

The influence of trust and commitment on customer loyalty: a case study of Liberty Life

First submission: 16 May 2011

Acceptance: 15 May 2012

The finance, real estate and business services sector, including the long-term insurance industry, contributed 20.3% to gross domestic product in 2011. However, the majority of Liberty Life's customers are cancelling their policies as they face an uncertain economic future due, in part, to retrenchments. During 2008, it became apparent that Liberty Life had to improve its customer relationship management strategies. This article primarily aims to investigate the influence of trust and commitment on customer loyalty through customer relationship management at Liberty Life in South Africa. The results indicate that Liberty Life can become more trustworthy by keeping promises to customers, showing concern for the security of their transactions, providing quality services, showing respect for customers, and fulfilling obligations. The results also indicate that customers regard the product adjustments made by Liberty Life to suit their individual needs as an indicator of the commitment of Liberty Life.

Die invloed van vertroue en toewyding op kliente se lojaliteit: 'n gevallestudie van Liberty Life

Die finansiële, eiendom- en dienste sektore, insluitend die langtermyn lewensversekerings bedryf, het 20.3% tot die land se bruto binnelandse produk bygedra in 2011. Nieteenstaande, ondervind 'n groot deel van Liberty Lewens se kliente kanselleer hul polisse aangesien hulle 'n onseker toekoms in die gesig staar, gedeeltelik weens werksverliese. Gedurende 2008, het dit aan die lig gekom dat Liberty Lewens sy klanteverhoudingsbestuurstrategieë moet verbeter. Die primêre doel van hierdie artikel is om die invloed van vertroue en toewyding op doelgerigte klienteloyaliteit via klanteverhoudingsbestuur by Liberty Lewens in Suid-Afrika te ondersoek. Die resultate dui daarop dat Liberty Lewens meer betroubaar kan wees deur by beloftes te hou, bedag te wees ten opsigte van die vertroulikheid van hul transaksies, kwaliteitdiens te lewer, respekvol teenoor kliente te wees, en deur verpligtinge na te kom. Die resultate dui ook daarop dat die kliente die produk wysigings wat deur Liberty Lewens aangebring word, beskou as 'n aanduiding van Liberty Lewens se toewyding.

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Acta Academica
2012 44(4): 58-80
ISSN 0587-2405
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<<http://www.ufs.ac.za/ActaAcademica>>

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Since the advent of democracy in 1994, there has been increasing competition in the South African financial services industries from niche players and foreign entrants as technology and financial liberalisation created the stimulus for competition from new areas. However, the weakening global economy is a major concern for the insurance industry (Hawkins 2004: 184). A recession influences the insurance industry negatively in many ways. Falling markets damage capital and depress investment returns, and an economic slowdown will reduce business levels and cut into profitability. As the economic crisis worsens, an estimated 28% of customers will stop paying the premiums on their policies or they will move their business to other insurance organisations where they can reduce their premiums and subsequently their benefits. Insurance is a discretionary purchase; it is not a necessity. Liberty Life is a sales-focused organisation and must remain so in order to survive, but it also needs to focus its attention on the retention of customers (Liberty Life 2011: 18). Liberty Life needs to understand the imperative of retaining its customers, and keeping them happy. In 2010, Liberty Life lost approximately R985 million as a result of customers not remaining loyal (Datamonitor 2011). Therefore, to secure its continuous competitiveness in the South African life insurance market, Liberty Life must understand the importance of trust and commitment as antecedents of customer relationship management (CRM) and how it can improve customer loyalty.

CRM focuses on the long-term profitability of retaining customers for life (Sauers 2008: xxi). This requires two-way dialogue between the organisation and the customer in order to develop a relationship (Du Plessis *et al* 2005: 73). The literature stipulates that trust and commitment form important parts of CRM. Before any customers will transact with an organisation, they must trust the organisation. Trust is based on repeated, reliable interactions and following through on expected behaviours (Chou 2009: 996-7). If an organisation succeeds in avoiding or resolving conflicts with customers before they become problems, this will have a positive influence on customer loyalty (Ndubisi & Wah 2005: 553). This will lead to commitment which can be described as the willingness to work and remain in the relationship indefinitely (Sauers 2008: 35). CRM enables organisations to understand their customers and may even alter their service-rendering process to the desired service delivery of

a specific customer. If an organisation focuses on a specific customer, it will provide a service to that customer with added value, according to the customer's specifications. If an organisation implements CRM strategies, its customers will possibly experience higher levels of customer satisfaction, in particular at individual service encounters. The implementation of sufficient CRM strategies may lead to higher levels of efficiency and cost reduction for an organisation which, in turn, may lead to lower price levels for customers (Rootman 2006: 35).

This article includes a literature review of CRM and customer loyalty, and explains the problem under investigation. This is followed by a discussion of the research objectives, hypotheses and methodology of the investigation. The empirical results are followed by management implications and recommendations.

1. Literature review

1.1 Customer relationship management (CRM)

In the new millennium, organisations such as banks and long-term insurance organisations realise the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximise their lifetime value. A close relationship with customers will require a strong coordination between information technology (IT) and marketing departments to provide a long-term retention of selected customers (Read 2009). The broad application of CRM has led to a multitude of definitions. Krasnikov *et al* (2009) describe CRM as an enterprise-wide commitment to identify an organisation's individual customers, and to create a relationship between the organisation and these customers as long as the relationship is mutually beneficial. CRM evolved from organisation processes such as RM and the increased emphasis on improved customer retention through the effective management of customer relationships (Evans *et al* 2004: 237).

CRM is important for service organisations. If organisations desire a good relationship with customers, they must ensure that their management and staff are trustworthy and show a strong commitment to service (Tynan & McKechnie 2009: 504). Trust and commitment are key elements for retaining customers (Du Plessis *et al* 2005: 75).

CRM provides a transition from a transaction-based to a relationship-based model that concentrates on the acquisition, development and retention of profitable customer relationships (Baran *et al* 2008: 8). Unless there is a minimum level of trust between the parties in the relationship, it is unlikely that a relationship will be maintained. The relationship is likely to dissolve when trust breaks down in a relationship. Trust can only be established after numerous interactions between the parties. Trust between the parties must be developed and it must be viewed as an investment in building the relationship with a long-term benefit for both parties. Trust emerges as parties share experiences and interpret and assess each other's motives. Risk and doubt are reduced as the parties learn more about one another (Kim *et al* 2008: 75). Similar to trust, commitment appears to be one of the most important variables in understanding relationships, and it is a useful construct both for measuring the likelihood of customer loyalty and for predicting future purchase frequency (Wong & Sohal 2002). Long-term relationships with customers can successfully be created, reinforced and retained by building the customers' trust in an organisation over time and demonstrating a commitment by the organisation to service (Ndubisi 2007: 99).

1.2 Two important components of CRM

Scholars have identified different virtues that have been theorised in the literature on relationship marketing, but have placed special emphasis on trust (Morgan & Hunt 1994: 23, Moorman *et al* 1983: 12), and commitment (Ndubisi 2004: 72, Morgan & Hunt 1994: 24). Morgan & Hunt (1994: 23) stipulate that trust and commitment are central to relationship marketing because they encourage marketers to work at preserving relationship investments by cooperating with exchange partners, resist attractive short-term alternatives in favour of the expected long-term benefits of staying with existing partners, and view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically. Therefore, when both trust and commitment are present, they produce outcomes that promote efficiency, productivity and effectiveness. Briefly, trust and commitment lead directly to cooperative behaviours that are conducive to the success of relationship marketing (Tsai *et al* 2010: 731).

1.2.1 Trust

Ndubisi (2007: 99) refers to trust as the willingness to rely on a partner in whom confidence is entrusted. Trust between the parties is crucial in developing relationships with customers. Customers will trust organisations which they perceive to be honest (Sauers 2008: 35). Often consumers only partially know what they are buying; their purchase is based on trust (Morgan & Hunt 1994: 24). For example, the value of an insurance policy will only be known at claim stage, as the majority of customers do not understand the fine print and legal conditions of their home insurance or retirement plan (Datamonitor 2010). A customer's trust in an organisation has a positive and direct effect on his/her loyalty towards the service provider. Customer loyalty is indicated by an intention to perform a diverse set of behaviours that signal a motivation to maintain a relationship with the organisation, including allocating a higher share of the category wallet to the specific service provider, engaging in positive word-of-mouth, and repeat purchasing (Botha & Van Rensburg 2010: 49-50). The relationship between consumer trust and loyalty is supported by reciprocal arguments (Morgan & Hunt 1994: 24). When service providers act in a manner that builds customer trust, the perceived risk with the specific service provider is reduced, enabling the customer to make confident predictions about the provider's future behaviours (Tsai *et al* 2010: 731-2). Trust also influences loyalty by affecting the customer's perception of congruence in values with the provider, and such value congruence is significantly related to the customer's loyalty and satisfaction. As a basis of CRM, trust has a positive influence on customer loyalty (Ndubisi 2007: 103).

1.2.2 Commitment

Commitment is central to a successful relationship. Commitment is the desire to maintain the relationship and is indicated by ongoing investment into activities which are expected to maintain the relationship into the future. As it may take time to reach a point where a commitment is made, it may also imply a certain maturity in the relationship (Morgan & Hunt 1994: 24). High levels of commitment are also associated with perceptions of future rewards, relationship identification, limited desire to seek out alternatives, the amount of effort expended in a relationship, the investment made in the

relationship, and the individual's assumed responsibility (Tsai *et al* 2010: 730-1, Gummesson 2008: 319). Relationship commitment is central to CRM. A customer will be committed to an organisation if the latter has proved to be trustworthy and has shown that it has the ability to offer solutions and successfully support the value-generating processes of the customer (Ma *et al* 2010: 131-3). Commitment is undoubtedly connected with trust, but it is less clear which assumes precedence. Commitment may be the outcome of growing trust, or trust may develop following a decision by the parties in the relationship to commit to each other. In addition, the breakdown in commitment may be as a result of the breakdown in trust, and vice versa (Jain & Bagdare 2009: 35-6).

Commitment is higher among individuals who believe that they receive more value from a relationship. Highly committed customers would thus be willing to reciprocate effort on behalf of an organisation due to past benefits received (Botha & Van Rensburg 2010: 47). Therefore, commitment in this context refers to both parties understanding that they are in the market together for the long term. They are willing to make sacrifices for their partners because they are mutually dependent upon each other in their quest to achieve long-term returns on their psychological and financial investments (Baran *et al* 2008: 112). For example, the way in which employees of an organisation perform their tasks can lead to trust, and this will have a significant impact on the commitment from the customer and therefore customer loyalty (Helkkula & Kelleher 2010: 40).

1.3 Customer loyalty

Helkkula & Kelleher (2009: 39-41) refer to customer loyalty as a deeply held commitment to repurchase a preferred product or service in the future, thereby causing repetitive same-brand purchasing, despite the fact that situational influences and marketing efforts may cause switching behaviour. Customer satisfaction relates to the results of a process; customer loyalty relates to a relationship. Customer loyalty does not occur at once; it is a long-term process. Customer satisfaction can occur immediately following a successful process. Loyalty can survive a negative process (Botes 2008: 15). Satisfaction is a necessary step in loyalty formation and satisfaction becomes less significant as

loyalty begins to set in through other mechanisms such as personal determinism and social bonding (Lian *et al* 2008: 774, Oliver 1999: 33). To keep customers loyal they must be satisfied. Customer satisfaction is the customer's evaluation of the product or service to ascertain if it met his/her needs and expectations. Failure by organisations to meet customers' expectations will lead to dissatisfaction with the product or service, as customer loyalty flows from customer satisfaction (Zeithaml *et al* 2006: 110).

There are two major approaches when defining and measuring loyalty. One is based on behaviour and the other on attitude. The behavioural loyalty refers to a customer's behaviour on repeat purchase, indicating a preference for a brand or a service over time. There are two behavioural dimensions to loyalty. First, the question must be asked whether the customer is still active. Secondly, the organisation must determine whether they maintained their share of the customer's spending. Attitudinal loyalty refers to a customer's intention to repurchase and recommend, which are good indicators of a loyal customer. A customer who intends to repurchase and recommend will more than likely remain with the organisation (Lian *et al* 2008: 774-5). Attitudinal loyalty is measured by reference to components of attitude such as beliefs, feelings and purchasing intention. Customers who have a strong preference for involvement or commitment to a supplier are the more loyal in attitudinal terms (Buttle 2004: 22). Organisations must track customer loyalty as the truer measure of how they compare to competitors; this will shift the focus from customer acquisition to customer retention (Baran *et al* 2008: 327).

2. Problem investigated, objectives and research hypotheses

Statistics released by the Life Offices Association (2011) indicate that surrenders of policies increased in the second half of 2010. Lapsed premiums also increased by 22% as compared to the previous half-year, and 35% compared to the corresponding period in 2010. A policy is surrendered when the policyholder stops paying the premiums and withdraws the reduced fund value of the policy before maturity. A lapse occurs when the policyholder stops paying premiums before the

fund value exceeds the unrecovered costs, meaning that the paid-up or surrender value is zero. In both cases, customers are lost as they terminate their relationship with the long-term insurance organisation. The purpose of CRM is to increase customer satisfaction, improve customer perception of service quality, and increase customer loyalty (Baran *et al* 2008: 397). CRM applied correctly leads to customer loyalty, and loyal customers are usually more profitable (Helkkula & Kelleher 2010: 39). More long-term than short-term customers exhibit high profitability; therefore the theory of an overall positive connection between customer loyalty and profitability cannot be rejected (Leverin & Liljander 2006: 235). In order to retain existing customers in the current economic climate where customers are lapsing their long-term insurance policies because they are uncertain of the economic future, Liberty Life will have to understand how trust and commitment through the application of CRM can contribute to customer loyalty.

The following objectives were formulated for the study. The primary objective is to investigate the influence of the variables trust and commitment on customer loyalty through the role of CRM at Liberty Life in South Africa. The secondary objectives are to investigate whether trust and commitment influence CRM at Liberty Life; the intervening role of CRM on the effect of trust and commitment on customer loyalty at Liberty Life, and the intervening role of CRM on customer loyalty at Liberty Life.

The following hypotheses were formulated for the study:

- HO¹: There is no relationship between the trust perception of Liberty Life and CRM at the organisation.
- HA¹: There is a relationship between the trust perception of Liberty Life and CRM at the organisation.
- HO²: There is no relationship between the commitment of Liberty Life and CRM at the organisation.
- HA²: There is a relationship between the commitment of Liberty Life and CRM at the organisation.
- HO³: There is no relationship between CRM and customer loyalty at Liberty Life.
- HA³: There is a relationship between CRM and customer loyalty at Liberty Life.

3. Research methodology

3.1 Population and sample

The population consisted of Liberty Life's entire individual, natural person, customers who visited Customer Walk-in-Centres in Johannesburg, Pretoria, Durban and Cape Town. For the purpose of this study, a probability sampling method was used. Stratified sampling, followed by simple random sampling, was used in this study. The reason for selecting this sampling technique was that the sampling frame of the study was divided into strata, namely the four cities where the Customer Walk-in-Centres are located, and the sampling process was performed separately on each stratum. Stratified samples are also the most statistically efficient, allowing the investigation of the characteristics of the interest for particular subgroups within the population (Churchill & Iacobucci 2005: 354). Each city represented an independent stratum. As there is only one customer walk-in-centre in each of these cities, no further random selection was required. As all the Customer Walk-in-Centres were not equal in size and did not serve an equal number of customers, a proportionate number of customers were selected from each customer walk-in-centre (stratum) in each of the four cities referred to earlier. The sample size of this study was twofold. First, the sample was based on the percentage of customers visiting Customer Walk-in-Centres presented as a portion of the total number of customers visiting these centres. Secondly, the percentage was applied to 254 customers of Liberty Life entering the Customer Walk-in-Centres in Johannesburg, Pretoria, Cape Town and Durban.

3.2 Data collection

An interviewer-administered survey was used to collect data from respondents. Structured questions were used to elicit responses. The study was conducted in two phases: the first phase focused on qualitative research, and the second focused on a quantitative research approach. A focus group interview was held with three senior managers of Liberty Life, namely the manager of the Customer Walk-in-Centre in Johannesburg, and two other managers responsible for customer relationships at Liberty Life. The focus group interview assisted with the development of the questionnaire and provided the desired

information on CRM and customer loyalty from a long-term insurer's viewpoint (Rootman 2006: 22). The questionnaire was used during the quantitative phase of the research. The reason for quantitative data is that it is easy to interpret the results in simple conclusions (Zikmund & Babin 2007: 83). Considering the nature of the research, the problem statement and all other related matters regarding the research, the research was descriptive. Descriptive research aims to describe phenomena and needs accurate observations; the research design must focus on the validity and reliability of the observations (Terre Blanche *et al* 2006: 47). Descriptive research was chosen as a research format for this study because it attempts to portray an accurate profile of persons, events or situations (Saunders *et al* 2003: 97).

3.3 Measuring instrument

The questionnaire consisted of two main sections. Part A, in the format of a seven-point Likert-type scale, measured the items of trust, commitment, and the perceptions of Liberty Life's customers on the CRM strategies of the organisation and their influence on customer loyalty. Part B gathered demographic information from the respondents. The questionnaire included self-developed items, as well as items from questionnaires used in previous research. Suitable scale items considered reliable and valid were also obtained from the Marketing Scales Handbook (Bruner *et al* 2005: 166-8, 610-2) to measure trust and commitment towards Liberty Life as a life insurance provider. Scale items were adapted for use in the questionnaire to measure the perceptions of customers regarding their loyalty towards Liberty Life. The questionnaire was pre-tested in a pilot study involving five customers of Liberty Life who visited the Customer Walk-in-Centre in Johannesburg.

3.4 Data analysis

The statistical analyses used in this study included Cronbach's *alpha* values for reliability; multiple regression analysis to test the hypotheses, and analysis of variance tests (ANOVA). Reliability and validity are the hallmarks of good measurement and the keys to assessing the trustworthiness of any research conducted. The reliability measurement for this study was the internal consistency

reliability test. The extent to which a particular measure is free from both systematic and random error indicates the validity of the measure. In this study exploratory factor analysis (EFA), utilising the Varimax with Kaiser Normalisation, was performed to assess the discriminant validity of the questionnaire. Construct validity was also confirmed by conducting the Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity (Madiba 2009: 121). Multiple regression analysis was performed to assess the relationship between trust and commitment and CRM as well as the relationship between CRM and customer loyalty. Blumberg *et al* (2005: 730) state that the reason for using multiple regression analysis is to determine the relationship between two or more independent variables, on the one hand, and a dependent variable, on the other.

4. Findings

4.1 Reliability

The internal consistency reliability test compares different samples of the items being used to measure a phenomenon, during the same time period. This can be done by means of a split-half reliability test, also known as Cronbach *alpha* coefficient. Results exceeding 0.70 will reflect the lower level of acceptability (Ndubisi & Wah 2005: 551). The calculation of Cronbach *alpha* coefficients was done for each of the constructs in the study. Hocking *et al* (2003: 131) indicate that Cronbach *alpha* coefficients determine the consistency according to which respondents answered the different items on the questionnaire. Table 1 illustrates the Cronbach *alpha* values which were calculated for the five constructs in the study. Since all the Cronbach *alpha* values are 0.75 and higher, the data can be regarded as a reliable instrument (Ellis & Steyn 2003: 51 Hocking *et al* 2003: 132).

It is evident from Table 1 that Cronbach *alpha* values for all four constructs are above the lower limit of acceptability, namely 0.70. This confirms that the measurement set used in the study was reliable. The items on the questionnaire therefore successfully measured the influence of trust and commitment on customer loyalty through the intervening role of CRM.

Table 1: Reliability statistics

Constructs	Cronbach <i>alpha</i> values
Trust	0.887
Commitment	0.755
CRM	0.833
Customer loyalty	0.769

4.2 Validity

Construct validity was confirmed by conducting the Kaiser-Meyer-Olkin (KMO) and Bartlett’s test of sphericity. All the items on the questionnaire illustrating a significant <0.05 rating indicated the validity of the questionnaire as a research instrument (Madiba 2009: 121). The KMO measure of sampling adequacy is an index that compares the sizes of the observed correlation coefficients to the sizes of the partial correlation coefficient. The overall Kaiser-Meyer-Olkin measure of sampling adequacy can be expressed by means of the following equation: $KMO = (\sum\sum r_{ij}^2) / (\sum\sum r_{ij}^2 + (\sum\sum a_{ij}^2))$ (Norusis 2003: 399-401). Table 2 reflects the interpretation of the KMO as characterised by Kaiser *et al.*

Table 2: KMO interpretation

KMO value	Degree of common variance
0.90 to 1.00	Marvellous
0.80 to 0.89	Meritorious
0.70 to 0.79	Middling
0.60 to 0.69	Mediocre
0.50 to 0.59	Miserable
0.00 to 0.49	Don’t factor

Source: Adapted from Norusis (2003: 400)

Bartlett’s test of sphericity tests whether the correlation matrix is an identity matrix, which would indicate that the factor model is inappropriate. In matrix algebra, the determinant of an identity matrix is equal to 1.0. Table 3 indicates the result of the KMO and Bartlett’s test.

Table 3: KMO and Barlett's test for item validity

Kaiser-Meyer-Olkin measure of sampling adequacy		0.939
Bartlett's test	Approximate <i>Chi</i> -square	5576.180
	Df	378
	Sig	0.000

Table 3 indicates the validity of the questionnaire with a significant level of 0.000. The KMO was equal to 0.939; therefore the degree of common variance among the variables was very good. A factor analysis will extract most of the variance. The sampling adequacy was confirmed by means of the Anti-Image Correlation Matrix. All values on the diagonal were greater than 0.70. This is additional support for the validity of the questionnaire. A factor analysis can also be performed to assess the discriminant validity of the measuring instrument (Rootman 2006: 128). Table 4 reflects the exploratory rotated factor analysis and communalities results of the variables trust and commitment.

Table 4: Exploratory rotated factor analysis and communalities results

No	Items	Commitment	Trust	Initial	Extraction
A2.2	My relationship with Liberty Life depends on whether it is willing to offer personalised services to meet my needs as a customer	.711	.321	.690	.660
A2.4	My relationship with Liberty Life depends on whether it is flexible when its services are changed	.686	.411	.709	.736
A2.5	My relationship with Liberty Life depends on whether it is flexible in serving my needs as a customer	.627	.313	.676	.671
A3.2	My relationship with Liberty Life will be better if it provides timely and trustworthy information	.540	.209	.773	.724

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No	Items	Commitment	Trust	Initial	Extraction
A3.3	My relationship with Liberty Life can improve if it regularly provides me with information on new or important services through different media sources	.651	.378	.645	.633
A2.3	My relationship with Liberty Life depends on the attitude of its employees towards customers	.397	.121	.713	.788
A1.3	My relationship with Liberty Life depends on whether it is consistent in providing a quality service	.285	.634	.720	.659
A1.1	My relationship with Liberty Life depends on whether its employees show respect to customers	.238	.718	.502	.433
A1.4	My relationship with Liberty Life depends on whether its employees are truthful and honest to customers	.134	.702	.672	.647
A1.2	My relationship with Liberty Life depends on whether its promises are reliable	.321	.699	.709	.654
A1.6	My relationship with Liberty Life depends on the confidence that I have in its service provision	.297	.569	.574	.520
A1.5	I will have a better relationship with Liberty Life if it fulfils its obligations towards me	.417	.497	.609	.538

Extraction method: Principal Axis Factoring

Based on the communalities of the factor loadings above, each factor could be named. Factor one was named commitment, because five items that were expected to measure commitment loaded significantly (above 0.3) on this factor. Factor two was named trust, because six items that were expected to measure trust, loaded significantly (above 0.3) on this factor. If items loaded with high communalities, the items measuring the dimensions of the factor or construct are valid (Ndubisi & Wah 2005: 550). Table 4 indicates that all the items have

high communality; therefore the measuring instrument was valid (Norusis 2003: 412-3).

4.3 Results of multiple regression analyses

4.3.1 Influence of trust and commitment on CRM

Multiple regression analysis was performed to assess the relationship between trust and commitment and CRM. Table 5 reflects the results.

Table 5: Influence of trust and commitment on CRM

CRM					
Model	Sum of squares	DF	Mean square	F	Sig.
Regression	410.046	3	76.754	79.266	0.000
Residual	204.211	245	1.122		
Total	614.257	248			
	R ²				
	0.620				
Model	Standardised coefficients, Beta	T	Sig.		
(Constant)		-2.556	0.028		
Trust	0.209	3.009	0.025		
Commitment	0.401	4.187	0.001		

Table 5 indicates that trust and commitment exerted a statistically significant positive influence on CRM. The researcher relied on a 95% level of confidence. Therefore, a p-value of less than or equal to 0.05 implied that it is highly unlikely that the results are due to chance alone, according to the Independent Sample T-test. This implied that the null hypotheses are rejected and the alternative hypotheses are accepted. The relationship between trust and CRM is significant at $p = 0.025$, and the relationship between commitment and CRM is significant at $p = 0.001$. Table 5 further indicates that trust and commitment in the multiple regression analysis explained 62% of the variance (R^2) in CRM. Therefore, 62% of a possible change in the level of CRM in Liberty Life is caused by trust and commitment.

The following hypotheses are therefore rejected: H_0^1 , which states that there is no relationship between the trust perception of Liberty Life and CRM at the organisation, and H_0^2 , which states that there

is no relationship between the commitment of Liberty Life and CRM at the organisation.

The following alternative hypotheses are therefore accepted: HA¹, which states that there is a relationship between the trust perception of Liberty Life and CRM at the organisation, and HA², which states that there is a relationship between the commitment of Liberty Life and CRM at the organisation.

4.3.2 Influence of CRM on customer loyalty

Multiple regression analysis was performed to assess the relationship between CRM and customer loyalty. Table 6 reflects the results.

Table 6: Influence of CRM on customer loyalty

Customer loyalty					
Model	Sum of squares	DF	Mean square	F	Sig.
Regression	497.155	1	617.887	1775.334	0.000
Residual	212.344	247	0.556		
Total	709.499	248			
	R ²				
	0.914				
Model	Standardised coefficients, Beta	T	Sig.		
(Constant)		2.001	0.087		
CRM	0.947	28.445	0.007		

Table 6 indicates that CRM positively influenced customer loyalty. The relationship between CRM and customer loyalty is significant at $p = 0.007$. This relationship implies that if Liberty Life successfully maintains relationships with its customers, customer loyalty at the organisation will increase. Table 6 indicates that CRM in the multiple regression analysis explained 91.4% of the variance (R^2) in customer loyalty. In other words, 91.4% of a possible change in the level of customer loyalty in Liberty Life is caused by CRM. Table 6 further indicates that one unit increase in CRM will increase customer loyalty with 94.7% when considering Beta.

The following hypothesis is rejected: HO³, which states that there is no relationship between CRM and customer loyalty at Liberty Life.

The following hypothesis is accepted: HA³, which states that there is a relationship between CRM and customer loyalty at Liberty Life.

5. Management implications and recommendations

5.1 Trust

Ndubisi (2007: 99) refers to trust as the willingness to rely on a partner in whom confidence is entrusted. Trust between the parties is crucial in developing relationships with customers. When the employees of an organisation show respect to customers it is an indicator of the trustworthiness of the organisation. Customers regard the reliability of the promises of an organisation as an indicator of its trustworthiness. In terms of trust, the study revealed that the majority of customers (52.57%) strongly agree that trust is an important dimension that underpins CRM and their relationship with Liberty Life. The empirical results indicate a positive relationship between the trustworthiness of Liberty Life and CRM at the organisation. Financial matters are important to people; they want to know that their and their dependents' futures are secure, should an unplanned future event take place that could make them disabled or force their dependents to fulfil financial obligations after their death. Therefore, customers want to trust a long-term insurance organisation. Liberty Life's customers therefore desire the organisation to be trustworthy. This specifically indicates that the employees of Liberty Life, who work at the Customer Walk-in-Centres and with whom customers directly interact, should show respect to customers and be honest and truthful in their dealings with them. Managers at Liberty Life can also increase the organisation's level of CRM if they ensure that Liberty Life's promises are reliable; that they provide a quality service to customers on an ongoing basis, and that they fulfil their obligations to customers. For the level of CRM at Liberty Life to increase, customers must have confidence in the organisation's service provision. These findings are consistent with Sauers (2008: 35) who states that customers will trust organisations which they perceive to be honest.

Trust is an important dimension of the relationship between Liberty Life and its customers, and ultimately in the development

of customer loyalty. Therefore, Liberty Life should strive to win customers' trust. Liberty Life should remember that trust develops over time and as a result of experiences and actions in the past. The organisation must be willing to be exposed to risks in order to be trustworthy. The organisation can also become more trustworthy by giving and keeping promises to customers; showing concern for the security of their transactions; providing quality services; front-line staff's showing respect for customers, and fulfilling obligations. All these will contribute to building confidence in Liberty Life and the services it offers.

5.2 Commitment

Commitment is a critical factor in building customer loyalty. Therefore Liberty Life should accommodate customer needs; tailor financial products to meet their requirements, and generally be flexible in its relationships with customers. Liberty Life can identify the needs of different customers and satisfy them through customer segmentation. Financial products can then be developed that address the needs of the target market. The following segmentation criteria may be considered, namely relationship revenue and relationship cost; relationship volume; relationship profitability, or relationship volume and profitability. By selecting relationship volume and profitability, Liberty Life can ensure that its actions are directed to the most profitable customers, in order to increase their commitment and loyalty towards the organisation. Liberty Life can also only fulfil and be flexible to the needs of customers if it understands what customers want. By understanding what customers want, Liberty Life can create a pull for its services from committed customers. To better understand the segmented customer groups, Liberty Life must capture information each and every time the customer interacts with the organisation. The interactions can be as a result of the customer entering into a new policy or making an investment; calling the call centre; complaining; visiting the walk-in-centre, or merely visiting the website of Liberty Life. This information can then be used with other information such as demographics and psychographics to better understand customers and to create products for customers' individual needs, or to treat customers as individuals. Finally, if Liberty Life is also flexible when serving customers, remembering their uniqueness, or when the

organisation changes its services (thereby accommodating individual customers), the level of customer commitment towards Liberty Life will increase. Therefore, the level of CRM will increase if managers provide timely and trustworthy information relating to new or important services through different media sources. These findings corroborate those of a study by Ndubisi (2007: 104).

5.3 Relationship between CRM and customer loyalty

In order to maintain relationships with customers and to retain loyal customers, Liberty Life can give special benefits to loyal customers, for example, lowering policy charges when new policies are entered into, and charging less administrative fees for managing investments. Liberty Life should ensure that CRM and therefore customer loyalty increase by delivering high-quality and high-value products and services. The policies and other services should deliver on promises. Liberty Life should train its employees to understand that every single contact with a customer must count. Customers' first impressions are the ones they remember; therefore front line employees should be equipped to ensure a positive first experience. This is the best way to acquire loyal customers (Rootman 2006: 161). Liberty Life can introduce loyalty schemes equivalent to Discovery's Vitality Programme. Such a loyalty programme will not only contribute to obtaining a larger share of the wallet of the customer, but can also be used to obtain more information about customers. Liberty Life should build a system linked to its policy master that will inform management when customers defect. These customers should be contacted immediately and asked why they intend leaving the organisation, and determine whether anything can be done to rectify the reason for the customer's unhappiness. In addition, Liberty Life can request senior managers to contact customers personally to thank them for their business or provide reasons for a mistake made, and indicate what the organisation is doing to rectify the mistake. Finally, Liberty Life should use its customer database to maximise the personalisation of offers to customers. Should the organisation be able to implement the recommendations, customer loyalty will increase, which will lead to higher profits and provide Liberty Life with a sustainable competitive advantage.

6. Limitations and future research

The study only focused on 254 customers and can therefore not be regarded as representative of all the customers of Liberty Life. The study specifically focused on CRM and customer loyalty at the Customer Walk-in-Centres at the offices of Liberty Life in Johannesburg, Pretoria, Durban and Cape Town. Therefore the study cannot be regarded as representative of the long-term insurance industry. Future research may include the other long-term insurance organisations in South Africa, and a comparative study between the different institutions can also be considered.

7. Concluding remarks

It is important to note that, although the research was conducted in four major centres in South Africa at Liberty Life, the findings and recommendations may be applicable to other long-term insurance organisations in South Africa due to the uniformity of services on offer. This research highlights two core dimensions that underpin CRM and that can predict customer loyalty at Liberty Life in South Africa. Managers aiming to build a loyal customer base should concentrate on the issue of trust and commitment. Strategies to improve the trustworthiness of Liberty Life and its commitment to service should be implemented. Once implemented, these strategies will increase customer loyalty which, in turn, will lead to the increased profitability of Liberty Life in the future.

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