two components that are used to evaluate construct validity. Convergent validity requires that concepts that should be related are indeed related and discriminant validity appraises how distinct the concepts are (Zikmund et al.'s, 2010:308).

Factor analysis was performed to assess the convergent and discriminant validity of the questionnaire. Pallant (2013:188) explains factor analysis is a statistical technique that is used to identify a relatively small number of factors to represent the relationship among sets of interrelated variables and is useful in condensing a mass of correlations or summarising a large correlation matrix. The number of factors that emerge from a set of items is a measure of whether these items reside in a single underlying dimension. Factor analysis can, therefore indicate whether the underlying items provide a single factor (Pallant, 2013:188).

Factor analysis usually involves three steps. Step 1 comprises the assessment of the suitability of the data for factor analysis. Step 2 involves the extraction of the initial factors and step 3 includes the rotation of the factors to obtain a clear picture of the factor content (Pallant, 2013:191).

3.6.2.2. Reliability of the questionnaire

Reliability tests whether the questionnaire will measure the same thing more than once and result in the same outcome every time (Rootman, 2006:124). The reliability of a measurement scale used in a survey questionnaire can be assessed by determining the association between the scores from different administrations of the scale. If the associations are high the scale produces consistent results and is therefore regarded as a reliable measure (Malhotra, 2004:267; Patten & Bruce, 2014:83).

The reliability measurement for this study was the internal consistency reliability test. This approach compares different samples of the items being used to measure a phenomenon during the same period. This can be done by means of a split-half reliability test also known as the coefficient alpha or Cronbach's alpha. The result of the Cronbach alpha that exceeds 0.60 will reflect the higher level of acceptability (Pallant, 2013:101). Reliability tests whether the questionnaire will measure the same thing more than once and result in the same outcome (Ndubisi & Wah, 2005:551).

3.6.2.3. Structural modelling of the causal nature of the variables

Byrne (2010:3) declares structural equation modelling (SEM) as a statistical methodology that takes a hypothesis-testing approach to test causal relationships among variables. SEM is valuable in inferential data analysis and hypothesis testing where patterns of inter-relationships among constructs are specified a priori and grounded in established theory (Byrne, 2010:3).

As discussed, in section 1.10 SEM analysis was performed to establish the relationships hypothesised in this study between the exogenous variable, service quality and the endogenous variables, customer satisfaction and customer loyalty. Within the context of structural modelling, exogenous variables represent those constructs that exert an influence on other constructs under study and are not influenced by other factors in the quantitative model. Those constructs identified as endogenous are affected by exogenous and other endogenous variables in the model (Byrne, 2010:4).

3.7. CONCLUSION

Research methodology was discussed in this chapter. The chapter deliberated the scope of the survey, the sampling method and the organisation of the survey. The editing, coding and processing of data and the statistical analysis used for the data analyses were discussed. The reliability of the results was also debated in the chapter. The chapter discussed the errors that could affect the validity of the results and the techniques that were used to minimise them.

The next chapter will discuss the research results and will concentrate on the responses of the participants to the statements in the questionnaire.



CHAPTER 4

RESEARCH RESULTS

4.1 INTRODUCTION

The purpose of this chapter is to present the analysis and interpretation of the data that was collected from the 398 participants that completed the structured questionnaires through the CATI. The findings from the empirical investigation will be reported based on an evaluation of the conceptual model.

4.2 DEMOGRAPHIC DATA

As mentioned in section 3.5.1 no demographic questions were contained in the questionnaire as the demographic information of the customers is held on the company's database that the researcher has access to. This section will discuss the demographics of the participants in the study.

Table 4.1 below depicts the gender of the participants.

Table 4.1: Gender of Participants

Gender	Frequency	Percentage
Female	172	43.2
Male	226	56.8
Total	398	100

Table 4.1 above illustrates most (56.8%) of the participants were male.

Table 4.2 below describes the population group of the participants.

Table 4.2: Population Group of Participants

Population group	Frequency	Percentage
Black	371	93.2
Asian	1	0.3
Coloured	26	6.5
Total	398	100

Table 4.2 above reveals most, 93.2% of the participants were from the Black population group. The balance of the participants consisted of Asian (0.3%) and Coloured (6.5%).

Table 4.3 below illustrates the age of the participants.

Table 4.3: Age of Participants

Age	Frequency	Percentage
Between 18 and 25 years' old	8	2.0
Between 26 and 35 years' old	105	26.4
Between 36 and 45 years' old	159	39.9
Between 46 and 55 years' old	85	21.4
Between 56 and 65 years' old	38	9.5
Older than 65 years	3	0.8
Total	398	100

Table 4.3 above reveal that many, 39.9% of the participants belonged to the 36 to 45-year-old age group. The smallest percentage, (0.8%) of participants belonged to the older than 65-year-old age group.

Table 4.4 below depicts the education level of the participants.

Table 4.4: Education Level of Participants

Education level	Frequency	Percentage
Some primary schooling	1	0.3
Complete primary schooling/ passed grade 7	6	1.5
Some secondary schooling	23	5.8
Complete secondary schooling/ passed grade 12	166	41.7
Graduate (Degree or Diploma)	173	43.5
Post graduate (Degree or Diploma)	29	7.3
Total	398	100

Table 4.4 above illustrates the participants' level of education is high, with 43.5% having graduated with a degree or diploma qualification. 41.7% had a Grade 12 qualification and were the second largest percentage of participants. Only 7.6% of the participants possessed an education level less than Grade 12.

Table 4.5 below portrays the marital status of the participants.

Table 4.5: Marital Status of Participants

Marital status	Frequency	Percentage
Co-habiting (living together, not married)	15	3.8
Divorced	17	4.3
Married	192	48.2
Separated	9	2.3
Single	140	35.2
Widow/er	25	6.3
Total	398	100

Table 4.5 above reveals most, 48.2% of the participants are married or single (35.2%) and separated (2.3%).

Table 4.6 below illustrates the employment status of the participants.

Table 4.6: Employment Status of Participants

Employment status	Frequency	Percent
Employed (full time)	358	89.9
Employed (part time)	9	2.3
Pensioner/Retired	22	5.5
Self-employed (full time)	7	1.8
Unemployed	2	0.5
Total	398	100

Table 4.6 above demonstrates the majority, 89.9% of the participants were employed full time. The smallest percentage, 0.5% of participants are unemployed.

Table 4.7 below reveals the personal income of the participants.

Table 4.7: Personal Income of Participants

Monthly personal income	Frequency	Percentage
Less than R15 000	223	56
R15 000 - R15 999	46	11.6
R16 000 - R16 999	10	2.5
R17 000 - R17 999	18	4.5
R18 000 - R18 999	15	3.8
R19 000 - R19 999	18	4.5
R20 000 - R24 999	37	9.3
R25 000 - R29 999	15	3.8
R30 000 - R39 999	10	2.5
R40 000 - R49 999	3	0.8
R70 000 - R79 999	3	0.8
Total	398	100

Table 4.7 above illustrates most, 56% of the participants earned a monthly personal income of less than R15 000. The smallest percentage, 1.5% of participants earned a monthly personal income of R 40 000 – R79 999.

4.3 VALIDITY OF THE QUESTIONNAIRE

As referred to, in section 3.6.2.1 the validity of the questionnaire was assessed using factor analysis. The validity of the questionnaire refers to the extent to which a measure or set of measures correctly represents the concept of the study. It is concerned with how well the concept is defined by the measures (Zikmund et al., 2010:307). This section will discuss the interpretation and findings of the factor analysis as well as the assessment of the discriminant and convergent validity.

Through the Anti-Image Correlation Matrix, the sampling adequacy was confirmed.

The Anti-Image Correlation values are presented in Table 4.8 below.

Table 4.8: Anti-Image Correlation Matrix

Construct	Code	Item	Anti-image correlation value
Service Quality			
Assurance	ASSUR1	You can trust employees of Metropolitan	.985 (a)
	ASSUR2	You can feel safe in your transactions with Metropolitan employees	.979 (a)
	ASSUR3	Employees of Metropolitan are polite	.983 (a)
	ASSUR4	Employees get adequate support from Metropolitan to do their jobs well	.983 (a)
Empathy	EMPAT1	Metropolitan gives you individual attention	.973 (a)
	EMPAT2	Employees of Metropolitan give you personal attention	.979 (a)
	EMPAT3	Employees of Metropolitan know what your needs are	.973 (a)
	EMPAT4	Metropolitan has your best interests at heart	.960 (a)
	EMPAT5	Metropolitan has operating hours convenient to all their customers	.978 (a)
Reliability	RELIAB1	When Metropolitan promises to do something by a certain time, it does so	.943 (a)
	RELIAB2	When you have problems, Metropolitan is sympathetic and reassuring	.983 (a)
	RELIAB3	Metropolitan is dependable	.965 (a)
	RELIAB4	Metropolitan provides its services at the time it promises to do so	.960 (a)
	RELIAB5	Metropolitan keeps its records accurately	.962(a)
Responsiveness	RESPO1	Metropolitan tells customers exactly when services will be performed	.963 (a)
	RESPO2	You receive prompt service from Metropolitan employees	.975 (a)
	RESPO3	Employees of Metropolitan are always willing to help customers	.973 (a)
	RESPO4	Employees of Metropolitan are not too busy to respond to customer requests promptly	.969 (a)
Tangibles	TANG1	Metropolitan has up-to-date equipment	.956 (a)
	TANG2	Metropolitan's physical facilities are visually appealing	.961 (a)
	TANG3	Metropolitan's employees are well dressed and appear neat	.940 (a)
	TANG4	The appearance of the physical facilities of Metropolitan is in keeping with the type of service provided	.960 (a)
Satisfaction	SAT1	Based on all your experiences, your overall satisfaction with Metropolitan	.975 (a)
	SAT2	Metropolitan always fulfills your expectations	.976 (a)
	SAT3	Compared to the other life insurance companies you have done business with	.966 (a)
Loyalty	LOY1	How likely are you to buy your next life insurance policy from Metropolitan?	.977 (a)
	LOY2	How likely are you to recommend Metropolitan to family and friends?	.965 (a)

Note: (a) = Measures of Sampling Adequacy (MSA)

Table 4.8 reveals that the sampling was adequate as all values on the diagonal were greater than 0.70 (Du Plessis, 2010:130).

Ho (2006:204) suggests confirmatory factor analysis (CFA) as the appropriate extraction method to test the probability that a hypothesised factor structure is supported or confirmed by the data.

The statistical software SPSS AMOS version 24 was used to perform the CFA analysis using Maximum Likelihood (ML) estimation as the extraction method. To assess the overall fit of the model to the data the Ratio of χ^2 (chi-square) to *df* (degrees of freedom) fit test was utilised. However, because of the sensitivity of χ^2 to sample size, three other indices are also included to assess the model fit; Root Mean Square Error of Approximation (RMSEA), Incremental Fit Index (IFI) and Comparative Fit Index (CFI). Byrne (2010:79-80) advises acceptable model fits are indicated by a:

- Ratio of χ^2 to *df* less than 4
- IFI and CFI values are equal to or exceeding 0.95
- RMSEA values below 0.08

Table 4.9 below depicts the model fit indices of the confirmatory factor analysis.

Table 4.9: Confirmatory Factor Analysis Model Fit Indices

Ratio of χ^2 to <i>df</i> (χ^2/df)	RMSEA	IFI	CFI
4 (1344/303)	0.09	0.89	0.89

As can be seen in Table 4.9 above all the fit indices indicated that the fit of the model with the data is not adequate; for a Ratio of χ^2 to *df* = 4 with its value not less than 4; IFI = 0.89 and CFI = 0.89 both not exceeding the recommended level of 0.95 and RMSEA = 0.09 with its value not less than 0.08.

Byrne (2010:89) argues when a model needs to be re-specified or re-estimated the analysis becomes framed within an exploratory rather than a confirmatory approach. Therefore, an exploratory factor analysis (EFA) was used to determine the factor structure of the data.

EFA utilising the Varimax with Kaiser Normalisation was performed to assess the construct validity of the questionnaire. Validity was also confirmed by conducting the Kaiser-Meyer Olkin

(KMO) and Bartlett's test of sphericity. Bartlett's test of sphericity and the KMO measure of sampling adequacy are two statistical measures that are used to help assess the factorability of the data (Pallant, 2013:190). Through these tests all the items on the questionnaire illustrating a significant rating less than 0.05 will indicate the validity of the questionnaire as a research instrument (Du Plessis:2010:127).

The 27 items of the questionnaire (Appendix 1) were subjected to a Maximum Likelihood (ML) factor extraction method and the Varimax rotation with Kaiser Normalisation using SPSS AMOS version 24. Pallant (2013:191) argue Kaiser Criterion as one of the most commonly used techniques to assist in the decision concerning the number of factors to retain. Using this rule, only factors with an eigenvalue greater than 1 are retained for further investigation. After considering several different solutions (6 factor rotations) 21 items of the questionnaire loaded onto five distinct factors, explaining 77.06% of the variance in the data. Therefore, the most interpretable factor solution was a five-factor solution (refer to Appendix 2).

Appendix 2 illustrates that the items which loaded on factors to which they did not originally belong were reassigned. This decision is consistent with what has been performed in the studies of Parasuraman et al.'s (1988:20) and Olorunniwo et al.'s (2006:65).

Table 4.10 below displays the six items that did not demonstrate sufficient discriminant validity because of cross-loadings greater than 0.4 on more than one factor (Olorunniwo et al.'s, 2006:64).

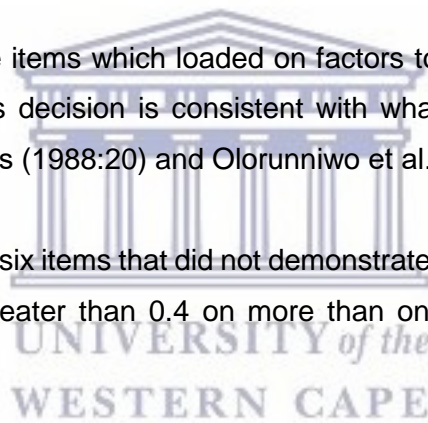


Table 4.10: Factor Loadings

Code	Statement	Factor 1	Factor 2	Factor 3
TANG4	The appearance of the physical facilities of Metropolitan is in keeping with the type of service provided	.469	.449	
RELIAB2	When you have problems, Metropolitan is sympathetic and reassuring	.676		.437
RESPO4	Employees of Metropolitan are not too busy to respond to customer requests promptly	.620	.464	
ASSUR1	You can trust employees of Metropolitan	.480		.467
ASSUR2	You can feel safe in your transactions with Metropolitan employees	.578	.436	
ASSUR3	Employees of Metropolitan are polite	.682		.440

Consequently, these items were dropped and deleted from any further analysis.

The results in Appendix 2 also revealed that the five dimensions of service quality proposed by Parasuraman et al.'s (1988:30) could not be replicated. The service quality items used from the initial SERVQUAL loaded onto three distinct factors explaining 69.45% (refer to Appendix 2) of the variance in the data. In similar findings by Parasuraman et al.'s (1994:211) and Caruana (2000:819) the responsiveness, assurance and empathy item melded into one factor and the factors for tangibles and reliability were produced. Therefore, the results of the three distinct service quality factors are in line with these findings and will be used in this study.

In another study by Dabholkar, Shepherd and Thorpe (2000:169) the melded factor of the responsiveness, assurance and empathy items formed a factor called personal attention. This naming will also be used in this study. The items of customer satisfaction and customer loyalty loaded onto the hypothesised factors hence the naming will be retained.

The factor loadings (refer to Appendix 2) of item RESPO1 (told when services performed) may indicate that customers regard being told when they will receive assistance from Metropolitan employees an indicator of Metropolitan providing customers personal attention. The inclusion of item RESPO2 (prompt service) may be an indication that customers regard receiving prompt service from Metropolitan employees as an indicator of Metropolitan providing customers personal attention. The inclusion of item RESPO3 (willingness to help) may be an indication that customers regard the willingness of Metropolitan employees to always be helpful as an indicator Metropolitan providing customers personal attention.

The inclusion of item EMPAT1 (individual attention) may indicate that customers regard receiving individual attention from Metropolitan as an indicator of Metropolitan providing

customers personal attention. The inclusion of item EMPAT2 (personal attention) may indicate that customers regard getting personal attention from Metropolitan employees as an indicator of Metropolitan providing customers personal attention.

The inclusion of item EMAPT3 (know what your needs are) may be an indication that customers regard Metropolitan employees knowing what their needs are as an indicator Metropolitan providing customers with personal attention. The inclusion of item ASSUR1 (trust employees) may indicate that customers regard being able to trust Metropolitan employees as an indicator of Metropolitan providing customers personal attention.

The factor loadings in Appendix 2 of item TANG1 (up-to-date-equipment) may be an indication that customers regard Metropolitan having up-to-date-equipment as an indicator of the tangible infrastructure needed by Metropolitan to provide customers insurance advice and support. The inclusion of item TANG2 (visually appealing physical facilities) may be an indication that customers regard Metropolitan having visually appealing physical facilities as an indicator of the tangible infrastructure needed by Metropolitan to provide customers with financial advice and support.

The inclusion of item TANG3 (well-dressed employees) may be an indication that customers regard Metropolitan employees as being well dressed and having a neat appearance as an indicator of the tangible infrastructure needed by Metropolitan to provide customers with financial advice and support. From the inclusion to tangibles (refer to Table 4.14) of item EMPAT5 (convenient operating hours) may be an indication that customers regard Metropolitan having operating hours convenient to all their customers as an indicator of the tangible infrastructure needed by Metropolitan to provide customers with financial advice and support. The inclusion of item RELIAB5 (accurate records) may be an indication that customers regard Metropolitan keeping its records accurately as an indicator of the tangible infrastructure needed by Metropolitan to provide customers with financial advice and support.

The factor loadings in Appendix 2 of item RELIAB1 (do something by a promised time) may be an indication that customers regard when Metropolitan promises to do something by a certain time, it does so as an indicator of the reliability of Metropolitan. The inclusion of item RELIAB3 (dependable) may be an indication that customers regard when Metropolitan is dependable as an indicator of the reliability of Metropolitan. The inclusion of item EMPAT4 (has your best interest at heart) may be an indication that customers regard when Metropolitan has their best interest at heart as an indicator of the reliability of Metropolitan.

The factor loadings in Appendix 2 of item SAT1 (overall satisfaction) may be an indication that based on all their experiences, their overall satisfaction with Metropolitan is an indicator of their satisfaction with Metropolitan. The inclusion of item SAT2 (expectations fulfilled) may be an indication that when Metropolitan always fulfils their expectations is an indicator of their satisfaction with Metropolitan. The inclusion of item SAT3 (other life insurance companies) may be an indication that customers compare Metropolitan to other life insurance companies the customer have done business with as an indicator of their satisfaction with Metropolitan.

The factor loadings in Appendix 2 of item LOY1 (buy the next life insurance policy) may be an indication of how likely the customer is to buy their next life insurance policy from Metropolitan and an indicator of their loyalty towards Metropolitan. The inclusion of item LOY2 (recommend to family and friends) may be an indication that how likely the customer is recommend Metropolitan to family and friends and an indicator of their loyalty towards Metropolitan.

A factor analysis can also be performed to assess the discriminant validity of the questionnaire (Rootman, 2006:128). Appendix 2 reflects the rotated factor analysis results and illustrates the significant factor loadings above the minimum level of 0.4 demonstrating the convergent validity of the questionnaire statements (Edward & Sahadev, 2011:336).

As mentioned in section 3.6.2.1 KMO and Bartlett's test was also used to assess the validity of the questionnaire.

Table 4.11 below indicates the results of the KMO and Bartlett's test.

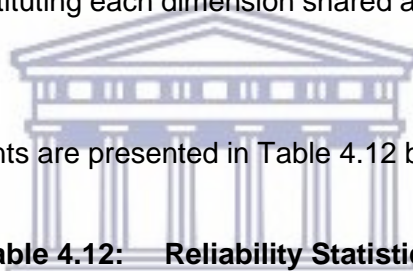
Table 4.11 KMO and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.964
Bartlett's Test of Sphericity	Approx. Chi-Square	7559.860
	df	231
	Sig.	0.000

Table 4.11 above indicates the validity of the questionnaire at a significant level of 0.000. The KMO value was 0.964 exceeding the recommended value of 0.6 (Pallant, 2013:190).

4.4 RELIABILITY OF THE QUESTIONNAIRE

As discussed in section 3.6.2.2 Cronbach Alpha coefficient scores were calculated to assess the internal reliability of the questionnaire. Because of the multidimensionality of the service quality construct, coefficient alphas were computed separately for the dimensions to ascertain the extent to which items constituting each dimension shared a common score (Parasuraman et al.'s, 1988:19).



The Cronbach Alpha coefficients are presented in Table 4.12 below.

Table 4.12: Reliability Statistics

Construct	Number of items	Cronbach's Alpha
Personal Attention	8	0.94
Tangibles	5	0.87
Reliability	3	0.90
Customer Satisfaction	3	0.87
Customer Loyalty	2	0.85

Table 4.12 above illustrates the Cronbach Alpha coefficient scores with a value greater than 0.70 (Pallant, 2013:101) were recorded for each of the five factors. The questionnaire can therefore be considered as reliable.

4.5 RESPONSES TO THE QUESTIONNAIRE

This section is based on the findings from the participants' responses to the statements in the questionnaire.

The responses to the statements of the construct personal attention are presented in Table 4.13 below. The mean scores of the different statements regarding personal attention have been arranged from most important to least important.

Table 4.13: Personal Attention Results

Statement	Total	1	2	3	4	5	6	7	Mean	Std. Deviation
Employees of Metropolitan give you personal attention	398	6		7	29	16	109	231	6.27	1.18
	100%	1.5%		1.8%	7.3%	4%	27.4%	58%		
Employees of Metropolitan are always willing to help customers	398	4	2	11	29	24	115	213	6.18	1.20
	100%	1%	0.5%	2.8%	7.3%	6%	28.9%	53.5%		
You receive prompt service from Metropolitan employees	398	4	2	10	30	29	124	199	6.13	1.19
	100%	1%	0.5%	2.5%	7.5%	7.3%	31.2%	50%		
Employees of Metropolitan know what your needs are	398	6	3	12	39	27	119	192	6.02	1.31
	100%	1.5%	0.8%	3%	9.8%	6.8%	29.9%	48.2%		
Metropolitan gives you individual attention	398	9	3	17	46	32	105	186	5.88	1.44
	100%	2.3%	0.8%	4.3%	11.6%	8%	26.4%	46.7%		
Metropolitan tells customers exactly when services will be performed	398	12	4	12	50	32	129	159	5.79	1.46
	100%	3%	1%	3%	12.6%	8%	32.4%	39.9%		

Table 4.13 above illustrates that the mean scores of the different statements are well over 5 on the seven-point scale illustrating that most participants believe personal attention is an important construct for a relationship with Metropolitan. Specifically, employees should give customer's personal attention (6.27); always being willing to help customers (6.18); giving prompt service (6.13) and knowing what the customer's needs are (6.02).

The responses to the statements of the construct tangibles are presented in Table 4.14 below. The mean scores of the different statements regarding tangibles have been arranged from most important to least important.

Table 4.14: Tangibles Results

Statements	Total	1	2	3	4	5	6	7	Mean	Std. Deviation
Metropolitan employees are well dressed and appear neat	398	5	3	11	34	19	114	212	6.14	1.26
	100%	1.3%	0.8%	2.8%	8.5%	4.8%	28.6%	53.3%		
Metropolitan's physical facilities are visually appealing	398	5	2	13	27	32	120	199	6.10	1.24
	100%	1.3%	0.5%	3.3%	6.8%	8%	30.2%	50%		
Metropolitan has up to date equipment	398	5	1	16	32	36	115	193	6.04	1.27
	100%	1.3%	0.3%	4%	8%	9%	28.9%	48.5%		
When Metropolitan promises to do something by a certain time it does so	398	6	5	13	27	38	142	167	5.96	1.29
	100%	1.5%	1.3%	3.3%	6.8%	9.5%	35.7%	42%		
Metropolitan has operating hours convenient to all their customers	398	5	2	16	54	34	101	186	5.91	1.36
	100%	1.3%	0.5%	4%	13.6%	8.5%	25.4%	46.7%		

Table 4.14 above illustrates that the mean scores of the different statements are well over 5 on the seven-point scale illustrating that most participants believe tangibles is an important construct for a relationship with Metropolitan. Specifically, that Metropolitan employees should be well dressed and appear neat (6.14); the physical facilities should be visually appealing (6.10) and the Customer-Walk-in-Centre should have up to date equipment (6.04).

The responses to the statements of the construct reliability are presented in Table 4.15 below. The mean scores of the different statements regarding reliability have been arranged from most important to least important.

Table 4.15: Reliability Results

Statements	Total	1	2	3	4	5	6	7	Mean	Std. Deviation
When Metropolitan promises to do something by a certain time it does so	398	6	5	13	27	38	142	167	5.96	1,29
	100%	1.5 %	1.3 %	3.3%	6.8%	9.5%	35.7 %	42%		
Metropolitan has your best interests at heart	398	7	3	15	35	34	137	167	5.93	1.33
	100%	1.8 %	0.8 %	3.8%	8.8%	8.5%	34.4 %	42%		
Provides services at the time it promises to do so	398	12	3	24	42	28	120	169	5.78	1.51
	100%	3%	0.8 %	6%	10.6 %	7%	30.2 %	42.5 %		

Table 4.15 above illustrates that the mean scores of the different statements are well over 5 on the seven-point scale illustrating that most participants believe reliability is an important construct for a relationship with Metropolitan.

The responses to the statements of the construct customer satisfaction are presented in Table 4.16 below. The mean scores of the different statements regarding customer satisfaction have been arranged from most important to least important.

Table 4.16: Customer Satisfaction Results

Statement	Total	1	2	3	4	5	6	7	Mean	Std. Deviation
Based on all your experiences your overall satisfaction with Metropolitan	398	4	1	13	28	25	139	188	6.11	1.18
	100%	1%	0.3%	3.3%	7%	6.3%	34.9%	47.2 %		
Metropolitan always fulfils your expectations	398	6		9	50	42	136	155	5.89	1.25
	100%	1.5%		2.3%	12.6 %	10.6 %	34.2%	38.9 %		
Compared to the other life insurance companies you have done business with	398	5	6	13	60	46	128	140	5.71	1.36
	100%	1.3%	1.5%	3.3%	15.1 %	11.6 %	32.2%	35.2 %		

Table 4.16 above illustrates that the mean scores of the different statements are well over 5 on the seven-point scale illustrating that most participants are satisfied with their interactions with Metropolitan. Specifically, the customer’s overall satisfaction (6.11).

The responses to the statements of the construct customer loyalty are presented in Table 4.17 below. The mean scores of the different statements regarding customer loyalty have been arranged from most important to least important.

Table 4.17: Customer Loyalty Results

Statements	Total	1	2	3	4	5	6	7	Mean	Std. Deviation
How likely are you to recommend Metropolitan to family and friends	398	5	1	10	30	43	125	184	6.06	1.21
	100%	1.3%	0.3%	2.5%	7.5%	10.8%	31.4%	46.2%		
How likely are you to buy your next life insurance policy from Metropolitan	398	15	1	15	48	34	127	158	5.76	1.50
	100%	3.8%	0.3%	3.8%	12.1%	8.5%	31.9%	39.7%		

Table 4.17 above illustrates that the mean scores of the different statements are well over 5 on the seven-point scale clearly demonstrating most participants are loyal to Metropolitan. Specifically, that customers are likely to recommend Metropolitan to family and friends (6.06).

4.6 THE NATURE OF THE QUALITY-SATISFACTION-LOYALTY RELATIONSHIP

With the knowledge of the unidimensional nature of the constructs confirmed through EFA and the relatively high factor loading results reflected in Appendix 2, indicating the evidence of convergent and discriminant validity, the last stage of the analysis was undertaken with structural equation modelling (SEM) retaining these constructs.

The same model fit indices used in the CFA were evaluated to assess the structural model fit to the data using the Ratio of χ^2 to *df*, IFI, CFI and the RMSEA because of the robustness, stability and lack of sensitivity to sample size (Byrne,2010:79).

The model fit indices of the SEM are presented in Table 4.18 below.

Table 4.18: Structural Equation Modelling Model Fit Indices

Ratio of X^2 to df (X^2/df)	RMSEA	IFI	CFI
3 (438/164)	0.07	0.96	0.96

As can be seen in Table 4.18 above all the fit indices indicated that the proposed model exhibits a reasonably good fit to the data; for a Ratio of X^2 to $df = 3$ with its value less than 4; IFI = 0.96 and CFI = 0.96 both exceed the recommended level of 0.95 that represents a reasonable fit and RMSEA = 0.07 with its value less 0.08 represents a reasonable fit.

The regression paths are significant when the p-value is less than 0.001, the path coefficients (β) greater than 0.6 and the t-value greater than 2 (Durvusula et al.'s, 2004:322).

In Table 4.19 below the regression paths results of the study are presented.

Table 4.19: Test of Hypotheses

Hypotheses	β	t-value	p-value	R^2	Significance
H ₁ : SQ – CS	0.93	12.16	****	0.84	Accepted
H ₂ : SQ – CL	-1.93	-1.36	0.17		Not accepted
H ₃ : CS – CL	1.15	7.52	****	0.95	Accepted

Note: **** indicates $p_{\text{-value}} < 0.001$

SQ = service quality; CS = Customer satisfaction; CL = Customer loyalty

The results from Table 4.19 above support the relationship between service quality and customer satisfaction and the relationship is statistically significant (i.e. $p_{\text{-value}} < 0.001$, $\beta = 0.93$, $t_{\text{-value}} = 12.16$), therefore H₁ as on page 6 is accepted illustrating that service quality has a positive impact on customer satisfaction. Table 4.19 above indicates that service quality explained 84% of the variance (R^2) in customer satisfaction. Therefore, it can be said that 84% of a possible change in the level of customer satisfaction at Metropolitan is caused by perceived service quality.

Although a positive relation between service quality and customer loyalty was expected, the path between service quality and customer loyalty was not significant (i.e. $p_{\text{-value}} > 0.001$, $\beta = -1.93$, $t_{\text{-value}} = -1.36$). Therefore, H₂ as on page 6 is not accepted. However, the results (refer to Table 4.19) nonetheless illustrate that service quality has an indirect effect on customer loyalty via customer satisfaction as satisfaction positively influences customer loyalty (i.e. $p_{\text{-value}} <$

0.001, $\beta = 1.15$, $t_{\text{value}} = 7.52$). Therefore, H_3 as on page 6 is accepted. Table 4.19 indicates that customer satisfaction explained 95% of the variance (R^2) in customer loyalty. Therefore, it can be said that 95% of a possible change in the level of customer loyalty at Metropolitan is caused by customer satisfaction.

Table 4.20 below illustrates the hypotheses results summarised.

Table 4.20: Summary of Hypotheses Results

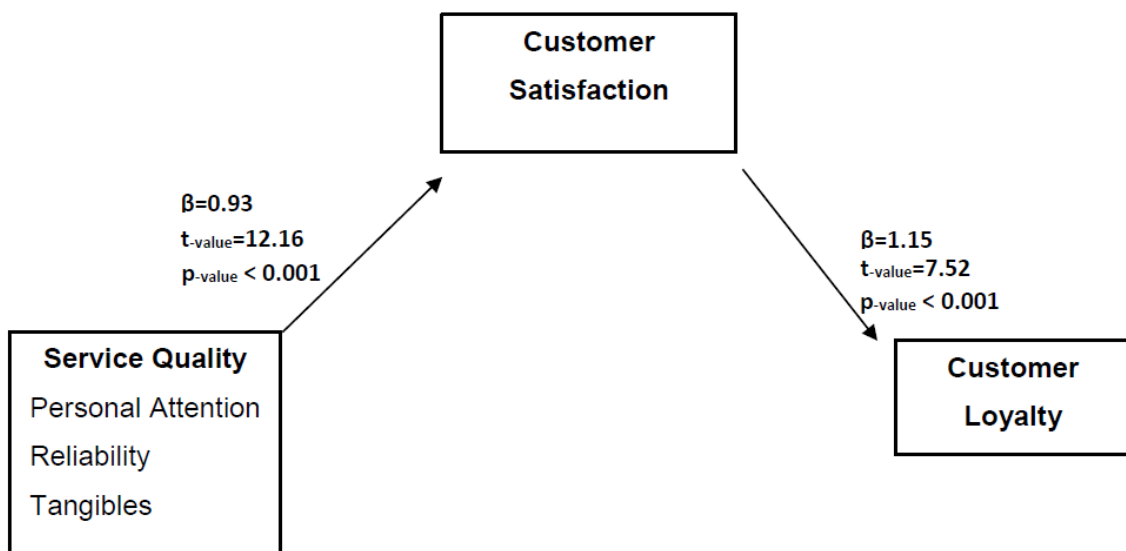
Hypothesis	Statement	Significance
H ₁	Perceived service quality has a positive effect on customer satisfaction in the context of insurance services.	Accepted
H ₂	Perceived service quality has a positive effect on customer loyalty in the context of insurance services.	Not accepted
H ₃	Customer satisfaction has a positive effect on customer loyalty in the context of insurance services.	Accepted

Table 4.20 above illustrates that three of the three hypotheses that are specified in section 1.6 and depicted in the conceptual model Figure 1.1 are accepted.

4.7 EMPIRICAL MODEL

The empirical model based on the findings is presented in Figure 4.1 below.

Figure 4.1: Modified Empirical Model



Source: Developed for this study

The p-values, coefficients and t-values (refer to Table 4.19) of the different variables illustrated in the above model indicate the extent of the influence of each variable on the other. The

findings of the empirical model specify that there is a significant positive relationship between perceived service quality and customer satisfaction. Therefore, H₁ is accepted.

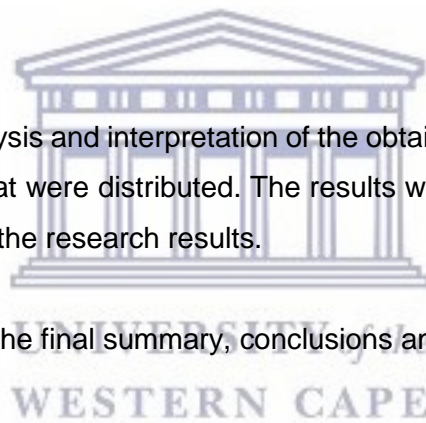
The empirical findings revealed that there is no significant relationship between perceived service quality and customer loyalty at the customer Walk-in Centres of Metropolitan in South Africa, therefore H₂ is not accepted. A significant positive relationship also exists between customer satisfaction and customer loyalty, therefore H₃ is accepted.

The results support a satisfaction-loyalty model in the context of Metropolitan in South Africa, meaning that service perceptions influence loyalty through the customer's overall satisfaction with Metropolitan as opposed to directly influencing loyalty (Juntunen & Grant, 2010:505). Thus, the relationship between perceived service quality and customer loyalty is completely moderated by customer satisfaction at the Customer Walk-in Centres of Metropolitan in South Africa.

4.8 CONCLUSIONS

This chapter covered the analysis and interpretation of the obtained data from the participants through the questionnaires that were distributed. The results were summarised in tables and figures to provide a picture of the research results.

The next chapter will provide the final summary, conclusions and recommendations.



CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter will firstly present a summary of the research and the acceptability of the empirical model. Conclusions from the empirical findings of the conceptual model will form the basis of this chapter. Various recommendations that follow from these conclusions will be made to assist Metropolitan in their service provision.

This chapter will conclude with the limitations of the study and possible areas for future research.

5.2 SUMMARY OF THE STUDY

The main objective formulated in section 1.5 was to establish the nature of the relationship between perceived service quality, customer satisfaction and customer loyalty at Metropolitan in South Africa.

A conceptual model was developed (Figure 1.1) that specified customer loyalty as the dependent variable that is influenced or predicted by the independent variables, the perception of service quality and customer satisfaction. The conceptual model hypothesised that perceived service quality positively influenced customer loyalty directly and via customer satisfaction. In addition, customer satisfaction also positively influenced customer loyalty. However, the findings of the empirical model (Figure 4.1) revealed that perceived service quality influences customer loyalty only indirectly via customer satisfaction and a positive relationship exists between customer satisfaction and customer loyalty.

5.3 ACCEPTABILITY OF THE EMPIRICAL MODEL

The statistical software SPSS Amos version 24 was used to evaluate the conceptual model by means of various statistical test. Factor analysis using Maximum likelihood (ML) estimation was used in the various steps of the procedure to evaluate the conceptual model. The results (refer to Appendix 2) revealed that five distinct factors were identified through the exploratory factor analysis as opposed to the seven factors in the conceptual model. The reliability of the questionnaire was also tested by means of SPSS AMOS version 24. The Cronbach Alpha

reliability coefficients of the measuring items were identified. The questionnaire can be regarded as reliable (refer to Table 4.12) and can be used in future research studies as all the Cronbach Alpha coefficient scores were above the acceptable threshold of 0.7 as suggested by Palin (2013:101). Lastly, SEM analysis was performed to establish any significant relationship between the variables. Furthermore, the study has proved the existence of three of the four relationships (refer to Table 4.20) suggested by the theoretical model through the results obtained from the SEM analysis.

5.4 FINDINGS AND RECOMMENDATIONS DERIVED FROM THE STRUCTURAL EQUATION MODELLING ANALYSIS

This section includes recommendations for Metropolitan based on the findings from the empirical investigation.

The findings will be divided into three sections, namely a section discussing the influence of the exogenous variable (service quality) on the endogenous variable (customer satisfaction) and a section on the influence of the exogenous variable (service quality) on the endogenous variable (customer loyalty). Lastly, a section on the influence of the endogenous variable (customer satisfaction) on the endogenous variable (customer loyalty). Furthermore, the findings linked to each section will provide recommendations for Metropolitan.

5.4.1. Findings relating to the influence of perceived service quality on customer satisfaction

Table 4.19 indicated that perceived service quality positively influences customer satisfaction. Therefore, hypothesis H₁ is accepted (refer to Table 4.20). In other words, if perceived service quality improves, customer satisfaction would increase. This indicates that if customers perceive that Metropolitan has a higher level of service quality their satisfaction with Metropolitan would increase. The results of the R² (refer to Table 4.19) also illustrate that service quality is an important input into customer satisfaction and explains 84% of the variance of customer satisfaction. Therefore, service quality acts as an antecedent to customer satisfaction. These findings corroborate the findings of Murray & Howat (2002:36) (refer to section 2.5.1) that satisfaction is an outcome of service quality and quality performance leads to satisfaction.

It is clear from Table 4.19 that the important dimensions of perceived service quality to increase customer satisfaction for Metropolitan Customer-Walk-in-Centre customers comprise three dimensions namely: personal attention, tangibles and reliability. Similarly, Anjor, Ali, Kumar and Verma (2014:38) confirms personal attention and tangibles as key dimensions of service quality influencing customer satisfaction, in a recent study of the influence of perceived quality on customer satisfaction at an Indian life insurance company.

The findings from the three service quality dimensions (refer to section 4.5) illustrate that managers at Metropolitan can increase the service quality levels if they ensure that Metropolitan's promises are reliable, they provide quality service on an ongoing basis and fulfil their obligations to customers (Du Plessis: 2010:191). To increase the customer satisfaction Metropolitan could establish benchmarks for the three service quality dimensions to regularly and systematically monitor its performance amongst its customers (Caruana, 2000:823). This would help service managers to efficiently allocate resources by focussing on important dimensions first.

5.4.2. Findings relating to the influence of perceived service quality on customer loyalty

Table 4.19 indicates that no statistical significant relationship exists between perceived service quality and customer loyalty therefore, hypothesis H₂ is not accepted (refer to Table 4.20). These findings are contrary to what was originally hypothesised in the study as Taylor (2001:47) (refer to section 2.5.2) reports both service quality and customer satisfaction are important determinants of customer loyalty in his study of life insurance in the United States. However, Olorunniwo et al.'s (2006:63) (refer to section 2.5.3) points out that there are differing opinions as to whether service quality has a direct relation with customer loyalty in all service context.

Based on a study in the life insurance in Singapore Durvusula et al. (2004:314) argues that service quality has an indirect relationship on customer loyalty via satisfaction. Likewise, Tsoukatos and Rand (2006:509) findings at a Greek life insurer concludes that service quality indirectly influences customer loyalty via satisfaction. Therefore, managers at Metropolitan should ensure that customers' have a satisfactory perceived service quality experience in order to gain customer loyalty.

5.4.3. Findings relating to the influence of customer satisfaction on customer loyalty

Table 4.19 indicated that customer satisfaction positively influences customer loyalty. Therefore, hypothesis H₃ is accepted (refer to Table 4.20). In other words, if customer satisfaction improves, customer loyalty would increase. The empirical results (refer to Figure 4.1) indicated that customer satisfaction mediates the relationship between perceived service quality and customer loyalty. Therefore, if customers perceive to receiving a higher level of service quality from Metropolitan their satisfaction increases and so the loyalty to Metropolitan to buy their next life insurance policy from the company and to recommend their family and friends to Metropolitan. These findings corroborate the findings of Mittal et al.'s (2001:343) (refer to section 2.5.3) that when a customer is satisfied with the service experience the customer would repurchase from a company and refer its services to others.

For manager's at Metropolitan seeking to improve their customers' loyalty levels, in their effort to increase retention rates and attract new customers the focus of management should be on customer satisfaction of which service quality is an important antecedent. Managers must set quality standards that guarantee the quality of services and the process by which services are offered to customers should continuously be monitored to guarantee that customers have access to services (Hu et al.'s, 2009:121). In the competitive insurance sector of South Africa, these findings can be transformed into effective strategies and actions for achieving competitive advantage through customer satisfaction and retention.

5.5 RECOMMENDATIONS FROM THE FACTOR ANALYSIS

The findings from the factor analysis elaborates on the importance placed on the selected variables influencing customer loyalty at Metropolitan. The recommendations are divided into four sections covering each of the dimensions from the exploratory factor analysis results.

5.5.1. Personal attention

From the factor loadings (refer to Appendix 2) of items RESPO1 (told when services performed), RESPO2 (prompt service), RESPO3 (willingness to help), EMPAT1 (individual attention), EMPAT2 (personal attention), EMAPT3 (know what your needs are) and ASSUR1 (trust employees) on the personal attention factor a variety of recommendations and conclusions may be inferred.

The mean scores (refer to Table 4.13) of the different statements for personal attention are well over 5 on the seven-point scale illustrating that most participants believe personal attention to be an important dimension that underpins service quality and their relationship with Metropolitan. In other words, if customers receive more personal attention from Metropolitan, the levels of service quality at Metropolitan would increase. These findings of personal attention (refer to Table 4.13) corroborate the findings of the study of Chiung-Ju and Wen-Hung (2006:132).

Customers require personal attention from Metropolitan because financial matters are important to people, they want to know that they and their dependents future are secure should an unplanned event take place that could make them disabled or force their dependents to fulfil financial obligations after their death (Du Plessis, 2010: 191). This specifically indicates that employees of Metropolitan working at the Customer Walk-in-Centres, with whom customers directly interact should illustrate respect to customers and be honest and truthful in their dealings with customers. These findings (refer to Table 4.13) are consistent with the results of the study of Tsu-Wei and Feng-Cheng (2013:117) who stated that if customers have relatively good relationships with the salespersons, they are more likely to return for further purchases and to recommend the products sold.

5.5.2. Tangibles

From the factor loadings (refer to Appendix 2) of items TANG1 (up-to-date-equipment), TANG2 (visually appealing physical facilities), TANG3 (well-dressed employees), EMPAT5 (convenient operating hours) and RELIAB5 (accurate records) on the tangible factor a variety of recommendations and conclusions may be inferred.

The mean scores (refer to Table 4.14) of the different statements for tangibles are well over 5 on the seven-point scale illustrating that most participants believe tangibles to be an important dimension that underpins service quality and their relationship with Metropolitan. In other words, if Metropolitan manages the physical environment of the Customer Walk-in-Centres through creating comfortable service centres and a good atmosphere of the overall surroundings, the levels of service quality at Metropolitan would increase (Tsu-Wei & Feng-Cheng, 2013:125). These findings (refer to Table 4.14) corroborate the findings of Boshoff and Gray (2004:33).

5.5.3. Reliability

From the factor loadings (refer to Appendix 2) of items RELIAB1 (do something by a promised time), RELIAB3 (dependable) and EMPAT4 (has your best interest at heart) on the reliability factor a variety of recommendations and conclusions may be inferred.

The mean scores (refer to Table 4.15) of the different statements for reliability are well over 5 on the seven-point scale illustrating that most participants believe reliability to be an important dimension that underpins service quality and their relationship with Metropolitan. These findings (refer to Table 4.15) corroborate the findings of Boshoff and Gray (2004:33).

5.5.4. Customer satisfaction

From the factor loading (refer to Appendix 2) of items SAT1 (overall satisfaction), SAT2 (expectations fulfilled) and SAT3 (other life insurance companies) on the customer satisfaction factor a variety of recommendations and conclusions may be inferred.

The mean scores (refer to Table 4.16) of the different statements are well over 5 on the seven-point scale illustrating that most participants are satisfied with their interactions with Metropolitan. Boshoff and Gray (2004:28) regards overall satisfaction as an ongoing evaluation of a company's ability to deliver the benefits a customer is seeking. The customer's overall satisfaction and expectations would be fulfilled through having systems in place that measure customer satisfaction on an ongoing basis (Boshoff and Gray 2004:28).

5.6 LIMITATIONS OF THE STUDY

All research has its limitations and this study is no exception. The present study is centered on the relationship between customers' evaluative judgments of life insurance services and their relational outcomes. It is focused on the relationship between perceived service quality and customer loyalty with customer satisfaction exerting indirect effects on the said relationship. There may be other variables that play potentially strong roles in the inter-relationships of perceived service quality, customer satisfaction and customer loyalty. However, for purposes of this inquiry, they have largely been assumed to have a null effect in the conceptual model (see Figure 1.1).

Notably, this study has considered the responses of only one insurance company in South Africa and those visiting a Customer Walk-in-Centre, thus limiting the generalisability of any

results. The study also does not include the whole insurance industry (auto; home; health, etc.) thus limiting the generalisability of any results.

5.7 SUGGESTION FOR FUTURE RESEARCH

This study provides several directions for future research. The empirical model (Figure 4.1) is parsimonious and so is useful for the management of Metropolitan and practitioners to adopt, however it is possible to look at developing a richer model that incorporates other constructs beyond the three used in this study and to consider their interactive effect. The role of value and its exact relationship to customer satisfaction and customer loyalty could prove to be an interesting area of study as well as the how switching costs may likely influence a customer's loyalty.



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APPENDIX 1: QUESTIONNAIRE

Opening

Good morning/afternoon (client name). My name is _____ and I am calling from Metropolitan. We are conducting a survey amongst Metropolitan customers regarding their experience at the Customer-Walk-in-Centre. This information will be used to improve customer service. Are you willing to spend about ten minutes to answer the survey? We guarantee that your responses will be treated in strict confidentiality and your responses will be anonymous. You are under no obligation to answer and you are free to terminate the interview at any time. There is no right or wrong answers all we are interested is a number that best reflects your views.

May I begin with the survey.

Questions

Section A

I will read you a list of statements for which we are asking you to give a rating on a scale of 1 to 7; 1 being that you strongly disagree with the statement and 7 being that you strongly agree.

The following statements refer to your relationship with Metropolitan in terms of service quality.

No		1 (Strongly disagree)	2	3	4	5	6	7 (Strongly agree)
1	You can trust employees of Metropolitan (ASSUR1)							
2	You can feel safe in your transactions with Metropolitan employees (ASSUR2)							
3	Employees of Metropolitan are polite (ASSUR3)							
4	Employees get adequate support from Metropolitan to do their jobs well (ASSUR4)							
5	Metropolitan gives you individual attention (EMPAT1)							
6	Employees of Metropolitan give you personal attention (EMPAT2)							
7	Employees of Metropolitan know what your needs are (EMPAT3)							
8	Metropolitan has your best interests at heart (EMPAT4)							
9	Metropolitan has operating hours convenient to all their customers (EMPAT5)							

10	When Metropolitan promises to do something by a certain time, it does so (RELIAB1)								
11	When you have problems, Metropolitan is sympathetic and reassuring (RELIAB2)								
12	Metropolitan is dependable (RELIAB3)								
13	Metropolitan provides its services at the time it promises to do so (RELIAB4)								
14	Metropolitan keeps its records accurately (RELIAB5)								
15	Metropolitan tells customers exactly when services will be performed (RESPO1)								
16	You receive prompt service from Metropolitan employees (RESPO2)								
17	Employees of Metropolitan are always willing to help customers (RESPO3)								
18	Employees of Metropolitan are not too busy to respond to customer requests promptly (RESPO4)								
19	Metropolitan has up-to-date equipment (TANG1)								
20	Metropolitan's physical facilities are visually appealing (TANG2)								
21	Metropolitan's employees are well dressed and appear neat (TANG3)								
22	The appearance of the physical facilities of Metropolitan is in keeping with the type of service provided (TANG4)								

Section B

I will read you a statement for which we are asking you to give a rating on a scale of 1 to 7; 1 being that you very dissatisfied with the statement and 7 being that you very satisfied.

The following statement refers to your relationship with Metropolitan in terms of satisfaction.

No		1 (Very dissatisfied)	2	3	4	5	6	7 (Very satisfied)
23	Based on all your experiences, your overall satisfaction with Metropolitan (SAT1)							
24	Metropolitan always fulfills your expectations (SAT2)							
25	Compared to the other life insurance companies you have done business with (SAT3)							

Section C

I will read you two questions for which we are asking you to give a rating on a scale of 1 to 7; 1 being that you not at all likely and 7 being that you very likely.

The following questions refer to your relationship with Metropolitan in terms of loyalty.

No		1 (Not at all likely)	2	3	4	5	6	7 (Very Likely)
26	How likely are you to buy your next life insurance policy from Metropolitan? (LOY1)							
27	How likely are you to recommend Metropolitan to family and friends? (LOY2)							



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APPENDIX 2: ROTATED EXPLORATORY FACTOR ANALYSIS RESULTS

Code	Statements	Personal attention	Tangibles	Reliability	Customer satisfaction	Customer loyalty
RESPO3	Employees of Metropolitan are always willing to help customers	.745				
MPAT2	Employees of Metropolitan give you personal attention	.729				
RESPO2	You receive prompt service from Metropolitan employees	.710				
EMPAT3	Employees of Metropolitan know what your needs are	.696				
EMPAT1	Metropolitan gives you individual attention	.672				
RESPO4	Employees of Metropolitan are not too busy to respond to customer requests promptly	.655				
ASSUR4	Employees get adequate support from Metropolitan to do their jobs well	.639				
RESPO1	Metropolitan tells customers exactly when services will be performed	.546				
TANG3	Metropolitan's employees are well dressed and appear neat		.809			
TANG2	Metropolitan's physical facilities are visually appealing		.785			
TANG1	Metropolitan has up-to-date equipment		.734			
RELIAB 5	Metropolitan keeps its records accurately		.523			
EMPAT5	Metropolitan has operating hours convenient to all their customers		.521			
RELIAB1	When Metropolitan promises to do something by a certain time, it does so			.873		
RELIAB3	Metropolitan is dependable			.743		
EMPAT4	Metropolitan has your best interests at heart			.721		
SAT1	Based on all your experiences, your overall satisfaction with Metropolitan				.659	
SAT2	Metropolitan always fulfils your expectations				.698	
SAT3	Compared to the other life insurance companies you have done business with				.673	
LOY1	How likely are you to buy your next life insurance policy from Metropolitan?					.674
LOY2	How likely are you to recommend Metropolitan to family and friends?					.753
Eigenvalue		21.48	2.81	1.94	1.73	1.14

Eigenvalue	Cumulative % of Explained Variance				
	56.88	64.32	.45	74.04	77.06

Note: Extraction Method: Maximum Likelihood.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 6 iterations.

