CUSTOMER RETENTION STRATEGIES AND PROFITABILITY AMONGST INSURANCE COMPANIES IN KENYA: A CASE OF LIBERTY LIFE ASSURANCE CO. LTD

BY

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DECLARATION

Declaration by Student

This research project is my original work, and it has not been submitted to any other university for the award of any degree or diploma.

Signature ………………………… Date…21st June 2022……

PETER BACH

11J DLMBA/078

Recommendation by Supervisors

This research project has been submitted for examination with my approval as the University supervisor.

Dr. Kimani Gichuhi

Sign …… ………………………

Date………1/7/2022…………………..

DEDICATION

This work is dedicated to my late parents, Mr. and Mrs. Charles and Gladys Bach. Your living memory gave me the strength and courage to keep going despite the numerous social and Economic odds that littered my way during the research journey. And to my family, wife and children for their unwavering support both financially and emotionally during this period.

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ABSTRACT

This study sought to investigate the influence of customer retention on profitability of insurance companies in Kenya using Liberty Life Assurance Company Ltd as a case study. The Specific objectives of the study included to examine the effect of product quality on profitability; assess the effect of quality customer service on profitability, and to establish the influence of firm's service/product pricing on profitability. In this context product quality means services that meet customer needs; Quality customer service refers to customers' perception and value-judgement of a product or service based on how the life insurance policy is delivered to meet expectations and a Firm's service/product pricing is the cost charged for life insurance services to the customer. The theories of Assimilation, Contrast, and Assimilation-Contrast guided this current study. Descriptive and correlational design were used on a target population of 2, 653 customers who have held life policies since 2010 with Liberty Life Assurance Co. The sample of the study consisted of 347 respondents. A questionnaire was used to collect primary data from customers while a structured interview schedule was used to collect qualitative data from 10 managers. Validity of instruments was ensured by consulting experts from Business Administration Department, Africa Nazarene University. Reliability of instruments was achieved through test-retest method on randomly selected 39 customers, whereby Cronbach's Alpha of 0.849 was calculated from the obtained data. Qualitative data was analyzed through thematic analysis while correlation and regression analysis were used to analyze the relationship between customer retention strategies and profitability in Liberty Life Ltd, Kenya. The study findings showed that 40.4% changes in profitability at Liberty Life Assurance is attributed to the customer retention strategies investigated by the study (R^2 =0.4042). Findings also showed that product quality (β=0.428); quality of services (β=1.188) and product pricing (β=0.601) all are significant predictors {$F_{(1, 338)}$ =88.495, $P<0.05$} of profitability at Liberty Life. It is concluded that product quality, quality of services, and product pricing are critical customer retention strategies for enhancing firm profitability. The study therefore recommends insurance should adopt corporate social responsibility practices as well as flexibility mode of premium payment to improve and stabilize their customer base. Further research should be done on the influence of expanded benefits in insurance product packages on customer retention and profitability.

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DEFINITION OF TERMS

Customer	A person who purchases a life insurance premium from the Liberty life assurance firm after considering product/service quality, customer service and pricing
Customer Retention	Keeping of the same customers over a long period of time at the Liberty Life
Life Insurance	Providing premiums that cover health of an individual by Liberty Life
Product	Life insurance services offered by the Liberty Life organization
Product Pricing	The cost charged for life insurance services to the customer
Profitability	Surplus returns from life insurance services offered to customers after deducting all expenditure
Quality	Services that meet customer needs
Quality Products	Life insurance services that satisfy customer needs
Quality Service	Refers to customers' perception and value-judgement of a product or service based on how the life insurance policy is delivered to meet expectations of the customer

LIST OF ABBREVIATION AND ACRONYMS

CRM: Customer Relationship Management

ICT: Information and Communication Technology

IRA: Insurance Regulatory Authority

ROA: Return on Assets

ROE: Return on Equity

ROI: Return on Investment

ROIC: Return of invested Capital

SERVQUAL: Service Quality

US: United States

CHAPTER ONE: INTRODUCTION

1.1 Introduction

This study is about the effects of participatory monitoring and evaluation on livelihood project outcomes. This chapter entails the background of the study on the topic. Further, the chapter presents the statement of the problem, purpose of the study, objectives and research questions. The significance of the study, scope of the study, delimitations, limitations, assumptions, theoretical framework and conceptual framework are also discussed in this chapter.

1.2 Background to the Study

1.2.1 Profitability in Life Insurance Sector

The dependent variable for the study was Profitability of the Insurance Company. To assess this variable the researcher used various indicators. The first indicator was Return on Investment with the sub-indicators being Policy investments and Portfolio investments. The second indicator was Return on Assets with Capital Assets and Stock market Assets being the sub indicators. The third indicator was Return on Equity with the sub indicators being Favorable Shares prices and Timely issuance of shares. Profitability measurement has not been approached with a consensus. Additionally, measurement of profitability in life insurance businesses seems to have attracted limited attention from researchers, particularly regarding the role played by customer retention. Impact of internal factors like growth rate, liquidity, liability, fixed assets, company size and volume of capital, on the profitability of insurance companies were assessed in Albania (Luçi, Kripa and Ajasllari, 2016). The study involved 7 insurance companies during the period 2008-2013. Data was analyzed through multiple regression analysis. It was found that 56% of the variation in the profitability of insurance companies in the country is determinate from the variables mention above, while 44% of the variation in profitability is explained by external variables not included in the study. But it is not indicated whether or not these variables were measured within life insurance firms.

1.2.2 Quality of products and Profitability in Insurance Sector

The study had three independent variables that the researcher investigated. The first independent variable was Product quality with the sub-indicators being Superior products, Innovative products, Customer focused services and Products with adds-on services. In the insurance industry, it has been found that excellence at customer retention is positively and significantly associated with the presence of documented complaints-handling processes, among other things (Razak, Nirwanto & Triatmanto, 2016). It however goes that customer retention is a product of satisfaction. Customers often get satisfied when the product or service that they have purchased is able to meet their needs. The quality of product therefore is important in enhancing firm profitability, although limited focus has been paid regarding life insurance firms. The relationships between product quality, product cost, product safety and consumer satisfaction were assessed in the U.S by Cruz (2015). The hypotheses inquired the extent to which relationships exist between product quality and customer satisfaction and if product cost and product safety influence this relationship. Data were collected from a random sample of 77 respondents of U.S. automobile users. Data was analyzed via simple and multiple linear regression, which showed a significant statistical relationship between product quality and customer satisfaction. However, neither the product safety nor product cost helped mediate the relationship between product quality and customer satisfaction. Building high-quality cars leads to fewer injuries and deaths associated with vehicular accidents, thus promoting positive social change for both U.S. automobile buyers and sellers. Nonetheless, little focus is paid to life insurance business by this study.

1.2.3 Quality of Customer Service and Profitability in Insurance Sector

The second independent variable was Quality of Services with the sub-indicator being Prompt complaint handling, Prompt settlement of claims and Interactive communication. Customers need to be provided with right information concerning products or services to be sold to them by an insurance firm. Communication is therefore an appropriate strategy of retaining customers (Ibojo, 2015), although little information is available regarding the same among life insurance businesses going by some reviewed studies. For instance, Samarasinghe et al (2018) attempted to explore determinant of service quality of life insurance business in Sri Lanka using a sample of 100 policyholders in Colombo district. Analyzed data revealed that employees of insurance company's communication styles, behavior and financial strength of the company were given more consideration in purchasing life insurance policy.

1.2.4 Product Pricing and Profitability in Insurance Sector

The third independent variable was Product Pricing with its sub indicators being Fair pricing, Competitive pricing and Price discounts There exist different types of pricing strategy such as price discrimination, price penetration; skim pricing and price harmonization etcetera, have different significance to different companies in the peculiar market they intend to serve (Kinaro, 2018). However, most studies focusing on the influence of product pricing tend not to pay much attention to customer retention, particularly in life insurance sector. Nisa (2019) sought to provide a better understanding of how managers view pricing as a factor in customer retention in Sweden. Semi-structured interviews with non-standardized questions were conducted and thematic approach was used for data analysis. The findings and conclusions suggested that managers view price as an important factor to achieve customer loyalty. Another study by Azad and Singh (2019) analyzed the relationship between pricing strategy and customer retention in selected businesses in Kurdistan, Western Asia. The researcher used quantitative research to gather data from 87 respondents. The findings revealed that there is a positive and significant relationship between pricing strategies and customer retention. The regression analysis showed that there is a positive and significant relationship between pricing strategies and customer retention.

1.3 Statement of the Problem

Profitability of any industry in general and any firm in particular plays the role of increasing the market value of that specific firm coupled with the role of leading towards the growth of the whole industry, ultimately leading to the overall success of the economy. One of the strategies used by marketing managers to enhance profitability is through customer retention. For instance, strategies like quality of products, quality of service, and product pricing have been established to lead to customer satisfaction hence retention. However, there was minimum evidence that these strategies are employed by firms to stimulate profitability especially in the life insurance sector. Whereas scholars (Thenya, 2016; Nasır, 2017 among others) have documented that customer retention leads to cost reduction and consequently firm profitability, limited information with regard to the same among firms in insurance sector seemed available. In Kenya, IRA (2019) reports a reduction of 6.8% in insurance premiums during the first quarter of 2019. During the same period, KES 229.50 billion premiums was written by the sector which were largely driven by the non-life segment, contributing a proportion of 68.6% (KES 132.10 billion) against KES 4.35 billion contributed by the life segment. This is evidence that growth in non-life segment in the first quarter of 2016 was higher than that in the life segment for the insurers. Profitability among life insurers seems low compared to non – life segment in the first quarter of 2019, hence there was need to explore whether this is due to poor quality service, inappropriate service provision, or inappropriate product pricing. The present study took the case of Liberty Life Assurance Ltd to investigate the relationship between customer retention and profitability among insurance companies in Kenya.

1.4 Purpose of the Study

The purpose of the study was to investigate the relationship between customer retention and profitability amongst insurance companies in Kenya, with a focus on Liberty Life Assurance Company Ltd.

1.5 Objectives of the study

The study sought to investigate customer retention strategies and profitability amongst insurance companies in Kenya with a special focus on Liberty Life Assurance co. ltd. The objectives thus became

i. To determine the influence of product quality on profitability amongst insurance companies in Kenya

ii. To assess the influence of quality customer service on profitability amongst insurance companies in Kenya

iii. To examine the influence of firm's service/product pricing on profitability amongst insurance companies in Kenya

1.6 Research Hypothesis

The study tested the following research hypotheses:

i. **$H0_1$**: There is no significant relationship between Product quality and profitability amongst insurance companies in Kenya

ii. **$H0_2$**: There is no significant relationship between Customer quality service and profitability amongst insurance companies in Kenya

iii. **$H0_3$**: There is no significant relationship between Product pricing and profitability amongst insurance companies in Kenya

1.7 Significance of the Study

The study findings stand to provide significant data to the policymakers and IRA to design new strategies and policies for enhancing services in the insurance sector. The findings of the study might also help management of insurance companies, particularly life insurance ones, understand how several dimensions of their services/products affects customers' satisfaction, hence customer retention. The study additionally provides deeper insights into what is needed in order for insurers to enhance customers' satisfaction and, thus, allow for improvement in strategies for attracting and retaining their customers. This study might also be important to researchers since recommendations to be provided stand to open new areas for further research on customer retention and profitability among firms in the insurance sector.

1.8 Scope of the Study

This study was carried out among customers of Liberty Life Assurance Co. Ltd. It involved customers who had stayed with the firm for 10 years and above (policy holders since 2010), alongside marketing and product managers. The study focused on customer retention, products quality, quality of customer service provision, and firm's pricing of services/products. Questionnaire and interview were used for data collection.

1.9 Delimitations of the Study

The study focused on customer retention practices and profitability. It was delimitated to Liberty Life Assurance Ltd, thus leaving open for other studies on marketing practices in other insurance segments and specifically, firms.

1.10 Limitations of the Study

The study met some challenges in the entire research process. The concept of customer retention in the insurance sector has not been covered much by scholars. Moreover, specific literature on such practices as product/service quality; quality customer service provision; and service/product pricing on profitability were scarce and incomprehensive. To this end, the researcher endeavored to compare literature related to the study phenomena to form the basis of structuring the study tools used in investigating the subject. This consequently lead to revelation of new knowledge around customer retention and profitability particularly in the insurance industry.

1.11 Assumptions of the Study

This study assumed that insurance customers often had some expectations or needs to be fulfilled by products or services sold by the companies. It was equally assumed that such needs, if met, would lead to satisfaction and subsequently customer retention. The study also assumed that company employees often had a way of interacting or communicating with the customers during service or product sale and provision. Assumably, such interactions were taken to be contributing to satisfaction or dissatisfaction of customers, hence leading to retention. Finally, this study took it that insurance firms often charge some fees or price against products or services that they offer to customers. Such fees (product pricing) were assumed to lead to satisfaction or dissatisfaction and subsequently retention of customers. It was further assumed that quality products, quality customer services, and product pricing as provided by insurance firms often lead to some level of profitability.

1.12 Theoretical Framework

Researchers as well as scholars (Gera et al, 2017; Nisa, 2019) have concluded that the effective satisfaction of customers gives room for customer retention. More so, there is a significant relationship between customer satisfaction and customer retention, and consequently firm profitability. Many theories have been used to explore the process through which customers form satisfaction judgments. However, this study adapts the expectancy disconfirmation theory which suggests that consumers form satisfaction judgments by evaluating actual product/service based on three psychological theories (Keya, 2016): Assimilation, Contrast, and Assimilation-Contrast to explain the impact of expectancy on satisfaction.

1.12.1. Assimilation Theory

Assimilation theory provides more insight into consumer behavior. This theory states that assimilation occurs when unconfirmed expectation discrepancies are assimilated by aligning perceptions with expectations (Anderson, 1973, cited in Elena and Anikó, 2017). It goes that when a customer is presented with a circumstance such as price or quality of a product that is credible and congruent enough with his/her own beliefs, the circumstance is assimilated and contributes to adjust his attitudes, which in turn influence his behavior (De Bruyn & Prokopec, 2017). An assimilation effect (positive or negative) is verified if the change in the product evaluation corresponds to the change in the expected value of information (Keya, 2016). According to Chege (2021), assimilation theory is formed when consumers (as product/service users) make some sort of comparison between their expectations and the perceived performance of the product. Any discrepancy between the expectations and the perceived performance of the product leads to negative disconfirmation or dissonance (Oliver, 2006, cited in Keya, 2016). This idea of the post usage evaluation was included in the literature of customer satisfaction in the form of assimilation theory by Anderson (1994, as cited in Ng’ang’a, Ombui & Iravo, 2016), in the proposition of customer dissatisfaction. Dissatisfaction occurs because of disconfirmed expectancy on the perceived performance of the product.

The assimilation theory is subject to criticisms due to its weaknesses. Flint et al. (2015) argues that the theory assumes that there is an association between expectations and satisfaction, however, does not recognize how the disconfirmation of an expectation may result in either satisfaction or dissatisfaction. The assumption that consumers are motivated enough to adjust their perceptions about the product performance, or their expectations is not applicable in the real-life situation (Elena and Anikó, 2017). On this point Wong & Dioko (2015) argues that if a consumer adjusts their expectations or perceptions regarding the performance of products; the outcome of post usage evaluation will not be dissatisfaction.

This theory links with the three study objectives in the sense that consumers usually have some quality, customer service and pricing expectations for both new and old products and services, which means that if they are satisfied then there is positive assimilation and vice versa. Hence it is possible to conclude that they engage in a constant process of evaluation when interacting with products and services which leads to some form of assimilation.

1.12.2 Contrast Theory

The contrast theory is the tendency to enlarge the discrepancy between a consumer’s own attitude and the attitude that is signified by opinion statements (Keya, 2016). The theory presents different view of the customers’ post usage assessment process as compared to that presented in the assimilation theory in the evaluation post usage. According to Elena and Anikó (2017), contrast process leads to outcome in converse predictions for the outcome of expectations on satisfaction. While the assimilation theory hypothesized that users seek to diminish the inconsistency between the expectations and performance, the contrast theory assumes that surprise effect occur resulting in inconsistency/discrepancy being exaggerated or magnified (Szymanski & Henard, 2017).

This theory further implies that any divergence of experience from the expectations leads to exaggeration in the path of discrepancy (Keya, 2016). For example, if the advertising message raises the expectations of the consumers, and the consumer experiences slightly less than what is promised, the product and/or service of the company is rejected as users would perceive it to be totally un-satisfactory (Ng'ang'a et al, 2016). On the contrary, any under-promise in the advertisement and/or over-delivering leads to positive disconfirmation, and is subject to exaggeration (Wu, 2017)

The contrast theory is criticized on grounds that it envisages customer reaction rather than reducing disagreement; the customer tends to enlarge the differences or divergence between the product expectations and the performance (Keya, 2016). According to the contrast theory, any discrepancy of experience from expectations will be exaggerated in the direction of discrepancy. If the firm raises expectations in his advertising, and then a customer's experience is only slightly less than that promised, the product/service would be rejected as totally un-satisfactory. Conversely, under-promising in advertising and over-delivering would cause positive disconfirmation also to be exaggerated (Ng'ang'a et al, 2016). Several studies in the marketing literature have offered some support for this theory. The contrast theory of customer satisfaction predicts customer reaction instead of reducing dissonance: the consumer magnifies the difference between expectation and the performance of the product/service (Keya, 2016).

This theory links with the three study objectives in the sense that consumers usually have some quality, customer service and pricing expectations drawn from various sources such as other customers' reviews, advertisements, etc. such that there's a certain amount of satisfaction that they want. When this satisfaction is either met or not, this theory suggests that the consumer reaction is exaggerated either in the positive or negative direction.

1.12.3 Assimilation-Contrast Theory

This theory explains that if the performance of a product/service is within a consumers' range/latitude of acceptance, although it may not meet expectations, the discrepancy/disagreement will be ignored, i.e., the assimilation will operate while the customers will deem the performance to be acceptable (Oliver, 1980, cited in Keya, 2016). However, when the performance is below expectations, and is below the range of rejection; contrast will exist, and the discrepancy will be exaggerated. As an outcome, the product /service is deemed unacceptable (Ng'ang'a et al, 2016).

The assimilation-contrast theory was proposed as a different way to elucidate the association between the variables in the disconfirmation model (De Bruyn and Prokopec, 2017). This theory is an attempt to demonstrate that both the assimilation and the contrast theory are applicable in the context of studying customer satisfaction (Chege, 2021). The assimilation-contrast theory is not, however, free from criticisms. Kursunluoglu (2014, cited in Keya, 2016) argues that the idea to reconcile the assimilation and contrast theory is a methodological flaw. Similarly, De Bruyn and Prokopec (2017) also observed that the effect of the theory is largely asymmetric: it is far easier for a firm to nudge customers in the direction of increased losses than in the direction of increased profit.

This theory links with the three study objectives based on the quality, customer service and pricing expectations that consumers have, which when combined trigger assimilation or contrast. It basically posits that consumers retain a range of satisfaction which enables them to accept a product even if its performance is slightly below expectations while also ready to exaggeratedly reject it if it is outside this satisfaction range.

1.13 Conceptual Framework

Conceptual framework is a concise description of phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study (Shikalepo, 2020). It is a diagrammatical representation showing the relationship between dependent variable and independent variables (Greener & Martelli, 2015). In this study, the dependent variable was profitability of insurance companies, while the independent variable was customer retention. Accordingly, the study conceptualizes that profitability among insurance firms depends on customer retention. Figure 1.1 presents the conceptual framework of the study.

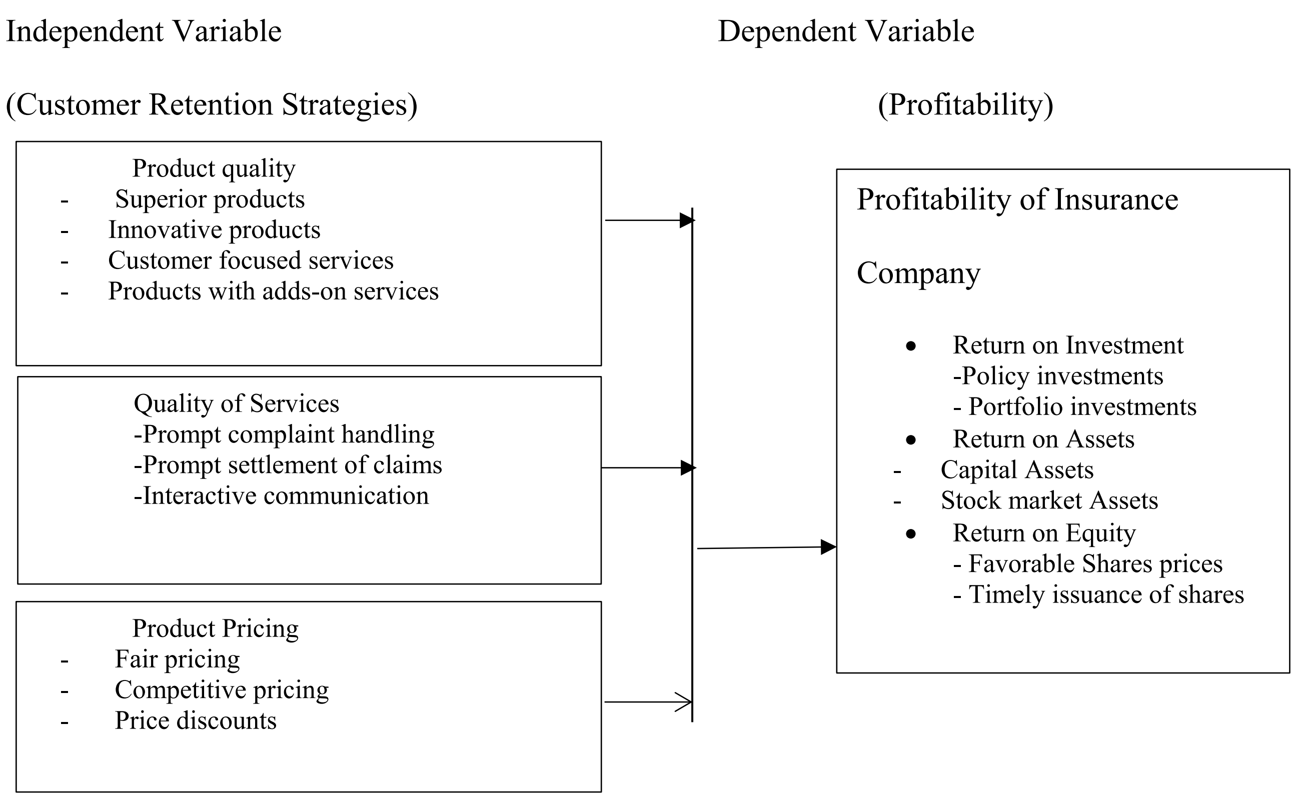

Figure 1.1: The Relationship between Customer Retention and Profitability

Source: Researcher (2021)

Figure 1.1 illustrates that profitability of insurance companies, denoted by good ROA, ROI and ROE, depends on customer retention, signified by quality products, quality service delivery, and fair pricing of products. Therefore, in a situation where quality goods were provided, appropriate customer services were provided to customer, and the products were fairly priced, then it was expected that customers would be satisfied, resulting into prompt payment of premiums. This in turn would result into desirable financial ratios like ROA, ROI, and ROE, signifying firm profitability.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of literature focusing on the study phenomena. Falling in the sequence of the study objectives, the review covers global, regional, and local studies.

2.1 Profitability in Life Insurance Sector

Kozak (2015) in his study analyzed the main factors which influence the profitability and cost efficiency of 25 non-life insurance companies in Poland during the period of financial integration with the European markets. The research covered the years 2002–2009. Profitability and cost efficiency were measured by four different variables: profitability ratio of technical activity, profitability ratio of investment activity, sales profitability ratio, and net-operating expenses ratio. The results of the analysis indicate that the total gross written premiums collected by the company, the market share of the foreign-owned companies, and the growth of GDP positively affect the profitability and cost efficiency of non-life insurance companies. However, profitability was affected negatively by the level of the company's operating costs, the share of motor insurance in the company's portfolio, and the number of insurance classes offered by the company. However, the focus in this study was on non-life insurance companies. The present study will focus on a life insurance company.

A study in Turkey investigated the firm-specific factors affecting the profitability of non-life insurance companies (Kaya, 2015). For this purpose, data of 24 non-life insurance companies operating in Turkey from the period 2006–2013 were brought together to obtain 192 observed panel data sets. In this study, profitability was measured by two different variables: technical profitability ratio and sales profitability ratio. According to the empirical results, the firm-specific factors affecting the profitability of Turkish non-life insurance companies were the size of the company, age of the company, loss ratio, current ratio, and premium growth rate. Still, life insurance companies were not focused upon in this study.

Another study in Philippine examined the profitability of the life insurance industry using pooled ordinary least squares on a balanced panel of 23 insurance companies for the years 2000-2012 (Cudiamat and Siy, 2017). The analysis made use of Return on Assets (ROA) as a measure of profitability that was influenced by selected firm level, industry level and macroeconomic factors. The empirical results showed that most of the firm level factors influenced ROA while industry level and macroeconomic factors had negligible effect on it. However, this study never mentioned the role played by customer retention on profitability in their study.

The influences of precise estimators of organization (Size of firm, loss ratio, expense ratio, debt ratio, growth of premium and age of firm) on performance represented by return on assets as measure of the profitability was also scrutinized in Pakistan (Saeed and Khurram, 2015). To find the impact of firm's specific factors on their return on asset, the data was gathered from 24 non-life insurance companies of Pakistan from the period 2005-2013. The panel data techniques were employed to measure the impact on performance of non-life insurance companies using Hausman test. It was found that age and loss ratio proved significant in determining performance of non-life insurance companies of Pakistan. Equally, there is still need to investigate the role played by customer retention in profitability of life insurers.

Another study investigated the determinants of financial performance of general Islamic and conventional insurance companies in Malaysia using panel data over the period of 2004 to 2007, using investment yield as the performance measure (Ismail, 2015). This measure was related to the profit/interest rate levels, equity returns, size of company, reinsurance dependence, solvency margin, liquidity, and contribution/premium growth, chosen based on relevant theory and literature. Three models of panel data estimation were employed for this study. Based on the empirical results, this study found that size of company; reinsurance dependence and solvency margin were statistically significant determinants of the investment performance of the general Islamic insurance companies in Malaysia. These variables should, however, be tested in life insurance firms too.

Ikoro and Nwosu (2017) investigated the effects of strategic planning on organizational performance with Nigerian Bottling Company Enugu, as a case in hand; the aim was to know whether strategic planning had effect on the overall performance of the organization. The study adopted survey design on a target population of 180 members of staff from which a sample size of 124 respondents. The result of the analysis indicated that there was relationship between effective strategic planning and organizational performance.

A similar study sought to find the determinants of insurance companies' profitability in Ethiopia (Reshid, 2015). Panel data covering eleven-year period from 2004 – 2014 was analyzed for nine insurance companies. Also, in-depth interview was conducted with company managers. The findings of the study showed that underwriting risk, technical provision, and solvency ratio had statistically significant and negative relationship with insurers' profitability. However, reinsurance dependence has negative but insignificant relationship with profitability. On the other hand, variables like liquidity, company size and premium growth have a positive and statistically significant relationship with insurers' profitability. However, elements of customer retention and their contribution on profitability in Life Insurance Companies were not focused upon.

Another study conducted in Kenya sought to establish the factors that affect the financial performance of life insurance companies in Kenya (Onsongo, 2015). The tested determinant variables were Solvency Margin, Growth of Premiums, Insurance Financial Leverage, Investment

Ratio, Diversification, Company Size, and Retention Ratio. Financial performance was measured using ROA. The study employed multiple linear regression analysis with data for 24 life insurers that were operating in Kenya for the respective five-year period 2010 - 2014. The study found that Diversification and Investment ratio showed a strong positive relationship to financial performance while Insurance Financial Leverage showed a moderate positive relationship to Financial Performance of life insurance companies in Kenya. Retention ratio showed a strong negative relationship to financial performance. Company Size and Growth of Premiums showed a weak negative relationship to financial performance while Solvency Margin showed a weak positive relationship to Financial Performance of life insurance companies in Kenya. However, aspects of customer retention are not focused on in this study. Moreover, strict focus on life insurance companies is also not done.

2.2 Quality of products and Profitability in Insurance Sector

In the insurance industry, it has been found that excellence at customer retention is positively and significantly associated with the presence of documented complaints-handling processes, among other things (Razak, Nirwanto & Triatmanto, 2016). It however goes that customer retention is a product of satisfaction. Customers often get satisfied when the product or service that they have purchased is able to meet their needs. The quality of product therefore is important in enhancing firm profitability, although limited focus has been paid regarding life insurance firms. The relationships between product quality, product cost, product safety and consumer satisfaction were assessed in the U.S by Cruz (2015). The hypotheses inquired the extent to which relationships exist between product quality and customer satisfaction and if product cost and product safety influence this relationship. Data were collected from a random sample of 77 respondents of U.S. automobile users. Data was analyzed via simple and multiple linear regression, which showed a significant statistical relationship between product quality and customer satisfaction. However, neither the product safety nor product cost helped mediate the relationship between product quality and customer satisfaction. Building high-quality cars leads to fewer injuries and deaths associated with vehicular accidents, thus promoting positive social change for both U.S. automobile buyers and sellers. Nonetheless, little focus is paid to life insurance business by this study.

Zardi, Wardi and Evanita (2018) analyzed the influence of product quality, price, location, and customer satisfaction to customer loyalty in Simpang Raya Restaurant, Indonesia using correlational research design. The population consisted of all customers who make repeat purchases on the product of the restaurant. The result indicated that product quality has significant effect to customer satisfaction; price has significant effect to customer satisfaction; location has significant effect to customer satisfaction; product quality has no effect to customer loyalty; price has no effect to customer loyalty; location has significant effect to customer loyalty and customer satisfaction has no effect to customer loyalty.

In another study, Razak, Nirwanto and Triatmanto (2016) tested the impact of product quality and price towards customer satisfaction and the mediating role of customer value in improving customer satisfaction. This research adopted correlational design on a population of toothpaste product customers over the age of 17 and domiciled in Bekasi, Indonesia, where questionnaires were distributed to110 respondents who visited the mall. The study found that the functional value of the toothpaste product bought by the customer is not optimal to be a major consideration to satisfy the customers, it is precisely the quality of the toothpaste product itself that conformed to the production standard in advance.

On their part, Nebo and Okolo (2016) assessed the effect of strategies for customer satisfaction on the performance of selected insurance firms in Enugu Metropolis using survey research design on 20 out of the 49 insurance firms quoted in the Nigerian stock exchange. Convenience sampling method was used for the selection. Data was collected from 20 managers, and 128 customers who have been with the insurance company for over three years via questionnaire. Findings showed that out of the 15 strategies studied, ten were mostly adopted for customer satisfaction. Second, out of the ten (10) factors adopted 7 had significant influence on the insurance industry's performance. These are prompt settlement of claims, quality insurance products, fair premium, prompt attendance to customer complaints, timely communication of policy renewal notices, thorough explanation of policies, explanation of product benefits and understandable policy documents. But whether these lead to customer retention and consequently firm profitability is not given.

Quality management practices among micro and small enterprises (MSEs) and determination of their influence on customer retention in Nairobi, Kenya was also looked at in Apudo (2016). The research involved a descriptive study that took on a cross-sectional survey design. The target population in this study comprised of all micro and small enterprises (MSEs) registered with 22 Nairobi Municipal Council and operating in Nairobi County. This study concluded that commitment by top management, focusing on customer, employee participative role, process control and continuous improvement, education and training, recognition and awards, supplier-producer quality management are able to explain customer retention variable as big as 99.6% percent. However, particular attention is also needed to be given to life insurance firms.

Another study done in Kenya sought to determine the influence of innovation on performance of insurance companies in Kenya by Kiragu (2016). The study adopted the use of a descriptive cross-sectional design. A census survey was used with the study population comprising all 49 insurance companies operational in Kenya as at 31st December 2014. Primary data was collected using structured questionnaires. The results of the study revealed that product innovation positively and significantly influences organizational performance and process innovation positively and significantly influences organizational performance. No evidence was found for a significant relationship between market innovation and performance. The results also showed that process innovation was the most predominant type of innovation in the insurance industry in Kenya. However, the study did not pay particular attention to life insurance business which tends to show poor performance in Kenya.

2.3 Quality of Customer Service and Profitability in Insurance Sector

Customers need to be provided with right information concerning products or services to be sold to them by an insurance firm. Communication is therefore an appropriate strategy of retaining customers (Ibojo, 2015), although little information is available regarding the same among life insurance businesses going by some reviewed studies. For instance, Samarasinghe et al (2018) attempted to explore determinant of service quality of life insurance business in Sri Lanka using a sample of 100 policyholders in Colombo district. Analyzed data revealed that employees of insurance company's communication styles, behavior and financial strength of the company were given more consideration in purchasing life insurance policy.

In another study done in Malaysia, Kalaiarasan, Appannan and Doraisamy (2015) sought to determine the factors that influence service quality on customer satisfaction in low-cost airline industries. Various variables which influence passengers such as service environment, employee approaches, efficiency of services and consumer behavioral intention were studied. A total of 300 respondents were from Kedah and Penang. The results obtained were analyzed using descriptive statistics and regression. The result indicated that service environment was the main factor that contributed to customer satisfaction. However, the study did not pay attention to service quality among life assurance firms.

The antecedents and the consequences of service quality in the Saudi health insurance industry were investigated by Alawni (2015). The study utilized a survey questionnaire which was randomly distributed to 800 customers of 3 major insurance companies in Saudi Arabia. Correlation and hierarchical regression analyses were used to analyze the direct and indirect relationship between the related variables in the study. The results revealed that communication, information, and communication technology (ICT), customer knowledge and prior experience were positive determinants of perceived service quality. Moreover, the mediating effect of customer satisfaction on the relationships between perceived service quality and customer loyalty was confirmed by the findings. This study also found that there was a moderating effect of corporate image on the relationship between service quality and customer satisfaction.

In Ethiopia, Alemayehu and Dalega (2019) investigated the impact of service quality on customer satisfaction in the insurance companies of Wolaita Zone. In order to do this, a causal cross-sectional research study was conducted. A sample of 352 customers was selected using cluster sampling technique. For the purpose of the study primary data were collected from customers using Likert scale-based questionnaire, then the data were analyzed using descriptive statistics and inferential statistics. SPSS software 20.00 was used to analyze the primary data. Findings from the analysis revealed that out of the five dimensions of the SERVQUAL dimension three i.e., tangibles, reliability, Assurance, and empathy had high significant impact on customer satisfaction in insurance companies in Wolaita zone.

Carelse (2017) examined 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-Centers 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-Centers of Metropolitan in South Africa.

Another study by Gachua (2016) investigated the impact of service delivery quality on customer satisfaction in Kenya, alongside the perceived service quality that contributes to customer satisfaction in Kenya. A descriptive survey design was used in studying the research problem. The target population included all the 51 duly registered insurance companies in Kenya: of which, 16 insurance companies were sampled. Quantitative and qualitative data were collected by use of open and closed ended questions in questionnaires. 96.7% of valid internal customer respondents indicated that they welcome the treatment they get within their line of duty, and further attributed job security, accommodative culture, and employer appreciation as the main contributing factors. To further improve internal customer satisfaction, most of the respondents recommended lowering of job-related stress and improving working conditions among others. On the other hand, those who did not welcome the treatment indicated that low quality services, unfriendly staff, higher premiums, and poor communication as the main reasons.

Ng'ang'a, Ombui and Iravo (2016) examined the effects of customer service strategies on customer satisfaction of firms in the Telecommunication sector. The study adopted a descriptive survey design utilizing both primary and secondary data. Structured and unstructured questionnaires were used to collect primary data which were administered as the customers queued in the customer service centers while secondary data was collected through document review. The study found that there is a significant relationship between customer service strategies and customer satisfaction.

2.4 Product Pricing and Profitability in Insurance Sector

There exist different types of pricing strategy such as price discrimination, price penetration; skim pricing and price harmonization etcetera, have different significance to different companies in the peculiar market they intend to serve (Kinaro, 2018). However, most studies focusing on the influence of product pricing tend not to pay much attention to customer retention, particularly in life insurance sector. Nisa (2019) sought to provide a better understanding of how managers view pricing as a factor in customer retention in Sweden. Semi-structured interviews with non-standardized questions were conducted and thematic approach was used for data analysis. The findings and conclusions suggested that managers view price as an important factor to achieve customer loyalty. Another study by Azad and Singh (2019) analyzed the relationship between pricing strategy and customer retention in selected businesses in Kurdistan, Western Asia. The researcher used quantitative research to gather data from 87 respondents. The findings revealed that there is a positive and significant relationship between pricing strategies and customer retention. The regression analysis showed that there is a positive and significant relationship between pricing strategies and customer retention.

Novixoxo, Kumi, Anning and Darko (2018) examined the influence of price on customer loyalty in the retail industry, using Shoprite Accra mall as a case study in Ghana. As descriptive research design was adopted on a sample size of 60 respondents with the aid of structured questionnaires. The findings indicated that price is the most essential element that attracts customers to Shoprite.

From the findings, majority strongly agreed that price influences their decision to make repeat purchase and made it clear that Shoprite offers comparatively cheaper prices than competitors because their prices are not higher than what customers expect to pay.

Kinaro (2018) focused on factors affecting insurance pricing in the insurance sector in Kenya. A descriptive research design was used on a target population of 146 employees from which a sample of 73 respondents was used. The findings revealed that 68% agreed that claim settlement affects insurance pricing, 58% asserted that sales promotion affected insurance pricing, 62% were of the opinion that government regulation policies affected insurance pricing and 76% of the respondents indicated that level of competition affected insurance pricing in the insurance sector in Kenya. Similarly, Njeru (2017) sought to address the gap in the literature concerning how pricing strategies influence consumer purchase decisions. Data was collected using questionnaires. The target population of this study was customers of four major supermarkets in Nairobi County. Random sampling technique was used to obtain representative sample. The study aimed at getting 315 respondents. Descriptive statistical methods were used to analyze the data. Results showed that pricing strategies were significant in explaining product choice, store choice, purchase amount, and purchase timing.

2.5 Summary of Literature and Research Gap

Customer retention and profitability particularly within the insurance sector seems to have received limited attention in research. Although profitability among insurance companies have been extensively covered, it had not been assessed under the lenses of customer retention practices such as provision of product/service quality, quality customer service provision, and service product pricing. Luçi et al (2016) attributed firm profitability to growth rate, liquidity, liability, fixed assets, company size and volume of capital. Additionally, profitability and cost efficiency were measured by profitability ratio of technical activity, profitability ratio of investment activity, sales profitability ratio, and net-operating expenses in a study by Kozak (2015). It is evident that customer retention practices have not been used as a measure for firm profitability in the insurance sector.

Satisfaction among customers has been associated with retention. However, studies have failed to link customer satisfaction with retention and consequently profitability among firms in the insurance sector. Prompt settlement of claims, quality insurance products, fair premium, prompt attendance to customer complaints, timely communication of policy renewal notices were found by Nebo and Okolo (2016) to be leading to customer satisfaction without any link to profitability. It was therefore critical to analyze the relationship between customer retention practices and profitability, particularly among life assurance firms. In addition, whereas indicators of firm performance or profitability such as ROE, ROI, and ROA has been widely discussed by scholars in business management literature, available reports tend to suggest that non-life insurance segment have received significant attention with regards to high premium underwriting, a fact pointing at enhanced profitability. This leaves a gap in knowledge concerning factors which might have led to low premium underwriting (and profitability) among players in life insurance segment hence the necessity of the current study.

CHAPTER THREE: METHODOLOGY

3.1Introduction

This chapter presents the research design for the study. It details the study population, sample size, sampling techniques, instrumentation, and data analysis.

3.2 Research Design

This study adopted descriptive research design with mixed methods approach. Mixed-methods approach involves gathering both numeric information using questionnaires as well as text information using interviews so that the final database represents both quantitative and qualitative information (Creswell, 2012). The design is ideal because the study presents a systematic and accurate description of how customer retention relates to profitability in a firm (Akhtar, 2016). Descriptive research is a technique where information is gathered from a sample of people using a questionnaire or interview technique. In descriptive research design, the method for data collection is often either observation, interview or questionnaire (Sileyew, 2019).). The study therefore collected data in an attempt to describe as accurately as possible the current profitability situation of Liberty Life Assurance Co. and then attempt to show the contribution or influence that customer retention has on profitability in the company.

3.3 Population of the Study

The population of the study included 2, 653 customers who have held life policies since 2010 with Liberty Life Assurance Co. This comprised of 2000 customers who have consistently been paying periodic premiums and 653 customers who have not been consistent in paying periodic premiums. Additionally, 4 product managers and 6 claims managers were also targeted. The accessible population was therefore be 2,663 as shown in Table 3.1.

Table 3.1: Distribution of Target Population

Categories	Target Population	Percentage
Consistent Premium-paying Customers	2000	75.1%
Non-Consistent Premium-paying customers	653	24.5%
Product Managers	4	0.15%
Claims Managers	6	0.23%
Total	2663	100%

The customers were targeted in this study because it is their needs that are expected to be met and, if this is satisfactorily achieved, would result into retention and consequently profitability at Liberty Life Assurance Co. This population was targeted because it was considered to be better placed to answer questions related to quality of products, quality of service deliveries, and product pricing since they were the consumers of the insurance products. On the other hand, the product and claims managers were targeted in the present study because they often handle feedback communications from customers. These managers were therefore considered to be able to provide information with respect to aspects of retention that enhances firm profitability.

3.5 Sampling Procedure and Sample Size

A sample is a smaller group or sub-group obtained from the accessible population (Akhtar, 2016). This subgroup is carefully selected to be representative of the whole population with the relevant characteristics. Each member or case in the sample is referred to as respondent or participant. There are several approaches to determining the sample size. These include using a census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size. This study adopted Yamane's formula to calculate the sample size of customers as shown below.

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

Where *n* is the sample size, *N* is the population size, and *e* is the level of precision (0.05). The sample size will therefore be calculated as:

$$n = \frac{2{,}653}{1+2{,}653\ (0.05)^2} = 347$$

The sample size of the study was therefore 347 customers. Table 3.2 presents the distribution of the study sample.

Table 3.2: Distribution of the Sample Size

Categories	Target Population	Sample Size	Percentage
Consistent Premium-paying Customers	2000	262	73.4%
Non-Consistent Premium-paying customers	653	85	23.8%
Product Managers	4	4	1.12%
Claims Managers	6	6	1.68%
Total	2663	357	

The study used purposive sampling technique with the assistance of the company customer inventory to select the respondents (customers) upon whom questionnaires were administered. In addition, the product and claims managers were also selected using purposive sampling method.

3.6 Data Collection Instruments

The study relied on both primary and secondary data to obtain the wide range of information required for this analysis that was both qualitative and quantitative. Two data collection instruments were used in this study: Questionnaire and Interview schedule.

3.6.1 Questionnaire for Customers

The researcher developed a questionnaire to gather data from 347 customers. The questionnaire was composed of closed ended questions soliciting specific answers from the respondents. Questionnaires are useful because they can be a relatively cheap and quick way of obtaining information from a large population of respondents (Creswell, 2016). The researcher administered the questionnaire by using email and courier services and follow ups through telephone communication for respondents who needed clarifications. The questionnaires were sent to the sampled respondents through email, thereafter the filled-up questionnaires were sent back to the researcher through courier services. This was prompted by the necessity to follow covid 19 protocols as set by the health authorities.

The significance of this method is that it enabled the researcher to draw short simple questions requiring short and precise answers from the respondents (Sileyew, 2019). The study questionnaire had five sections: section one contained biographical information of the respondents; section two assessed the aspects of profitability; section three focused on quality of products; section four investigated the qualities of service delivery, while section five assessed product pricing of Liberty Life Assurance Co.

3.6.2 Structured Interview Schedule for Product and Claims Managers

The researcher also developed an interview schedule which was used to collect data from 10 managers (4 product managers and 6 claims managers). An interview is a personal exchange of information between an interviewer and an interviewee (Saunders, Lewis and Thornhill, 2019). Interviews reveal how people in a setting make sense of their lives, work, and relationships with the study phenomena (Creswell, 2016). The interviews were conducted via telephone services by first explaining to the managers the purpose of the interview thereafter the date(s) of the conversation agreed upon. The questions were a mixture of closed and open-ended questions. The respondents could explain their responses in full and the researcher had the option of probing further, just to ensure the information received is accurate and to the point.

3.7 Validity and Reliability

Reliability relates to the concern for consistency while validity relates to the concern for truth (Creswell, 2016).

3.7.1 Validity

Validity is the degree to which the results obtained from the analysis of the data represent the phenomenon under study (Saunders et al, 2019). The validity of research instruments was ensured by scrutinizing the questionnaire items during their construction. Questions were discussed with the supervisors before handing them over to lecturers from the Department of Business Administration, Africa Nazarene University, for verification to clear any lack of clarity and ambiguity. These experts examined the question items to assess their relevance with regards to the objectives of the study. This helped to improve the face and content validity of the instruments.

3.7.2 Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results after a repeated trial (Creswell, 2016). To attain instrument reliability, test-retest method was conducted in a pilot study involving 39 customers of the company who were randomly selected. These customers were thereafter excluded from the main data collection exercise. The instruments were administered on these selected respondents after which the obtained data was calculated with the help of a computer package, where Cronbach's Alpha 0f 0.849 was derived. This means that internal reliability score of the instrument was 84.9%. Therefore, as the values exceeded the threshold value of 0.7 it could be concluded that the questionnaire was in a high level of consistency. Similarly, Table 3.3 illustrates the reliability analysis results of the study variables.

Table 3.3: Reliability Analysis of the Study Variables

Variables	Cronbach's Alpha	Number of Items
Profitability	0.754	9
Quality of Products	0.946	8
Quality of Customer Services	0.932	8
Product Pricing	0.803	6
Total		31

As presented in Table 3.3, the reliability analysis reveals alpha coefficient above the standard of 0.70. For instance, profitability was measured by using 9 items and the reported reliability is 0.754; quality of products was measured using 8 items and the reported reliability is 0.946; quality of customer service was measured using 8 items and the reported reliability is 0.932; and product pricing was measured using 6 items and the reported reliability is 0.803. Since the Cronbach's Alpha scales obtained were all above the acceptable values of 0.70 (zero point seven), the scales were considered to be consistent. This could ensure that variables measured same construct, hence generating the internal consistency.

3.8 Data Collection Procedure

The researcher obtained an introductory letter from the Department of Business, Africa Nazarene University. A research permit was thereafter sought from the National Commission for Science, Technology, and Innovation (NACOSTI), and was obtained in due time. The introductory letter and research permit from NACOSTI were presented to the office of the operations manager of Liberty Life Assurance Ltd to enable data collection process to be given a go – a – head. The list and details of customers were thereafter obtained from office of the operations manager who proceeded to notify the sampled customers of the purpose of the exercise. The questionnaires thereafter emailed to the selected customers who were constantly engaged via telephone calls. The researcher thereafter conducted telephone interviews with the sampled 10 managers.

3. 9 Data Analysis and Presentation

The process of data analysis involved editing, coding and data entry into a computerized system for onward analysis. Qualitative data was analyzed through thematic analysis, by grouping emerging narrations or answers into themes corresponding with the study objectives and abstracting outstanding themes from the statements provided by the interviewees. Quantitative data was analyzed using descriptive statistics by the aid of statistical package called SPSS version 20. The relationship between customer retention and profitability was measured through regression analysis as recommended by Hair, Babin, Money & Samouel (2015). These variables were tested from a general multiple regression equation in the form of:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$ (Source: Adopted from Hair et al, 2015).

Where:

Y = Profitability of insurance companies

$\beta 0$ = Constant profitability when customer retention is nil $\beta 1$, $\beta 2$ and $\beta 3$ = Beta coefficients

X1= Product/service quality (measured on a summated scale of 1 to 5)

X2= Quality customer service provision (measured on a summated scale of 1to 5)

X3= Service/product pricing (measured on a summated scale of 1 to 5)

ε = Error term

A partial regression coefficient represents the change in dependent variable, due to one unit change in independent variable; *e* is the margin term, accounting for other factors which were not under investigation in the current study.

3.10 Ethical Considerations

Ethics is defined as use of moral ideologies in designing, conducting, and writing research outcomes, with the essential moral standards focusing on the right and the wrong. In social research, ethics involves protection and respect for respondents taking part in the study (Punch, 1994). Transparency, openness privacy and honesty formed the guiding principle during this research. In this study, the ethical issues entailed respecting the respondents' individual rights in t data collection. The respondents were also selected based on their willingness and interest to participate in the study. Once they were briefed on what it entailed, the researcher ensured that the respondents feel comfortable and had time to participate in the study.

All data collected were stored under lock and key, and only accessible to research team and the researcher. To maintain the confidentiality of the study respondents, the study instruments did not bear names, addresses or any identifiers that could link the information provided to the respondents. The respondents were issued with serial numbers and the interviews were also conducted in privacy to ensure that the respondent felt free and comfortable to provide truthful information. The consideration of these issues was necessary for the purpose of ensuring the privacy and the security of participants.

CHAPTER 4: RESULTS, INTERPRETATION AND DISCUSSIONS

This chapter presents data analysis, results, interpretation, and discussions of the study. The first section provides demographic characteristics of the respondent of the study, while the second section gives out the results and discussions of the study variables.

4.1 Response Rate

The researcher was able to administer the study questionnaire to 338 respondents after several communications via email and telephone services. The researcher was unable to reach the entire sample size due to various hitches in communication as well as busy schedules of some of the selected customers. However, the fully completed questionnaires represented 94.7% questionnaire return rate. Table 4.1 presents he questionnaire coverage rate.

Table 4.1: Questionnaire Return Rate

Categories	Questionnaires Return Rate	Percent
Consistent Premium-paying Customers	256	97.7
Non-Consistent Premium-paying customers	82	96.5
Total	338	94.7

Source: Research Data (2021)

Table 4.1 illustrates that the overall questionnaire coverage rate was 94.7%. This was an acceptable questionnaire return rate given that it surpasses 20% for surveys involving small population (Gay, 1992) and 50% recommended by Mugenda and Mugenda (2003). Furthermore, 19 respondents did not return their questionnaires (5.3%) and did not offer explanations. However, this did not significantly affect the findings presented below.

4.2 Descriptive results

4.2.1 Demographic Information of Respondents

The first section of the study questionnaire enquired about biographical information of the study respondents. Gender, age, education level, and period of policy holding were used to categorize the respondents. Biographical information of respondents are presented in Table 4.2.

Table 4.2.1: Gender of Study respondents

Source: Survey data (2021)

Characteristic	Category	Frequency	Percentage
Gender	Male	183	54.1
	Female	155	45.9
Total		338	100

Table 4.2 illustrates that majority (54.1%) of the sampled respondents were males, while female respondents were 45.9%. This result is an indication that the customer base of Liberty Life is dominated by the male gender.

Table 4.2.2: Age Information of Study respondents

Source: Survey data (2021)

Characteristic	Category	Frequency	Percentage
	<30	6	1.8
Age	31 – 35	19	5.6
	36 – 40	41	12.1
	41 – 45	44	13
	46 – 50	83	24.6
	>51	145	42.9
Total		338	100

Table 4.2 also illustrates that most (42.9%) of the sampled customers were above 51 years of age while 24.6% of them were aged between 46 and 50 years. Similarly, Table 4.2 also illustrates that 13.0% of the respondents were aged between 41 and 45; 12.1% were between 36 and 40 years of age, 5.6% were between 31 and 35 years of age, while the remaining 1.8% of the sampled customers were under 30 years of age. This therefore mean that the majority (67.5%) of the customers who participated in the study were aged 46 years and above thus were expected to have sufficient perception regarding existing customer retention endeavors and level of profitability at the Liberty Life Company.

Table 4.2.3: Education Information of Study respondents

Source: Survey data (2021)

Characteristic	Category	Frequency	Percentage
Level of Education	None	26	7.7
	Primary Level	36	10.7
	Secondary Level	60	17.8
	Tertiary Level	182	53.8
	Any Others (Specify)	34	10.1
Total		338	100

The Table also analyzed the education levels of the study respondents. It illustrates that majority (53.8%) of the sampled customers had tertiary level of education including diploma, undergraduate and post graduate levels of education. This suggests that the sampled respondents were of a fair level of education to comprehend the state of services being offered by the Liberty Life Company. Table 4.2 additionally illustrates that 17.8% of the sampled respondents had secondary level of education; 10.7% had primary level of education; 10.1 had other levels of education such as craft and other artisanry knowledge acquired through Jua Kali skill acquisition system, and the remaining 7.7% of the sampled respondents did not have any recognizable levels of education.

Table 4.2.4: Policy Information of Study respondents

Source: Survey data (2021)

Characteristic	Category	Frequency	Percentage
Period of Policy Holding	10 - 15 years	65	19.2
	16-20 years	73	21.6
	21-25 years	137	40.5
	Above 26 years	63	18.6
Total		338	100

Additionally, Table 4.2 also indicates that most (4.5%) of the sampled respondents have been holding Liberty Life policy for between 21 and 25 years, while 21.6% of the respondents have been policy holders for between 21 and 25 years. Equally, 19.2% of the respondents of the sampled respondents have held Liberty Life policy for between 10 and 15 years, while the remaining 18.6% of the sampled respondents have held Liberty Life policy for 26 years and above. This finding implies that, with over 59% respondents having above 21 years of policy holding, it was expected that a clear understanding regarding nature of products and services exists across the customers of Liberty Life Company.

4.2.2 Customer Retention Strategies and Profitability

The general objective of this study was to investigate the relationship between customer retention and profitability amongst insurance companies in Kenya, taking the case of Liberty Life Assurance Company Ltd. Specific objectives were to determine the influence of product quality on profitability; to assess the influence of quality customer service on profitability, and to examine the influence of firm's service/product pricing on profitability in Liberty Life. Measures of central tendency: Mean (M) and Standard Deviation (SD) were used for data analysis and interpreted as:

1.00 – 1.44: Strongly Disagree

1.45 – 2.44: Disagree

2.45 – 3.44: Neither agree nor disagree

3.45 – 4.44: Agree

4.45 – 5.00: Strongly Agree

4.3.1 Influence of Product Quality on Profitability

The first section of the study instrument sought to establish how aspects of product quality have influenced profitability at Liberty Life Assurance Company Ltd. In this regard, respondents were asked to state their level of agreement with regard to various aspects of product quality that positively appeals to customers at Liberty Life in the questionnaire as: Strongly Agree (**5**); Agree (**4**); Neutral (**3**); Disagree (**2**); Strongly Disagree (1). The Mean (*M*) of the items as well as standard deviation (SD) obtained through descriptive statistics is presented in Table 4.3.

Table 4.3: Influence of Product Quality on Profitability

No	Product Quality and Profitability	1	2	3	4	5	M	SD
1	Each product offered to customers have pre-determined settlement process which is made known to each customer at the point of purchase	42(12.4%)	81(24%)	22(6.4%)	110(32.4%)	84(24.8%)	3.93	0.975
2	The company products' premium payments are mostly flexible and not rigid	66(19.6%)	62(18.4%)	35(10.4%)	89(26.4%)	85(25.2%)	2.59	0.839
3	Product offered by the company have expanded benefits	12(3.6%)	50(14.8%)	54(16%)	128(38%)	93(27.6%)	3.71	0.927
4	The company provides adds-on benefits to all its product	46(13.6%)	81(24%)	35(10.4%)	128(38%)	47(14%)	3.46	0.947
5	All products of the company are continuously improved to reflect changing environment	89(26.4%)	61(18%)	99(29.2%)	43(12.8%)	46(13.6%)	2.49	0.952
6	Claims against all products offered by the company have flexible processing procedure to suit every customer	32(9.6%)	134(39.6%)	34(10%)	91(26.8%)	42(12.4%)	2.93	0.871
7	Each product offered by the company have life cycles suitable to all customers	30(8.8%)	93(27.6%)	38(11.2%)	85(25.2%)	92(27.2%)	3.45	0.952
8	All products offered by the company are tailored to meet customer needs	30(8.8%)	93(27.6%)	72(21.2%)	85(25.2%)	58(17.2%)	3.04	0.952
	Overall Mean						3.2	0.927

Based on the mean interpretation scale, the mean of 3.2 (SD=0.91) obtained in Table 4.4 indicates that the sampled customers neither agreed nor disagreed (Neutral) that elements of product quality have contributed to profitability at Liberty Life. Specifically, they neither agreed nor disagreed that: the company products' premium payments are mostly flexible and not rigid (M=2.59; SD=.

84); all products of the company are continuously improved to reflect changing environment (M=2.49; SD=.95); claims against all products offered by the company have flexible processing procedure to suit every customer (M=2.93; SD=.87), and that all products offered by the company are tailored to meet customer needs (M=3.04; SD=.95). This tends to suggest that the influence of product quality was, according to the sampled customers, moderate. This is an indication that whereas these elements inherent in the insurance products may be regarded as retention factors to some of the customers, they were not viewed as significant to others.

However, the sampled respondents agreed that: each product offered to customers have pre-determined settlement process which is made known to each customer at the point of purchase (M=3.93; SD=.98); product offered by the company have expanded benefits (M=3.71; SD=.93); the company provides adds-on benefits to all its product (M= 3.46; SD=.95), and that each product offered by the company have life cycles suitable to all customers (M=3.45; SD=.95). This finding implies that the sampled respondents view the described product quality elements as significant in ensuring retention of the customers in Liberty Life.

During interviews with product and claims managers, it was revealed that whereas all products have adds-on benefits to each customer, minimum flexibility in mode of premium payment has always been allowed. An outstanding statement that was captured by the researcher was:

> Our customer often enjoy adds-on benefits in each product that they purchase from us. In addition, we often allow customers to vary premium payment depending on circumstances they are in. Besides this, each product has its unique claims processing which customers are made aware of immediately purchase process is concluded (KII 3).

The statement attributed to KII 3 tends to suggest that the company offers policy holders adds-on and expanded benefits, and flexed mode of premium payment. These are the main innovations adopted by Liberty Life for enhancing customer retention aimed at achieving firm profitability. The finding seems to concur with a study by Kiragu (2016) which investigated the influence of innovation on performance of insurance companies in Kenya. In the study, process innovation was found to be the most predominant type of innovation in the insurance industry, process control and continuous product improvement were some strategies identified in a study Apudo (2016) as significant in enhancing customer retention in a study which investigated the quality management practices influence customer retention in Nairobi.

4.2.3 Influence of Quality of Service and Profitability

The third section of the questionnaire investigated how aspects of service quality have influenced profitability at Liberty Life Assurance Company. In this regard, respondents were asked to express their agreement in respect of services offered at Liberty Life as: **1**- Strongly Disagree; **2**-Disagree; **3**- Neither disagree nor agree; **4**- Agree **5**- Strongly Agree, in accordance to their experiences or interaction with employees of Liberty Life Assurance.

Table 4.5: Quality of Service and Profitability

No	Quality of Service to Customers	1	2	3	4	5	M	SD
1	There is prompt response to customer enquiries by the company	39(11.4%)	72(21.2%)	21(6.2%)	116(34.4%)	91(26.8%)	4.33	0.877
2	Customers' complaints are satisfactorily handled by the company	48(14.2%)	82(24.4%)	39(11.4%)	100(29.6%)	65(19.2%)	3.59	0.852
3	Periodic education of customers on types of products is always conducted by the company	12(3.61%)	50(14.7%)	57(17%)	125(37%)	93(27.6%)	3.71	0.871
4	Service environment among the company offices is always presentable	34(10.2%)	96(28.4%)	35(10.4%)	81(24%)	91(27%)	3.55	0.876
5	There is always cordial reception of customers at company offices	59(17.4%)	34(10%)	34(10.2%)	111(32.8%)	76(22.4%)	4.29	0.832
6	The company often extend corporate social services to the community like schools, churches, children homes, orphans etc	66(19.6%)	110(32.6%)	39(11.6%)	57(16.8%)	66(19.4%)	2.93	0.871
7	All customers are always treated with due respect at company offices	47(13.8%)	59(17.6%)	38(11.2%)	119(35.1%)	75(22.3%)	4.54	0.912
8	Treatment of departing customers by company staff is always cordial	61(18%)	53(15.6%)	47(14%)	76(22.4%)	101(30%)	3.74	0.829
	Overall Mean						3.8	0.865

Table 4.5 illustrates that the sampled respondents agreed (M=3.8; D=0.87) that service quality at Liberty Life has influenced customer during the past 10 years. Specifically, they agreed that: there is prompt response to customer enquiries by the company (M= 4.33; SD=.88); customers' complaints are satisfactorily handled by the company (M=3.59; SD.85); periodic education of

customers on types of products is always conducted by the company (M=3.71; SD=.87); service environment among the company offices is always presentable (M=3.55; SD=.88); there is always cordial reception of customers at company offices (M=4.29 ;SD=.83); all customers are always treated with due respect at company offices (M=4.54; SD=.91), and that treatment of departing customers by company staff is always cordial (M=3.74; SD=.83). These findings suggests that practices related to service provision at Liberty Life are customer satisfaction oriented hence stand a chance of ensuring firm profitability.

Table 4.5 however illustrates that the sampled respondents neither agreed nor disagreed that the company often extend corporate social services to the community like schools, churches, children's homes, orphans etc. (M=2.93; SD=.87). During interviews with product and claims managers, it was revealed that customers are handled with a lot of decorum during every form of interaction. This includes timely response to every issue raised by the customer, timely provision of any relevant information, as well as education on new products or new adds-on benefits. This was aptly captured in one of the interviews as:

> *It is the prescribed rule in the company that all customer complained are handled within 24 hours of being raised. Similarly, customers are provided with each bit of information concerning new products or changes in existing products three months before such products are launched (KII 6)*

The statement attributed to KII 6 implies that handling of customer complaint at the company is prompt. It is also suggested in the statement that when new products or changes in the existing products are being implemented, the customers are adequately educated or informed early enough so that sufficient awareness is created among them. Another interview conducted with the claims managers came up with a theme which suggests that service environment available in the branch offices is often welcoming both to existing customers and new ones. An outstanding statement which emerged was:

> *The office environment including service halls, seats, reception counters, and floor are designed to offer comfort to each customer. This is done with an aim of instilling confidence in the company so that they (customers) are left with the hope that their investment is in safe hands (KII 2).*

The statement emerging from KII 2 points at the fact that one of the strategies put up for enhancing confidence of customers (both existing ones and new ones) is the service environment. Therefore, the foregoing findings implies that critical strategies put in place to enhance quality of service to customers at Liberty include sufficient and clear communication with customers as well as conducive service environment. These findings tend to agree with some earlier studies. For instance, a study by Samarasinghe et al (2018) which explored determinants of service quality of life insurance business in Sri Lanka found that employees of insurance company's communication styles, behavior and financial strength of the company were given more consideration in purchasing life insurance policy by customers. Also concurring with the findings in Table 4.5 is another study done in Malaysia by Kalaiarasan et al (2015) to determine the factors that influence service quality on customer satisfaction showed that service environment was the main factor that contributed to customer satisfaction. Another study which seems to concur with the current findings revealed that friendliness of insurance staff towards customers and good communication were significant determinants of customer satisfaction with insurance services in Kenya (Gachua, 2016). It can thus be concluded that quality of service provision in life insurance segment revolves around communication and conducive service environment.

4.2.4 Influence of Product Pricing on Profitability at Liberty Life

The fourth section of the questionnaire investigated how approaches of product pricing have influenced profitability at Liberty Life. In this regard, respondents were asked to state the level of their agreement with regards to which, among pricing approaches used by Liberty Life, have contributed to customer satisfaction and retention according to their views as: **1**- Strongly Disagree; **2**- Disagree; **3**- Neither disagree nor agree; **4**-Agree **5**- Strongly Agree. Results presented in percentages (%) and Mean (*M*) of the items is presented in Table 4.7.

Table 4.7: Influence of Product Pricing

No	Product pricing approaches	1	2	3	4	5	M	SD
1	Prices of products offered by the company are competitive in the market compared to other firms in the sector	86(25.4%)	81(24%)	22(6.4%)	110(32.4%)	40(11.8%)	3.18	0.887
2	All company prices reflect quality in different products offered	98(29.1%)	69(20.4%)	62(18.4%)	55(16.4%)	53(15.7%)	2.59	0.912
3	The company offers cash discounts for purchase of more than one product	36(10.6%)	74(21.8%)	61(18%)	95(28%)	73(21.6%)	3.11	0.831
4	The company offers product discount for purchase of more than one product	45(13.4%)	82(24.2%)	62(18.4%)	105(31%)	47(14%)	3.15	0.894
5	Premiums paid for each product have flexibility-mode of payment to minimize default cases	82(24.4%)	57(17%)	41(12.2%)	94(27.8%)	63(18.6%)	3.49	0.952
6	Products offered by the company have no hidden additional costs	39(11.6%)	120(35.6%)	34(10%)	91(26.8%)	49(14.4%)	2.93	0.871
	Overall Mean						3.08	0.89

Table 4.7 illustrates that in overall, the sampled respondents neither disagreed nor agreed (M=3.08; SD=0.918) that product pricing approaches as practiced at Liberty Life has influenced firm

profitability. The respondents specifically neither disagreed nor agreed that: prices of products offered by the company are competitive in the market compared to other firms in the sector (M=3.18; SD=.89); all company prices reflect quality in different products offered (M=2.59; SD=.91); the company offers cash discounts for purchase of more than one product (M=3.11; SD=.83); the company offers product discount for purchase of more than one product (M=3.15; SD=.89) and that products offered by the company have no hidden additional costs (M=2.93; SD=.87). These findings suggest that product pricing approaches that have been put in place by the management of Liberty Life have had moderate influence on customer retention and by extension firm profitability. Table 4.7, however, illustrates that the sampled respondents agreed that premiums paid for each product have flexibility-mode of payment to minimize default cases (M=3.49; SD=.95). This tends to imply that flexibility in payment of policy premiums has remained conducive to most customers hence has influenced customer retention over time.

During interviews with the sampled managers, it emerged that price differentiation between different products based on prevailing market rates. One of the outstanding statements include:

> *The company is sensitive against charging higher than rates in the market. Each product has different price which, in most cases, reflect added values or adds-on benefits (KII 1).*

The statement attributed to KII 1 suggests that the company is sensitive against overcharging its products perhaps because this might lead to customer departures or low repeat purchase. The only occasions where pricing differs from those charged by competitors is when recognizable adds-on benefits are included in the product. During another interview with the sampled managers, the researcher deduced that whereas cash discounts are seldom offered for purchase of products, incidents of product discounts are prevalent. *This was captured in one of the statements as:*

For customers who purchase more three products of different values or nature, an extra product may be added to his/her package. For example, a person who purchases life assurance policy for him/herself as well as for his/her three children may be eligible for child education benefit after 12 years of policy holding (KII 9).

The statement by KII 9 suggests that another product pricing approach commonly used for customers who purchase more than one product is availing some extra benefits attached to the purchased policies. This type of packaging maybe seen as an inducement to purchase more products, an approach which maybe looked at as fair pricing. This approach in turn enhances loyalty in customers, thus predicting repeat purchase. Similar findings have been reported in previous studies such as Novixoxo et al (2018) and Nisa (2019). In the former, it was showed that price is the most essential element that attracts customers and influence their decisions to make repeat purchase in a study done in Ghana. In the latter, findings suggested that managers view price as an important factor to achieve customer loyalty in a study carried out in Sweden. The managers seem to be akin to the fact customers often compare performance of a product with the price charged. This concurs with the articulation in assimilation - contrast theory which proclaims that if the performance of a product/service is within a consumers' range/latitude of acceptance, although it may not meet expectations, the discrepancy/disagreement will be ignored, i.e., the assimilation will operate while the customers will deem the performance to be acceptable (Keya, 2016). It can thus be deduced that any life insurance firm charging comparatively cheaper prices than competitors stand a chance of attaining customer retention and consequently profitability.

4.2.5 Level of Profitability in Liberty Life Assurance Company

Another section of the study instrument assessed the level of profitability at Liberty Life, the dependent variable. The respondents were asked to state the level of their agreement concerning how they consider the level of profitability in Liberty Life Assurance Ltd as:

1- Strongly Disagree; **2**- Disagree; **3**- Neither Agree nor Disagree; **4**- Agree **5**- Strongly Agree. Results in percentages (%) and Mean (*M*) of the items is presented in Table 4.9.

Table 4.9: Level of Profitability in Liberty Life

No	Profitability at Liberty Life	N	M	1	2	3	4	5	SD
1	I am aware of the fact that the insurance company has a big market share	338	3.53	11.4	20.2	16.2	24.4	27.8	.867
2	I am aware that Liberty Life Kenya Ltd has several active branches	338	3.69	15.2	14.4	15.4	24.6	29.2	.972
3	I am aware that Liberty Life Kenya Ltd makes sufficient profits each financial year	338	3.71	13.61	15.7	17.0	26.0	27.6	.898
4	I am aware that Liberty Life Kenya has manageable liabilities each financial year	338	3.15	13.2	25.3	20.4	27.1	14	.959
5	I am aware that Liberty Life Kenya Ltd has sound Return on Investment each financial year	338	4.39	17.4	11.0	13.2	28.8	29.6	.963
6	I am aware that Liberty Life Kenya Ltd has sound Return on Assets each financial year	338	4.23	19.6	16.8	11.6	39.6	12.4	.941
7	I am aware that Liberty Life Kenya Ltd have sound Return on Equity each financial year	338	3.44	13.8	27.6	11.2	25.1	22.3	.961
8	I am aware that Liberty Life Kenya Ltd has sound diversified portfolio during the last 3 years	338	3.26	18.1	21.5	18.0	22.2	20.2	.939
9	I am aware that Liberty Life Kenya Ltd has a positive premium growth rate during the last three years	338	3.30	30.2	11.2	12.6	19.8	26.2	.949
	Overall Mean		3.6						.939

Table 4.9 illustrates that in overall, the sampled respondents agreed that liberty Life Assurance experiences a state of profitability (M=3.6; SD=.94). This implies that customer retention strategies put in place by the company might have led to profitability in the entity. Specifically, the respondents agreed that: they were aware of the fact that the insurance company has a big market share (M=3.53; SD=.87); they were aware that Liberty Life Kenya Ltd has several active branches (M=3.69; SD=.97); they were aware that Liberty Life Kenya Ltd makes sufficient profits each financial year (M=3.71; SD=.90); they were aware that Liberty Life Kenya Ltd has sound Return On Assets each financial year (M=4.23; SD=.94), and that they were aware that Liberty Life Kenya Ltd has sound Return On Investment each financial year (M=4.39; SD=.96). These findings suggest that internal factors inherent in a company such as growth rate, liquidity, liability, fixed assets, company size and volume of capital are significant determinants of firm profitability.

Table 4.9 additionally illustrates that the sampled respondents neither agreed nor disagreed that: they were aware that Liberty Life Kenya has manageable liabilities each financial year (M=3.15; SD=.96); they were aware that Liberty Life Kenya Ltd have sound Return On Equity each financial year (M=3.44; SD=.96); they were aware that Liberty Life Kenya Ltd has sound diversified portfolio during the last 3 years (M=3.26; SD=.94) and that they were aware that Liberty Life Kenya Ltd has a positive premium growth rate during the last three years (M=3.30; SD=.95). These findings suggest that the aforementioned elements of profitability have been achieved to a moderate extent.

During interviews with the sampled managers, the researcher gathered that the company has posted significant positivities in ROI, ROA, and ROE in the past 3 years. This tends to imply that Liberty Life has during the past three years achieved a reasonable level of profitability. One statement captured by the researcher in one of the interviews was:

> *During the last three years returns in capital invested, assets invested, as well as traded shares has been improving each year at an approximate rate of 2.6%. This has ostensibly been due to careful selection of investment portfolios backed by strong customer base (KII 5).*

It is emerging from the statement by KII 5 that astute selection of investment portfolios and strong customer base as a backup forms the cornerstone of profitability at Liberty Life Assurance Ltd. This signifies the role played by customer retention at the organization. In another interview, the researcher gathered that whereas premium growth has been minimum during the last three years, there has been stability in the customer base. An outstanding theme in one of the interviews was:

> *Growth in premium reflected in purchase of policies has been minimum during the last three years due to hard economic time experienced in the country. However, stability in*

customer base in which few customers have departed has enhanced stable investments of assets, capital and equity. In turn, significant levels of profitability has continuously been realized at the company (KII 8).

The statement from KII 8 retention of existing customers has played a significant role in the realization of profitability at the organization based on the ensuing stability of internal factors as reflected in return on investments in different portfolios. Indeed, internal factors inherent in a company such as growth rate, liquidity, liability, fixed assets, company size and volume of capital have been identified in previous studies to be significant determinants of firm profitability. A study done in Albania by Luçi et al (2016) showed that 56% of the variation in the profitability of insurance companies in the country was determined by growth rate, liquidity, liability, fixed assets, company size and volume of capital. A similar study done in Turkey by Kaya (2015) revealed that the firm-specific factors affecting profitability of Turkish non-life insurance companies were the size of the company, loss ratio, current ratio, and premium growth rate among others.

4.2.6 Relationship between Customer Retention Strategies and Profitability of Liberty Life

A descriptive analysis was first done to establish the extent to which the sampled customers view customer retention approaches with regard to their influence on profitability in the organization. Table 4.10 presents the results of the descriptive analysis.

Table 4.10: Descriptive analyses of Customer Retention Strategies and Profitability at Liberty Life

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability at Liberty Life	338	1.00	5.00	3.6	.94
Product Quality	338	1.00	5.00	3.2	.91
Quality Services	338	1.00	5.00	3.8	.87
Product Pricing	338	1.00	5.00	3.1	.91
Valid N (list wise)	338				

Table 4.12 indicates that the sampled respondents agreed that Liberty Life Company has achieved certain levels of profitability (M=3.6; SD=.94) over the years. The respondents also agreed that there have been quality services at Liberty Life (M=3.8; SD=.87) over the years. However, the sampled respondents neither agreed nor disagreed that product quality (M=3.2; SD=.91) and product pricing (M=3.1; SD=.91) has been satisfactory at Liberty Life to influence Customer retention and in turn profitability. This finding implies that quality services inherent in prompt settlement of claims, interactive communication and prompt complaint handling are significant factors towards customer retention and in turn, firm profitability. Product quality and product pricing seems to be secondary in so far as customer retention at Liberty Life is concerned.

This seems contrary to the tenets of Assimilation theory which articulates that when a customer is presented with a circumstance such as price or quality of a product that is credible and congruent enough with his/her own beliefs, the circumstance is assimilated and contributes to adjust his/her attitudes, which in turn influence his/her behavior (De Bruyn & Prokopec, 2017). Findings in Table 4.10 seem to fit the arguments of Flint et al. (2015) and Elena and Anikó (2017) which, in their contribution on Assimilation theory, stated that there is limited link on how the disconfirmation of an expectation may result in either satisfaction or dissatisfaction. The authors asserted that an assumption that consumers are motivated enough to adjust their perceptions about the product performance, or their expectations is not applicable in the real-life situation.

Findings in Table 4.10 concurs with conclusions made by several authors in previous studies. Samarasinghe et al (2018) revealed in a study done in Sri Lanka that employees of insurance company's communication styles are given more considerations in purchasing life insurance policy. Similarly, service environment was the main factor that contributed to customer satisfaction as shown in a study by Kalaiarasan et al (2015) in Malaysia. On the other hand, assurance and empathy as displayed by insurance staff were found to have high significant impact on customer satisfaction among insurance companies in a study done in Ethiopia by Alemayehu and Dalega (2019). Another study done in Kenya by Gachua (2016) which analyzed the impact of service delivery quality among insurance companies showed that treatment by the company staff is significant in enhancing customer satisfaction. Quality service provision therefore remains a significant strategy in the enhancement of customer retention and consequently profitability of a company.

4.3. Inferential analysis results

4.3.1 Correlation analysis

4.3.1.1 Profitability vs product quality

The researcher was also able to correlate the mean of components of profitability and those of product quality. Table 4.4 presents result of Pearson's correlations between product quality and profitability at Liberty Life Company.

Table 4.4: Correlations between product quality and profitability at Liberty Life

		Profitability	Product Quality
Profitability	Pearson Correlation	1	.164**
	Sig. (2-tailed)		.001
	N	338	338
Product Quality	Pearson Correlation	.164**	1
	Sig. (2-tailed)	.001	
	N	338	338

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2021)

Table 4.4 illustrates Pearson correlation between product quality and profitability at Liberty Life is .164**, p<0.01 which is positive. It shows that there is a positive relationship between product quality and profitability at Liberty Life. The correlation is significant at 0.01 level (2-tailed) $p<0.01$. This implies that with improved approaches aimed at enhancing product quality, there will be an improvement in profitability at Liberty Life. The quality of a product that is perceived to conform to desired standards has also been reported in previous studies done. In a study done in Indonesia, Razak et al (2016) that tested the impact of product quality on customer satisfaction revealed that the quality of the product itself that conformed to the production standard in advance is a significant predictor of customer retention. However, these findings tend to contrast a study by Zardi et al (2018) which analyzed the influence of product quality, price, location, and customer satisfaction on customer loyalty. They found that product quality has no effect to customer loyalty, while location has significant effect to customer loyalty and customer satisfaction has no effect to customer loyalty

4.3.1.2. Profitability vs quality of service

The researcher was also able to correlate the mean of components of profitability at Liberty Life and those of quality of service. Table 4.6 presents result of Pearson's correlations between quality services and profitability at Liberty Life.

Table 4.6: Correlations between Quality Services and Profitability of Liberty Life

		Profitability in Liberty Life	Quality of Service
Profitability of Liberty Life	Pearson Correlation	1	.816**
	Sig. (2-tailed)		.001
	N	338	338
Quality of Service	Pearson Correlation	.816**	1
	Sig. (2-tailed)	.001	
	N	338	338

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2021)

Table 4.6 illustrates Pearson correlation between quality of services and profitability at Liberty Life is .816**, $p<0.01$ which is high and positive. It shows that there is a strong and positive relationship between quality of services to customer and profitability at the firm. The correlation is significant at 0.01 level (2-tailed) $p<0.01$. This implies that with improved and robust quality services to customers, there is improved profitability at the Life Assurance Company. Indeed, significant impact of dimensions of service quality on customer satisfaction was also revealed in a study by Alemayehu and Dalega (2019) in Ethiopia. They showed that assurance and empathy to customers have significant impact on customer satisfaction. In a similar vein, a study in Saudi Arabia by Alawni (2015) also revealed customer knowledge and prior experience positive determinants of perceived service quality and customer satisfaction.

4.3.1.3 Product pricing vs profitability

The researcher was also able to correlate the mean of components of product pricing and profitability at Liberty Life. Table 4.8 presents result of Pearson's correlations between product pricing and profitability at Liberty Life.

Table 4.8: Correlations between Product Pricing and profitability at Liberty Life

		Profitability at Liberty Life	Product Pricing
Profitability at Liberty Life	Pearson Correlation	1	.811**
	Sig. (2-tailed)		.001
	N	338	338
Product Pricing	Pearson Correlation	.811**	1
	Sig. (2-tailed)	.001	
	N	338	338

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2021)

Table 4.8 illustrates Pearson correlation between the product pricing and profitability at Liberty Life is 0.53**, $p<0.01$ which is positive and significant. This is an indication that there is a positive relationship between product pricing and profitability at Liberty Life. The correlation is significant at 0.01 level (2-tailed) $p<0.01$. This implies that an improvement in product pricing approaches can significantly improve profitability at Liberty Life. Product pricing as a significant predictor of customer retention has been revealed in many previous studies. Azad and Singh (2019) revealed that there is a positive and significant relationship between pricing strategies and customer retention in a study done in Kurdistan. In a similar study, Njeru (2017) found that pricing strategies were significant in explaining product choice, store choice, purchase amount, and purchase timing in a study done among supermarkets in Kenya. It is therefore critical to deduce that product pricing is significant in predicting customer behaviour variables such as loyalty, repeat purchase, purchase amount, and product choice and consequently retention.

4.3.2. Regression analysis results

4.3.2.1 Model Summary

To determine the nature and direction of the relationship that exists between customer retention strategies (product quality, quality services, product pricing) and profitability at Liberty Life, the researcher proceeded to conduct stepwise multiple regression analysis. First an analysis was done to check how well the model ($Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + e$) could predict the influence of customer retention strategies on profitability at Liberty Life Company This was carried out using analysis of variance (ANOVA). Table 4.11 presents the ANOVA.

Table 4.11: The Analysis of Variance Result

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	71.326	3	6.992	88.495	0.000[b]
1	Residual	267.808	338	0.827		
	Total	338.778	341			

a. Dependent Variable: Profitability at Liberty Life

b. Predictor/Constant variables: Product quality, Quality Services, Product Pricing,

Table 4.11 illustrates that customer retention strategies under study are significant predictors of profitability at Liberty Life Assurance Company {$F_{(1, 338)}$ =88.495, P<0.05}. The significance value of F in this case is 0.000, which is less than 0.05 (P<0.05). Thus, product quality, quality services, and product pricing are significant in explaining the variation in profitability at Liberty Life. The relative importance of each coefficient of customer retention strategies in predicting firm profitability is presented in Table 4.12.

4.3.2.2 ANOVA and coefficient analysis

Table 4.12: Model of prediction using Multiple Regressions.

						Change Statistics			
Model	R	R Square	Adjusted R Square	Std Error of the Estimate	R Square Change	F Change	df 1	df 2	Sig F Change
1	.63575 [a]	.4042	.4021	.60088	.4019	39.083	3	335	.000

a. Predictors: (Constant), Quality products, Quality of Services, Product Pricing

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.218	.166		7.337	.000
	Quality Products	.428	.102	.164	4.1960	.000
	Quality of Services	1.188	.093	.816	12.774	.000
	Product Pricing	.601	.048	.811	12.521	.000

a. Dependent Variable: Profitability at Liberty Life

Findings from the model in Table 4.12 present the actual influence of the coefficients of the independent variable (customer retention strategies) on the dependent variable (profitability) at liberty Life. The unstandardized beta for quality products is .428. This implies that improvement in quality of products can contribute 0.428-unit improvement in profitability of the company. Similarly, the unstandardized beta for quality-of-service provision is 1.188. This implies that improvement in quality of services provided to customers can contribute 1.188-unit improvements in profitability at Liberty Life. Equally, the unstandardized beta for product pricing is 0.601. This implies that improvement in product pricing strategies can contribute 0.601-unit improvements in profitability at Liberty Life.

The regression equation $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$, with the constant ($\beta_0$) being 2.4225, the coefficient can be plugged into the formula to predict profitability at Liberty Life Assurance Company as:

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$,

$Y = 2.4225 + (.428)\ X_1 + (1.188)\ X_2 + (.601)\ X_3$

With R^2 of .4042, it can be deduced that 40.4% change in profitability at Liberty Life Assurance Company is attributed to customer retention strategies under this study. The remaining 59.60% of change in firm profitability may be attributable to other factors beyond this study. The study findings point at the fact that product quality, quality of service provision, and product pricing significantly influence profitability at Liberty Life Assurance Company, and their inadequate exploitation could lead to low profitability. This is in line with Assimilation Theory espoused by Anderson which proclaims that the behaviour of a customer is influenced by the credibility and congruence of product price or product quality with his/her (customer's) beliefs or expectations (De Bruyn & Prokopec, 2017). According to Chege (2021), assimilation occurs when product users make comparison between the expectation they have in the product and the perceived performance of the product. This therefore lays a significant emphasis on product quality as a panacea for customer retention and firm profitability. Propounders of Assimilation Theory like Keya (2016) have argued that any discrepancy between expectations in a product and actual performance of the product definitely leads to dissonance and departure of customers. This is also in line with Contrast Theory which stipulates that discrepancy in a product with the expectation as alluded at in product advertisement would lead to project rejection (Szymanski & Henard, 2017). According to Ng'ang'a et al (2016), if the advertising message (for a product) raises the expectations of the consumers, and the consumer experiences slightly less than what is promised, the product and/or service of the company is rejected as users would perceive it to be totally un-satisfactory.

Product quality, quality services, and product pricing as components of customer retention are revealed to be significant predictors of firm profitability in Table 4.12. With an average of 40.4% of the observed variance in firm profitability predicted by the three variables (product quality, quality services, product pricing) at Liberty Life, it implies that profitability at Liberty Life can be improved if these variables are nurtured well. Several researchers (Reshid, 2015; Onsongo, 2015; Apudo (2016) have linked firm-specific factors affecting the profitability non-life insurance companies including size of the company, loss ratio, current ratio, and premium growth rate to stability of customer base.

4.4: Hypothesis testing and implication

The three hypotheses in the study included.

- H01: There is no relationship between Product quality and profitability amongst insurance companies in Kenya

- H02: There is no relationship between Customer quality service and profitability amongst insurance companies in Kenya
- H03: There is no relationship between Product pricing and profitability amongst insurance companies in Kenya

From the correlation analyses above which shows that product quality, customer service and pricing all have positive significant relationships with profitability ($p<0.05$ in all cases), it is possible to conclude that the null hypotheses can be rejected, and the alternative hypotheses accepted. This implies that all three aspects have a relationship with the profitability of insurance companies in Kenya because consumers consider all of them before making their purchase decisions. Hence any insurance company operating in Kenya must find ways of enhancing product quality, customer service and pricing if they want to boost profitability.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of findings of the study, conclusion and recommendations. The researcher also suggests other areas for further studies based on the study findings.

5.1 Summary of the findings

The general objective of this study assessed how customer retention strategies influence profitability at Liberty Life Company. The coefficients of customer retention strategies assessed were product quality, quality services, and product pricing. The following were the summary of findings.

5.1.1 Product Quality and Profitability at Liberty Life

The study found that product quality has moderately influenced profitability at Liberty Life (M=3.2; SD=.91). Specifically, the fact that the company products' premium payments are mostly flexible and not rigid (M=2.59; SD=. 84); all products of the company are continuously improved to reflect changing environment (M=2.49; SD=.95); claims against all products offered by the company have flexible processing procedure to suit every customer (M=2.93; SD=.87), and that all products offered by the company are tailored to meet customer needs (M=3.04; SD=.95) have moderately influenced profitability (Table 4.3).

The study also found that the fact that each product offered to customers have pre-determined settlement process which is made known to each customer at the point of purchase (M=3.93; SD=.98); product offered by the company have expanded benefits (M=3.71; SD=.93); the company provides adds-on benefits to all its product (M= 3.46; SD=.95), and the fact that each product offered by the company have life cycles suitable to all customers (M=3.45; SD=.95) have influenced profitability to a large extent.

Interview findings showed that the company offers policy holders adds-on and expanded benefits, and flexed mode of premium payment. These are the main innovations adopted by Liberty Life for enhancing customer retention aimed at achieving firm profitability. The correlation between product quality and profitability at Liberty Life is .164**, p<0.01 which is positive (Table 4.4). The unstandardized beta for quality products is .428. This implies that improvement in quality of products can contribute 0.428-unit improvement in profitability of the company (Table 4.12).

5.1.2 Quality Services and Profitability at Liberty Life

The study found that quality of service delivery (M=3.8; D=0.87) has influenced profitability at Liberty Life to a large extent. Specifically, the fact that: there is prompt response to customer enquiries by the company (M= 4.33; SD=.88); customers' complaints are satisfactorily handled by the company (M=3.59; SD.85); periodic education of customers on types of products is always conducted by the company (M=3.71; SD=.87); service environment among the company offices is always presentable (M=3.55; SD=.88); there is always cordial reception of customers at company offices (M=4.29 ;SD=.83); all customers are always treated with due respect at company offices (M=4.54; SD=.91), and that treatment of departing customers by company staff is always cordial (M=3.74; SD=.83) have highly influenced customer satisfaction and firm profitability (Table 4.5).

Interview findings showed that handling of customer complaint at the company is prompt. Findings also showed that when new products or changes in the existing products are being implemented, the customers are adequately educated or informed early enough so that sufficient awareness is created among them. Another interview finding showed that one of the strategies put up for enhancing confidence of customers (both existing and new ones) is the service environment. The study additionally found that the correlation between quality of services and profitability at Liberty Life is .816**, p<0.01 which is high and positive (Table 4.6). Findings further showed that improvement in quality of services provided to customers can contribute 1.188-unit improvements in profitability at Liberty Life (Table 4.12).

5.1.3 Product Pricing and Profitability at Liberty Life

For the third objective, the study found that product pricing (M=3.08; SD=0.918) has influenced profitability at Liberty Life to a moderate extent (Table 4.7). Specifically, the study found that the fact that: prices of products offered by the company are competitive in the market compared to other firms in the sector (M=3.18; SD=.89); all company prices reflect quality in different products offered (M=2.59; SD=.91); the company offers cash discounts for purchase of more than one product (M=3.11; SD=.83); the company offers product discount for purchase of more than one product (M=3.15; SD=.89) and the fact that products offered by the company have no hidden additional costs (M=2.93; SD=.87) have had moderate influence on profitability of the company. The study also found that the fact that premiums paid for each product have flexibility-mode of payment to minimize default cases (M=3.49; SD=.95) has influenced profitability at Liberty Life to a large extent (Table 4.7).

The interview findings showed that the company is sensitive against overcharging its products perhaps because this might lead to customer departures or low repeat purchase. The only occasions where pricing differs from those charged by competitors is when recognizable adds-on benefits are included in the product. It was also found that another product pricing approach commonly used for customers who purchase more than one product is availing some extra benefits attached to the purchased policies. This type of packaging maybe seen as an inducement to purchase more products, an approach which may be seen as fair pricing.

The study also found that the correlation between the product pricing and profitability at Liberty Life is 0.53^{**}, $p<0.01$ which is positive and significant (Table 4.8). It was further found that the unstandardized beta for product pricing is 0.601 (Table 4.12).

5.2 Conclusion

The study concludes that elements of product quality has moderately influenced profitability at Kenyan Insurance companies. It is also concluded that whereas elements inherent in the insurance products may be regarded as retention factors to some of the customers, they were not viewed as significant to others. The study further concludes that with improved approaches aimed at enhancing product quality, there will be an improvement in profitability at Kenyan Insurance companies. Similarly, the study concludes that that improvement in quality of products can contribute 0.428-unit improvement in profitability of the company

With regard to quality of services provided to customers, the study concludes that service quality at Kenyan Insurance companies has influenced customer retention and profitability to a large extent during the past 10 years. The study additionally concludes that a strong and significant relationship exists between quality-of-service provision and profitability in Kenyan Insurance companies. It is also concluded that with improved and robust quality services to customers, there is improved profitability in Life Assurance Companies.

The study concludes that product pricing approaches that have been put in place by the management of Kenyan Insurance companies have had moderate influence on customer retention and by extension firm profitability. The study similarly concludes that an improvement in product pricing approaches can significantly improve profitability in Kenyan Insurance companies. It is additionally concluded that improvement in product pricing strategies can contribute 0.601-unit improvements in profitability in Kenyan Insurance companies.

5.3 Study Recommendations

Based on the conclusions made from the study findings, the researcher recommends that some policies and guidelines should be put in place to improve profitability at Kenyan Insurance companies as follows:

The study concludes that elements of product quality has moderately influenced profitability at Kenyan Insurance companies. The study specifically found that the company flexibility of products' premium payments, improvement in product quality, processing of claims and tailoring of products to specific customer needs have sufficiently been influencing customer retention and hence profitability. The study therefore recommends that efforts should be exerted towards improving mode of premium payment, improvement of product quality as well as tailoring of products to the needs of customers.

The study found that quality of service delivery has influenced profitability in Kenyan Insurance companies to a large extent. The company has not been engaging in corporate social services to the community like schools, churches, children's homes, orphanages etc. effectively. The study recommends that the organization should adopt proactive corporate social responsibility in a bid to maintain continuous linkage with the community which is by far part of the customer base.

The study found that product pricing approaches that have been put in place by the management of Kenyan Insurance companies have had moderate influence on customer retention and by extension firm profitability. It also found that premiums paid for each product with flexibility-mode of payment to minimize default cases has influenced customer retention and profitability at the organization. To improve customer retention and consequently profitability through product pricing, it is recommended that flexible mode of premium payment should be adopted for all its product to make it easy for the customers to make payment.

5.4 Recommendations for Further Research

Considering the recommendations for improving profitability through customer retention in Kenyan Insurance companies, the researcher recommends that:

i. A study be done on the influence of expanded benefits in product package on customer retention and profitability in Kenyan Insurance companies.
ii. Similarly, a study should be done on the influence of proactive corporate social responsibility on profitability in Kenyan Insurance companies.
iii. Finally, the researcher recommends that a study be done on the flexibility mode of premium payment on profitability in Kenyan Insurance companies.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Bach Peter,

P.O Box 596,

Kisumu, Kenya.

July, 2021.

Dear Sir/Madam,

RE: AUTHORITY TO CONDUCT RESEARCH

I am a student undertaking a master's in business administration degree in the school of business of Africa Nazarene University. I would wish to conduct my research on **the Relationship between customer retention and profitability, taking the case of Liberty Life Assurance Ltd.** The information you are requested to provide will be used for academic purposes only. Your identity will remain confidential, and you are requested **NOT** to write your name anywhere. Kindly accord me necessary support so as to enable me to collect data for the purposes of my course. Thank you in advance.

Yours faithfully,

Peter Bach

APPENDIX I: STUDY QUESTIONNAIRE

SECTION I; BIOGRAPHICAL INFORMATION OF RESPONDENTS

Kindly place a (√) in the boxes provided as appropriately as possible.

1. Gender: i) Male; ii) Female;

3. **Age:** i) Below 30 years; ii) 31 – 35 years; iii) 36 – 40 years;

iv) 41 – 45 years; v) 46 – 50; vi) 51 and above;

4. Level of Education: i) None; ii) Primary Level; iii) Secondary level;

iv) Tertiary Level; v) Any others (Specify); ____________________

5. **Period of policy holding:** i) 10 - 15 years; ii) 16– 20 years; iii) 21 – 25 years;

iv) More than 26 years

SECTION II; ASPECTS OF PROFITABILITY AND CUSTOMER RETENTION

Different approaches have been employed as measurements of profitability in companies within service industry. The following statements relate to the measurements of profitability among insurance firms. Kindly state the level of your agreement concerning how you consider the level of profitability in Liberty Life Assurance Ltd as:

1- Strongly Disagree; **2**- Disagree; **3**- Neither Agree nor Disagree; **4**- Agree **5**- Strongly Agree.

No	Items	1	2	3	4	5
1	I am aware of the fact that the insurance company has a big market share					
2	I am aware that Liberty Life Kenya Ltd has several active branches					
3	I am aware that Liberty Life Kenya Ltd makes sufficient profits each financial year					
4	I am aware that Liberty Life Kenya has manageable liabilities each financial year					
5.	I am aware that Liberty Life Kenya Ltd has sound Return On Investment each financial year					
6	I am aware that Liberty Life Kenya Ltd has sound Return On Assets each financial year					
7.	I am aware that Liberty Life Kenya Ltd have sound Return On Equity each financial year					
8.	I am aware that Liberty Life Kenya Ltd has sound diversified portfolio during the last 3 years					
9	I am aware that Liberty Life Kenya Ltd has a positive premium growth rate during the last three years					

SECTION III: PRODUCT QUALITY AND PROFITABILITY

The provision of products that meet the needs of the customer often results into customer satisfaction and consequently retention of customers. The following statements relate to aspects of product qualities. Kindly express your agreement as: **1**- Strongly Disagree; **2**-Disagree; **3**- Neither disagree nor agree; **4**- Agree **5**- Strongly Agree, in accordance to services or products offered by Liberty Life Assurance Ltd.

No	Items	1	2	3	4	5
1	Each product offered to customers have pre-determined settlement process which is made known to each customer at the point of purchase					
2	The company products' premium payments are mostly flexible and not rigid					
3	Product offered by the company have expanded benefits					
4	The company provides adds-on benefits to all its product					
5.	All products of the company are continuously improved to reflect changing environment					
6	Claims against all products offered by the company have flexible processing procedure to suit every customer					
7.	Each product offered by the company have life cycles suitable to all customers					
8.	All products offered by the company are tailored to meet customer needs					

SECTION IV: QUALITY CUSTOMER SERVICE AND PROFITABILITY

Customer services including appropriate communication between customers and service provider is an important strategy in retaining key customers. In addition, how customers are served has the potential of enhancing customer satisfaction in a particular industry. Kindly express your agreement in respect of services offered at Liberty Life as: **1**- Strongly Disagree; **2**-Disagree; **3**-

Neither disagree nor agree; **4**- Agree **5**- Strongly Agree, in accordance to your experience or interaction with employees of Liberty Life Assurance.

No	Items	1	2	3	4	5
1	There is prompt response to customer enquiries by the company					
2	Customers' complaints are satisfactorily handled by the company					
3	Periodic education of customers on types of products is always conducted by the company					
4	Service environment among the company offices is always presentable					
5.	There is always cordial reception of customers at company offices					
6	The company often extend corporate social services to the community like schools, churches, children's homes, orphanages etc.					
7.	All customers are always treated with due respect at company offices					
8.	Treatment of departing customers by company staff is always cordial					

SECTION V: PRODUCT PRICING AND PROFITABILITY

Most firms employ different pricing strategies to attract and retain customers. Pricing of products has been linked to customer retention and consequently firm profitability. Which, among pricing approaches used by Liberty Life, have contributed to customer satisfaction and retention according to your view? Kindly express your view as: **1**- Strongly Disagree; **2**- Disagree; **3**- Neither disagree nor agree; **4**-Agree **5**- Strongly Agree

No	Items	1	2	3	4	5
1	Prices of products offered by the company are competitive in the market compared to other firms in the sector					
2	All company prices reflect quality in different products offered					
3	The company offers cash discounts for purchase of more than one product					
4	The company offers product discount for purchase of more than one product					
5.	Premiums paid for each product have flexibility-mode of payment to minimize default cases					
6	Products offered by the company have no hidden additional costs					

End

This schedule will aid the researcher to conduct face to face interview with the managers at Liberty Life, in as far as customer retention and profitability are concerned. The researcher intends to use the information gathered from these interviews solely for his academic work.

ASPECTS OF PROFITABILITY AND CUSTOMER RETENTION

Different approaches have been employed as measurements of profitability in companies within service industry. Please, provide your opinion towards the following regarding profitability measurement at Liberty Life Assurance Ltd

1. Has the company posted any positivity in Return on Investment during the last 3 years? If so (or if not so), then explain the rate of ROI each year for the past 3 years

2. Has the company posted any positivity in Return on Assets during the last 3 years? If so (or if not so), then explain the rate of ROA each year for the past 3 years

3. Has the company posted any positivity in Return On Equity during the last 3 years? If so (or if not so), then explain the rate of ROE each year for the past 3 years

4. Has there been growth in the rate of premium during the last 3 years? If so, explain the rate at which it has grown each year during the last 3 years

PRODUCT QUALITY AND PROFITABILITY

The provision of services or products that meet the needs of the customer often results into customer satisfaction and consequently retention of customers. Kindly provide your opinion regarding the following questions concerning product/service quality dimensions at Liberty Life

1. Are all products offered by the company have payment claims attached to them? If so, explain how the claims are processed and settled

2. Is premium payment flexible (flexibility mode)? If so, explain the mode of flexibility in terms of extended duration over the last 3 years?

3. Regarding the products offered by your company, are there adds-on benefits attached? If so, explain the nature of those adds-on benefits and their effect

4. In the last three years, are there innovations that have been made or added to your products? If so, kindly explain the innovations and their effects

QUALITY CUSTOMER SERVICE AND PROFITABILITY

The way customers are served has the potential of enhancing customer satisfaction in a particular industry. Kindly provide your opinion regarding the following questions on quality of customer service dimensions at Liberty Life.

1. Are there incidents of customer complaints to the company? If yes, explain how the company respond to such complaints

   ____

   ____

2. Are customers educated on company products? If yes, explain how such educational activities are carried out and their effects on customers both new and old

   ____

   ____

3. Explain how the office environment looks like in terms of the service hall, reception, seats etc. in each of the company branches or offices? Does the office environment set to offer comfort to visiting customers?

   ____

   ____

4. Is there a way the company handles departing customers? If so, explain the manner in which customers who are departing are treated by the company

   ____

   ____

SERVICE/PRODUCT PRICING AND PROFITABILITY

Most firms employ different pricing strategies to attract and retain customers. Pricing of products has been linked to customer retention and consequently firm profitability. Kindly provide your opinion regarding the following questions on product pricing dimensions at Liberty Life

1. Are the prices charged for each product by Liberty Life different from prices charged by other companies in the sector? If so, explain the reason and justification for this difference

   ____

   ____

2. Are there differences in prices charged for each product? If so, kindly provide an explanation for the differences

   ____

   ____

3. Are there discounts (product or cash) offered for products purchased from the company? If there are, please provide some explanation

   ____

   ____

4. Are there additional costs associated with each product? If there is, please provide some explanation as per the costs?

   ____

   ____

END OF THE INTERVIEW

APPENDIX II: RESEARCH PERMIT

Dear Respondents,

My Name is **PETER BACH**. This questionnaire is aimed at soliciting data necessary to enable me carry out my study which is based on the relationship between customer retention and profitability amongst insurance companies in Kenya: A case of Liberty Life Assurance Co. Ltd (K). The study is purely for academic purposes. Remain assured that your contribution will be kept with utmost confidentiality. You are also free to withdraw your participation in the study any time as you deem fit. Finally, this exercise will be conducted in a language that is understood by each participant. Thank you.

APPENDIX III: RESEARCH APPROVAL AND LETTERS

AFRICA NAZARENE UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION- SCHOOL OF BUSINESS

NOTIFICATION OF COMPLETION OF POST-DEFENSE AMENDMENTS

Students Name **Bach Peter Bach** ___Student No_____ **11J DLMBA078**

Research Title:

CUSTOMER RETENTION STRATEGIES AND PROFITABILTY AMONGST INSURANCE COMPANIES IN KENYA: A CASE OF LIBERTY LIFE ASSURANCE CO. LTD

I hereby certify that all the comments and changes preferred by the examining panel upon this MBA research work have been considered in the final document presented herewith, and that all content revisions, corrections and reorganizations have been meticulously carried out.

Student Signature.................................

First Supervisor

Name____ **Dr. Kimani Gichuhi**__ Sign Date__1/7/2022

Second Supervisor (if allocated)

Name________________________ Sign ___________ Date___________

AFRICA NAZARENE
UNIVERSITY

From: **School of Business**

Student's Name: **Bach Peter Bach** Student No 11JDLMBA 078

RE: BINDING OF GRADUATE RESEARCH PROJECT (SCHOOL OF BUSINESS, AFRICA NAZARENE UNIVERSITY)

Dear **Bach Peter Bach,**

We have checked your research work for post-defense corrections.

Kindly ensure ALL amendments pointed out in your correction matrix are well captured and that you TOTALLY comply with the ANU Research Guidelines (2019) earlier shared with you. We shall only accept work perfected along the suggestions for correction and along the stipulations of ANU research guidelines (2019).

In addition, please confirm that thorough Formatting of your document is meticulously addressed before you print final copies for binding.

Signed: _ Date_**1/7/2022** **Dr. Kimani Gichuhi**

APPENDIX IV: AUTHORIZATION FROM THE NATIONAL COMMISSION FOR SCIENCE TECHNOLOGY AND INNOVATION (NACOSTI)

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No113915

RESEARCH LICENSE

Date of Issue:/July/ 29 2021

This is to Certify that Mr.. PETER BACH BACH of Africa Nazarene University, has been licensed to on the topic: CUSTOMER RETENTION STRATEGIES AND PROFITABILITY AMONGST INSURANCE COMPANIES IN KENYA: A CASE OF LIBERTY LIFE ASSURANCE CO. LTD for the period ending : 29/July/2022.

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Applicant Identification Number

Director General

NATIONAL COMMISSION
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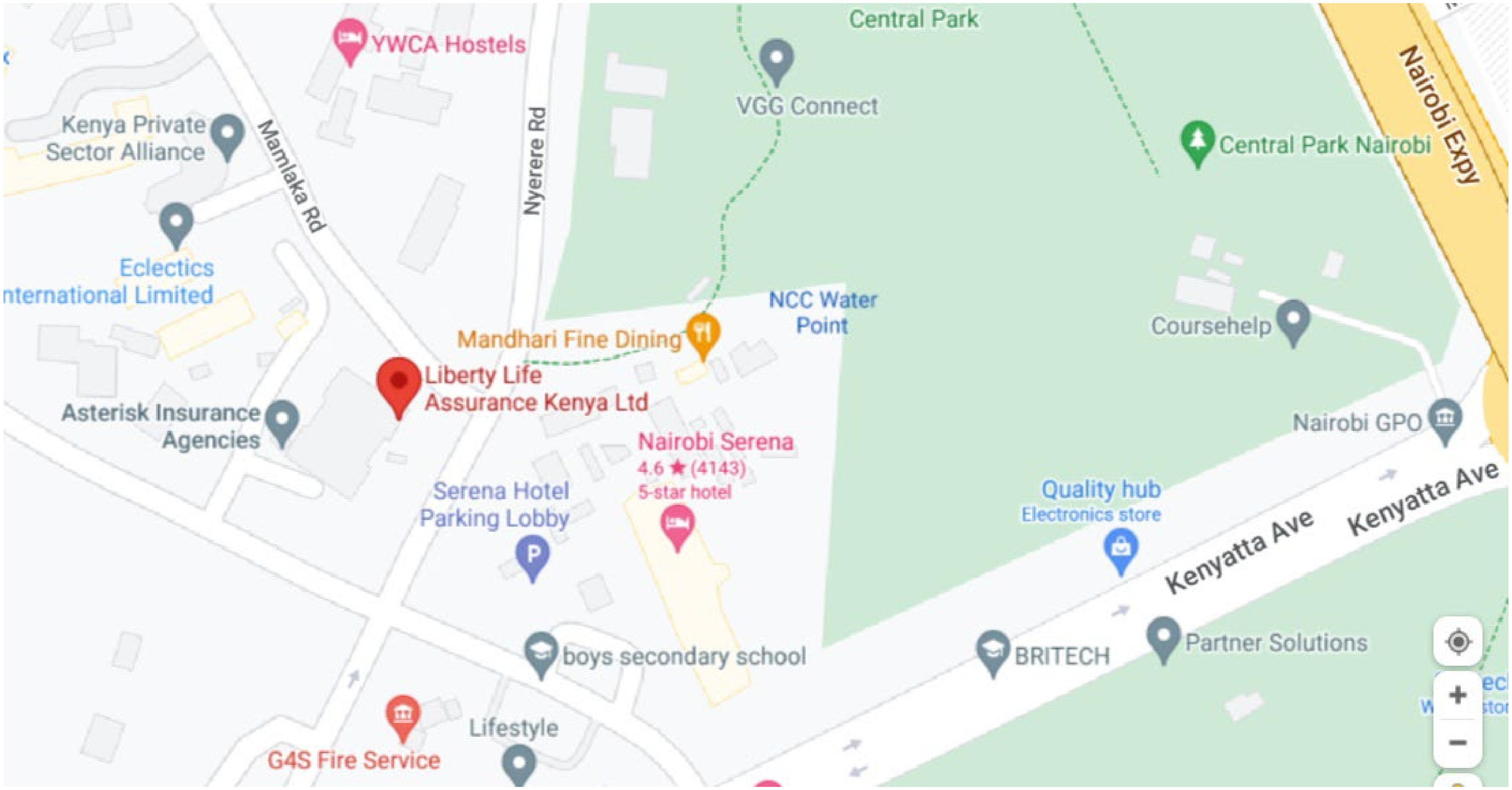
E-mail: dg@nacosti.go.ke / registry@nacosti.go.ke Website: www.nacosti.go.ke

APPENDIX IV: MAP OF SURVEY LOCATION



The survey took place under Liberty Life Assurance Kenya's head office located at the junction of Nyerere and Mamlaka roads in Nairobi, opposite the Nairobi Serena Hotel.