CLIENT LOYALTY IN THE LONG TERM INSURANCE INDUSTRY

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CLIENT LOYALTY IN THE INSURANCE INDUSTRY

ABSTRACT

Background

In recent times the insurance industry has seen rapid migration of clients among the different companies in search of better rates from the latest intermediary. Cancellation and surrenders of policies have marked this migration of clients. Clients are dependent on brokers for advice, thus making client loyalty dependent on the relationship between the intermediary and the client. In this model there is a gap in the relationship between client and company.

Objectives

The primary objective of this study is to elucidate the preconception that client loyalty is dependent on the relationship that an intermediary has with a client. The secondary objective of this study is to determine how clients' perceptions and attitudes lends itself to either clients remaining with, or leaving a particular insurer in favour of another.

Methods

Data was collected by means of a research questionnaire received from 50 respondents, made of clients from the Sanlam Broker Services database. Open ended questions and disconfirmation scales were used. One sample chi-square was used to test the hypotheses.

Results

Despite clients having received expected levels and better than expected levels of service from a company, clients still prefer to deal with an advisor. The factors that affect clients' decision to remain or migrate to another company are service, reputation, performance and rates. The most common factors for discontentment are poor service, misrepresentation, lack of confidentiality, and poor performance.

It was also found that that there is a higher degree of awareness and membership among higher income earners than lower income earners.

Conclusion

It is recommended that more than demographic knowledge be accessed to keep clients loyal. Lifestyle studies need to be conducted and perhaps this information used to develop innovative marketing strategies. Partnerships with successful existing loyalty programmes also need to be explored as a client retention mechanism. Client loyalty cannot be explored in isolation. It must encompass the entire organization. There is ample evidence in the literature review to support this view.

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1.1   INTRODUCTION

Relationship marketing essentially represents a paradigm shift within marketing and addresses two concerns: getting and keeping a customer. The long term insurance industry's distribution is dependent on the relationship their sales force foster with clients. Most companies have a quadruple distribution channels, made up of a tied agent, independent broker, direct, and an employee benefit division directed at corporate.

The last twenty years has seen much innovation in product design especially with life and investments products. Prior to 1984 policies were structured as reversionary bonus policies. With these policies, bonuses only vested at the end of the term. Term on these policies was often long. 1984 saw the introduction of the universal policy, which appeared to be a more flexible product. Perhaps this policy can best be described by an old Sanlam advert where a child plays with a plasticine ball increasing and decreasing the size according to personal need. In the ensuing years this was not to be true. Recently, the trend is have stand alone risk benefits, without any investment element in the product design. In light of these changes, older investments and risk products appear to be inefficiently and expensive. Another dimension to this situation is that different companies have unique risk pools, which affect the pricing of their risk products.

Thus, policyholders tend to migrate rapidly in search of "better"; more cost efficient products and advice from the latest intermediary. This migration is spurred by product innovation that makes older, less flexible policies look more expensive, as well as inefficient. Aggressive marketing by both intermediaries and companies has also significantly contributed to this migration. This move by clients is characterized by churning (replacing one policy by another), lapses (policy premiums not honoured), and surrenders (clients canceling a policy). This dynamic state challenges the question of whether client loyalty can be built or whether client loyalty will always be predominantly dependent on the relationship between intermediary and client.

1.2 BACKGROUND

Most research related to client retention strategies point towards intermediary loyalty. Insurance companies spend vast amounts of monies on creating attractive incentives so that their intermediaries feel more positively inclined towards certain product providers. These incentives together with aggressive marketing campaigns and innovative products are part of the strategic drive to achieving profit objectives.

Gino Morelli in "Building Agent /Broker's Loyalty: National Underwriter/Life & Health Financial Services, 4/1/2002" speaks of understanding the underlying factors that drive intermediaries and the offering of incentives that benefit both them and their clients. Suggestions revolve around personal development programmes, educational courses, awarding points for volume that could be exchanged for services requested. "The result is a loyal support base of agents/brokers who are not only motivated to sell more of your products, but have better skills and abilities to do so. It's a win for your company, a win for the agents/brokers, and a win for the clients."

Within the local context, the major players in the Life Insurance Industry already have such programmes in place. Intermediaries, both broker and agents channels are segmented, into groups of "performers" who enjoy the most incentives. If Morelli's argument is to be followed, "loyal intermediaries" will write more of a company's products. This is a volume issue and intermediaries are measured on volume and insurance companies' growth and profitability is dependent on premium income and market share. Does higher volumes necessarily mean loyal clients? High volumes could be attributed to genuine new clients and clients who have been "churned" (policy/ portfolios are consolidated and old polices are surrendered and replaced by new, "more cost effective" and "better structured policies"). Sometimes there are genuine reasons for "restructuring", and most times it's a way to make up volume and target. Critical issues are:

- Did the client have enough information to make an informed decision or was he at the mercy of the latest intermediary?

- Was the client told that the disability clause in older policies provided more cover, for example to members of the police force who are often victims of Post Traumatic Disorder?
- Did the intermediary who replaced the older policy understand the technical benefit structure of older polices?
- Do companies provide clients with adequate information about their investments and policies?
- Do companies target the relevant information to clients in a manner that is understood by the policyholder?
- Is there sufficient awareness created for the relevant company to become part of a client's evoked set?

Lapses and surrenders cost both companies and their clients. Clients lose most, if not all their premiums, when policies are lapsed or surrendered. Companies lose the premium income that these policies would have generated, plus the processing and administration costs of incepting the policy.

Reichheld has repeatedly stressed in various papers on loyalty that it is cheaper to retain an existing client than attract a new one. Therefore, knowledge of what customers require from the company to remain loyal and knowing which customers are adding the most profit to the bottom line, could lead to a more focussed marketing strategy.

There are two schools of thought on addressing the critical issue of how to address customer loyalty. Bain and Company has explored several key issues related to organization's operations and strategy. These themes are explored in the essays entitled: The Loyalty Effect.

1. **The Loyalty Effect: loyalty and learning: overcoming corporate learning disabilities**

   - This essay explores the relationship between productivity, and client and employee retention. "The most important assets of a firm are its experienced customers and employees. And yet, American companies' lose10-20% of these assets every year—thus washing out most of the knowledge and experiences in their human business system every five to ten years! In services, total quality means managing toward zero defections of customers and employees."

2. **The Loyalty Effect: the metaphysics of measurement**

   - This essay deals with the issue of measurement and its strategic importance to an organization. "It is only through measures that managers can capture the creative spirit of vision and harness it to the earthy realities of daily business practices. What a business measures, shapes employee thinking, communicates company values and channels organizational learning. Measures, by establishing the feedback loops that are the foundation of learning, define what an organization is and what it will become."

3. **The Loyalty Effect: in search of failure**

   - This essay explores the lessons that can be found in failure, and its relevance to an organization's growth and success. "Warren Buffett, one of the most successful investors in the world, has concluded there is more to be gained by studying business failures than business successes. He says, "In my business, we try to study where people go astray, and why things don't work ... [We] start out with failure, and then engineer its removal." Similarly, Japanese manufacturers treat a defect as "a gift" and use failure analysis to continuously improve their operations."

4. **The Loyalty Effect: the forces of loyalty versus chaos**

   - This essay explores the numerous theories of business management that have become profit driven, without understanding the true drivers of profit. It explores

the relationships between customer retention, employee compensation, employee retention and its linkage to profits.

5. The Loyalty Effect: the satisfaction trap

- This essay explores the trap that most companies fall into, when trying to satisfy customers. "It's not how satisfied you keep your customers, it's how many satisfied customers you keep!"

6. The Loyalty Effect: the cost of investor disloyalty

- This essay explores the relationship between investor churn and long term profitability. "The average publicly owned company can expect to lose half its owners over the course of the next eleven months. When average investors expect to own a company stock for five years or more, then the long-term investments that build long term profits will strike them as appropriate and wise."

Bain's solutions appear to be more people driven and not totally dependent on systems and software.

IBM on the other hand has also carried out extensive research on " e-business: Insurance Industry @ Risk" and "Customer Relationship Management."

"There is no question that the application of e-business technologies has the potential to radically change how companies across industries do business. We have seen dramatic evidence of this brokerage, where traditional companies have been slow to respond to new dot.com competitors like e-trade. Our recent research shows that the Insurance Industry is highly vulnerable to similar threats." (e-business: Insurance Industry @Risk)

IBM cites two reasons for essential and inevitable change:

- Smarter, better informed and more demanding customers
- Product and process innovation

Both these processes are driven by technology and e-business innovation.

Central to the management of customers and purchase patterns is their latest software development on Customer Relationship Management.

Annie Postic, CRM Programme Manager at SAS Institute Europe, says:

> "CRM is best defined as an automated and continuous process of better understanding customer needs, behaviour and profitability. This will help corporates to define customer strategy, optimize resources and provide superior service at every point of contact with the customer. CRM draws heavily on techniques such as OLAP, data warehousing and data mining to understand the needs and desires of customers by asking and answering a set of questions, like "Which customers are the most profitable for the organisation?" and "How do I retain them?"

Russel von Ruben from IBM SA, which recently unveiled its dedicated CRM Software Company Corepoint, says that:

> "Until now the emphasis of CRM has been simply on improving the efficiency of customer service. However, IBM now hopes to challenge companies to re-think their customer relationships and strive for customer loyalty as a means to financial success.

> To achieve these goals, the company has to be committed to learning 'what is unique about a customer'; infusing this knowledge right across the organisation; and delivering real-time access to this information regardless of how it is accessed or where it resides.

> This enables the company to deliver a consistent experience to the customer across all contact channels, including the teller window, the Internet, or the call centre."

> "Clearly, embarking on a CRM program is not to be taken lightly since it effectively requires a re-engineering of the business to focus on all its resources on the chosen customers - normally those that are the most profitable." (SAS South Africa.htm)

Insurance companies face the unique task of trying to build customer loyalty in spite of using CRM and e-business technologies. Perhaps the balance will lie somewhere in between Reichheld's theories and IBM's findings, and the challenge will be to find out how clients perceive loyalty.

1.3   MOTIVATION FOR THIS STUDY

This study is prompted by the dynamics of the long term insurance industry and a need to explore possibilities whether client loyalty is a reality or a myth and whether client loyalty can be built over and beyond the intermediary relationship. Presently there are many questions about who owns the client. Some say that policyholders are the clients of the company with whom they have policies, others say that they belong to the intermediary and that clients will often follow intermediaries. This, then, belies the number of intermediaries most clients have in an economic lifetime. This situation is also ripe for clients to switch products to the company to which the present intermediary is favorably disposed. Thus there is a gap in the relationship between the client and company.

Figure 1.1 Client Relationship Gap
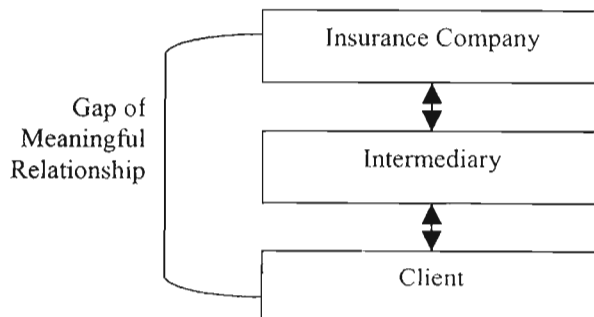
1.4 VALUE OF THE STUDY

It is hoped that this study can confirm or disconfirm factors influencing client's selection of intermediaries and product providers. Understanding factors influencing purchases and repurchases is critical to finding ways to build client retention strategies. It is also hoped that some light will be shed on whether traditional loyalty programmes serve their purpose in keeping clients loyal.

1.5 PROBLEM STATEMENT

Innovative products, aggressive marketing by insurance companies and intermediaries alike, challenges loyalty building as clients actively migrate in search of more cost efficient products and better advice from the latest intermediary.

1.6 OBJECTIVES

1.6.1 This study will address the relationship between the different variables of customer loyalty, namely:
- Investor education
- Status of client (new or existing)
- Relationship with intermediary
- Perception of company (product provider e.g. Sanlam)
- New business experience (medical underwriting , availability of policy document)
- After sales service experience
- Role of technology

1.6.2 The study will focus on exploring and determining client's perception, attitudes and reasons for remaining or leaving a particular insurer in favour of another

These objectives will be tested against the following hypotheses:

Hypothesis: Client loyalty is dependent on the relationship the intermediary has with the client.

Null Hypothesis: Building client loyalty is not dependent on the client's relationship with the intermediary.

Alternative Hypothesis: Building client loyalty is dependent on the client's relationship with the intermediary.

1.7   LIMITATIONS

1.7.1   Limited information about the major insurance companies and their position on client retention strategies are available in the public domain.

1.7.2   Complete disclosure from clients regarding the number of intermediaries they've dealt with.

1.7.3   The size of the sample in providing conclusive evidence that loyalty programmes can be a viable mechanism in client retention. A sample size of 150 clients is chosen. Interviews with key role players from the five major companies: Old Mutual, Sanlam, Liberty Life, Discovery and Momentum are scheduled. It is uncertain whether these role players would be willing to discuss their position on client loyalty. All attempts will be made to include broad industry spectrum.

1.7.4   Disconfirmation scales are used in the questionnaire and one of the limitations of this model is that individual perceptions may not be stable over time. Thus the response can only be construed as a snapshot of the given moment. Research into the selection of scales that best test for satisfaction and quality indicated disconfirmation scales. Cronin and Taylor, as well as Parasuruman, Zeithaml and Berry have written several papers on the relevance of disconfirmation scales in measuring customer satisfaction and service quality.

1.7.5   Major parts of the qualitative information come from the researcher's experience and interaction in the insurance industry.

1.8 STRUCTURE OF THESIS

Chapter 1: Introduction. This chapter includes background and motivation to the study, the problem statement, objectives and value of the study.

Chapter 2: Review of Literature. This chapter includes a brief literature review of the Long term Insurance Industry in South Africa and the dynamics of the consumer patterns in this industry. It will also discuss what Sanlam, as a company, has done in trying the address better knowledge and insight of its clients. It will also briefly allude to South African Airways Voyager Miles Programme and Discovery's Vitality programme.

Chapter 3: Methods. This chapter describes the research sample, research design and methodology, questionnaire, and the procedures used to collect and analyze the data.

Chapter 4: Results. This chapter comprises the research findings. It includes the key issues of the attitudes and perceptions of clients towards their product providers, together with the factors that influence further products purchase with the same or alternate product provider. It will also include clients' perception with regards to loyalty programmes.

Chapter 5: Conclusions. This chapter discusses the research findings, draws conclusions and makes broad recommendations regarding client loyalty and whether loyalty programmes could have an influence on client retention in the Long Term Insurance Industry. It concludes by suggesting areas for further research.

CHAPTER TWO   LITERATURE REVIEW

The issue of customer loyalty is a vexed one drawing mixed response from the experts who have dedicated years of research with regards to loyalty. Some critics believe that in the new economy, better-informed clients will chase price and efficiency, while others believe that loyal customers are the key to long term profitability.

2.1   UNDERSTANDING WHY CUSTOMERS CHURN

"Understanding the triggers and sensitivities which influence your customer to stay with you or leave or spread their port-folio between your organisation and a number of others, is a key competitive advantage". (Cut the churn for the cream –Money Marketing: Bain & Company, 21/02/2002

"It can make the biggest difference to your bottom line and long-term success. The average increase in customer lifetime profits is 50 per cent, when there is a mere 5 per cent reduction in customer churn for a typical brokerage. For motor or home insurance, the average increase is 84 per cent, <u>for life insurance it is 90 per cent</u>," according to Bain & Co. Most companies lose 10 to 40 per cent of customers each year, averaging 20 per cent.

The reasons for churn and the potential cures are not understood by most organisations. The majority concentrate resources on customer service provision and acquisition binges. Most have implemented gold-plated CRM systems but have failed to reap the envisaged rewards.

"The new British consumer is informed and fickle." KMPG found 44 per cent of UK customers have changed at least one of their key product or service suppliers in the past year." (Cut the churn for the cream -Money Marketing: Bain & Company, 21/02/2002)

Online, the figures are even more dramatic. E-commerce sites may turn over up to 60 per cent of their customers within six weeks. One of the key issues that online marketers must deal with is the speed at which customers come and go.

Laura Mazur of Marketing (UK) in an article entitled "Customers seek a company they can always trust" (14/02/2002) provides another side to the story. "But are companies deluding themselves by pursuing customer loyalty when all evidence is that customer churn is here to stay?" That's the question online newsletter ecustomerworld.com asked Frederick Reichheld.

He describes the suggestion that there has been a change in customer psychology leading to a chaotic world of churn as bunk. The cause for churn is more straight forward he says. "It's from companies abusing their customers and customers searching for what they have always wanted: a supplier they can trust, who will fix it if they screw up."

He claims that companies he terms "Loyalty Leaders", such as DELL and Harley-Davidson, "have grown 220% more than their competition over the past decade. And in a recent paper he explains how creating loyal relationships with your most attractive customers can also translate into real cost savings. In other words, while a focus on customer retention rather than customer acquisition has a disproportionately positive effect on profits, it also helps the cost side of the equation." *(Customers seek a company they can trust:* Laura Manzur, Marketing UK, 14/02/2002)

But there are those who argue that that customer psychology has indeed changed. US academic Regis McKenna says, 'we have entered "the age of the never –satisfied customer', where an overcrowded supplyside in many sectors leads to constant round of customer poaching". *(Despite billions invested in loyalty schemes every year, customers seem as fickle as they ever were:* Mathew Guarente, Sunday Business, 24/03/02)

"The connection between satisfaction and loyalty is largely gone, according to this analysis. There is also a clear paradox between intent and reality here. Sticking with financial services as an example, some banks invest in CRM systems to keep their customers loyal still play the loss card to pry customers away from the competition through low initial credit rates and special offers. (This is also pretty common in the Long term Life industry where products are designed to have low initial rates with compulsory updates that eventually make the product more expensive the than most expensive initial offering from another service provider.) The paradox is that banks are inadvertently training customers to be fickle: research shows that a customer who has switched once is

more likely to switch again", say Richard Whitely, founder of the Pearson-owned Forum Corporation, which specializes in helping companies design their customer experiences.

"The emerging customer culture is one of 'what have you done for me lately and what else are you going to offer to keep me?' says Whitely. Customers are aware of their own power and only remain loyal until something better come along. One of the few companies to have caught this mood and grown with it is Virgin. At the height of the dot.com fever, Sir Richard Branson said in a US interview: "we are in the age of the Internet. We are in the age of customer control."

The assumption behind CRM systems still tends to be that the supplier is in control and cross selling (finding out more about a customer so you can sell them other products) is a relationship. Virgin has focused more on developing a customer-centered culture.

Professor Adrian Payne of the Cranfield Institute of Management conducted an experiment that showed the power of Virgin's loyalty effect. He asked 300 people in a conference hall in Paris to put up their hands if they were fans of Virgin Atlantic. Around 30-40 hands went up. He then asked for people who had flown with Virgin to put their hands down. Around half a dozen hands stayed up. These were people who felt a loyalty to an airline they had never flown with. Their family or colleagues or friends had recommended them so highly, they would fly Virgin if they had the chance.

"The key to getting loyalty right is to realise that it is a two-way street. What have you done, that shows loyalty to your customers? That's what most companies miss," says Clive Humby, Chairman of Dunnhumby, the company that developed Tesco's Club Card. Where most loyalty cards are thinly-disguised sales promotion tools, Tesco's is one of the few that is widely acknowledged to have some real loyalty "hooks" built into it. *(Despite billions invested in loyalty schemes every year, customers seem as fickle as they ever were:* Mathew Guarente, Sunday Business, 24/03/02)

According to the Harvard Business Review, the difference between a satisfied customer and a very satisfied customer, is their willingness to buy again six times.

2.2   STRATEGIC RATIONALE FOR LOYALTY

"Loyalty remains the hallmark of great leadership. It provides a far more exacting standard for leadership excellence than do profits demanded today by impatient shareholders. The long-term rewards of loyalty ultimately outstrip even the most spectacular short-term profits. We are not, however, talking about a trade off between loyalty and long-term profits. After all, what kind of customer, or supplier, or dealer, or employee would cast his lot with a leader who could not offer outstanding financial potential? Loyalty obviously demands superior profits, but it demands more. It requires that those profits be earned through the success of partners, not at their expense. Loyalty can be earned only when leaders put the welfare of their customers and partners ahead of their own self-serving interest." (Reichheld, Loyalty Rules: How today's leaders build Lasting Relationships, pg.2/3)

Despite a flurry of activities aimed at serving customers better, only a few companies have achieved meaningful, measurable improvements in customer loyalty. In manufacturing as well as services, business leaders intuitively know that when customer loyalty goes up, profits do too. Yet few companies have systematically revamped their operations with customer loyalty in mind.

Instead, most companies adopt improvement programs on an ad hoc basis. Hearing about the success of a loyalty leader such as MBNA's credit card business, which loses customers at half the industry rate, companies copy one or two of MBNA's practices. They set up customer-recovery units, for instance, that try to save defecting customers -who, because they are probably less homogeneous than MBNA's customer base, may or may not be profitable. Or they adopt MBNA's policy of delivering employee paychecks in envelopes labeled "Brought to you by the Customer" -- while failing to base the bonuses inside those envelopes on incentives that enhance customer value and loyalty. (Reichheld, Loyalty Based Management, pg. 2/3)

Building a highly loyal customer base cannot be done as an add-on. It must be integral to a company's basic business strategy. Loyalty leaders like MBNA are successful because they have designed their entire business systems around customer loyalty. MBNA's research

has indicated that customer loyalty is earned by consistently delivering superior value. By understanding the economic effects of retention on revenues and costs, loyalty leaders can intelligently reinvest cash flows to acquire and retain high-quality customers and employees. Designing and managing this self-reinforcing system is the key to achieving outstanding customer loyalty.

The economic benefits of high customer loyalty are considerable and, in many industries, explain the differences in profitability among competitors within related industries. When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up, and the cost of acquiring and serving customers goes down. Although the additional profits allow the company to invest in new activities that enhance value and increase the appeal to customers, strengthening loyalty generally is not a matter of simply cutting prices or adding product features. The better economics means that the company can pay workers better, which sets off a whole chain of events. Increased pay boosts employee morale and commitment; as employees stay longer, their productivity rises and training costs fall. Employees' overall job satisfaction combined with their knowledge and experience, leads to better service to customers. Customers are then more inclined to stay loyal to the company, and, as the best customers and employees become part of the loyalty-based system, competitors are inevitably left to survive with less desirable customers and less talented employees. (Reichheld, Loyalty Based management, pg.2/3/5)

The forces in a loyalty-based system are cumulative. The longer the cycle continues, the greater the company's financial strength. At MBNA, a 5% increase in retention grows the company's profits by 60% by the fifth year. At State Farm Insurance Companies, another champion of customer loyalty, small increases in retention create substantial benefits for the company and its policyholders.

Learning how to compete on the basis of loyalty may be complex, but it is not mysterious. It requires, first of all, understanding the relationships between customer retention and the rest of the business and being able to quantify the linkages between loyalty and profits. Only then can daily decisions reflect systematic cost-benefit trade-offs. It involves rethinking four important aspects of the business:

- Customers
- Product/service offerings
- Employees
- Measurement systems

To get the full benefit of a loyalty-based system, all these facets must be understood and attended to simultaneously because each is essential to the workings of the whole. If any area is overlooked or misunderstood, the system will under perform. When all areas are aligned, they reinforce each other, and the results are outstanding. (Reichheld, Loyalty-Based Management, pg.2/3/4)

2.3   LOYALTY AND THE RIGHT CUSTOMERS

Customers are obviously an essential ingredient of a loyalty-based system, and success depends on their staying with the company a long time. But not all customers are equal. Companies should target the "right" customers- not necessarily the easiest to attract or the most profitable in the short term but those who are likely to do business with the company over time. For various reasons, some customers don't ever stay loyal to one company, no matter what value they receive. The challenge is to avoid as many of these people as possible in favor of customers whose loyalty can be developed.

Demographics and previous purchase history give some indication of a customer's inherent loyalty. People who buy because of a personal referral tend to be more loyal than those who buy because of an advertisement. Those who buy at the regular price are more loyal than those who buy on price promotion. Homeowners, middle-aged people, and rural populations also tend to be loyal, while highly mobile populations are inherently disloyal because they interrupt their business relations each time they relocate. In most instances relocation means building new relationships with bank managers, insurance brokers, medical practitioners, schools and new social networks. If companies preempt this in their offerings and minimize inconvenience, retention of the client is almost guaranteed. USSA is prime example of one such company. (Reichheld, Loyalty Based Management, pg. 2/3)

However, generalizing about the *right* customer fails to take into account the fact that a customer who is disloyal and therefore expensive for one company may be valuable for another. USAA, a loyalty leader with a remarkable 98% retention rate in its field of auto insurance, has created a steady client base among military officers, a group known for frequent moves. Military officers are not very profitable for most insurers, but by developing a system tailored to the group's particular needs; USAA has made it possible and economical to keep them.

The heart of USAA's system is a centralized database and telephone-sales force that customers can access from anywhere in the world. The system, itself rather than the insurance agent, provide continuity with the customer. This continuity works to the customer's and company's advantage. The military officer doesn't have to find a new agent every time he or she is redeployed, and USAA doesn't have to transfer records or create new ones. More important, USAA avoids having to lure a new customer to replace the one it would have lost. (Reichheld, Loyalty Based Management, pg.3)

Christopher, Payne and Ballantyne in Relationship Marketing (2000) list seven types of market segmentation processes:

- **Geographic segmentation:** An approach where customers are segmented on the basis of where they are located. Thus, a customer may be segmented as rural, urban or suburban. Common geographic segmentation may use postal codes to segment people. This could be useful to markets working in certain locations in understanding the client profile better.

- **Demographic and socioeconomic segmentation:** This is based on factors including age, sex, family size income, education, social class and ethnic origins. This is helpful in indicating the profile of a consumer.

- **Psychographic segmentation:** This involves an analysis of lifestyle characteristics, attitudes and personality. This together with demographic factors can be very useful in developing niche products and services.

- **Benefit segmentation:** Clients are grouped together on the basis of benefits they seek from a product. For example, civil servants that have less than 10 years of service don't qualify for any disability benefits. Product providers targeting this market will need to take this into account with their product design.

- **Usage segmentation:** This variable divides consumer into heavy, medium, light and non-users. Products and marketing campaigns can be designed around consumption patterns.

- **Loyalty segmentation:** is concerned with identifying the relative loyalty a customer has to a particular product or brand. Customers can be divided into groups who are very loyal, moderately loyal and disloyal.

- **Occasion segmentation:** recognises that customers may vary in their usage of a product or brand depending on the situation. For example, a beer drinker may drink a light beer with workmates before driving home, conventional beer in his home and premium beer on a special occasion.

- **Segmentation by service;** This area is relatively new and little consideration has been given to how consumers respond to different levels of services. While some may consider this a subsection of benefit segmentation, segmenting markets by service, addresses three main issues:

  - Can groups of customers be identified with similar service requirements?
  - Can the service offering be differentiated?
  - Do all products require the same level of service?

  (Christopher et al, pg.47/48)

Often a combination of certain criteria is needed to segment customers, depending on the product type. Finding loyal customers requires taking a hard look at what kinds of customers a company can deliver superior value to. If the analysis is done well, the customer segment will be fairly homogeneous, and that homogeneity improves the economics of serving the segment. "MBNA, a loyalty leader in the credit card business,

provides cards primarily to members of affinity groups such as the American Dental Association or the Georgetown University Alumni Association. Because members in these groups share important qualities, MBNA has been able to understand their common needs and has made adjustments to serve them well. Its data-processing systems are designed so every group can receive customized packages of services. As a result, MBNA keeps its customers once it gets them. When AT&T introduced its Universal Card, other credit card companies lost market share, but MBNA held its ground."

"Historical attrition rates can also point the way to the most promising customer segments. Direct marketers such as L.L. Bean have accounting systems that track individual customers year by year. Other companies can get similar information by asking a sample of customers to reconstruct their purchase patterns from various suppliers over the past five years. This will reveal attrition rates and lifetime value for each type of customer." (Reichheld, Loyalty Based Management, pg.1/2)

With knowledge of which customers are likely to be loyal comes knowledge of which customers are not. Companies can then direct resources away from customers who are likely to defect and toward those likely to stay. Special promotions and other kinds of pricing strategies aimed at acquiring new customers often backfire. Companies typically use pricing as a blunt instrument to bring customers in indiscriminately, when instead; they should use pricing to filter out precisely the customers unlikely to be loyal. Cable television companies talk about increasing retention rates but then recruit new customers via price promotions and free sampling techniques that draw out of the woodwork precisely those customers hardest to keep. Those recruitment efforts merely load the pipeline with people who are inherently disloyal. (Reichheld, Loyalty Based Management, & Loyalty Rules)

Even attempts to recover customers who threaten to leave are often a waste of resources. Investments in service-quality improvements may be counterproductive when they are focused on customers the business actually should get rid of. Auto insurers discovered that certain segments of young drivers were a drag on profits.

It took ten years to break even on them, but due to high attrition, only 10% to 15% would stay that long. The industry also realized that it took at least four years before most companies could break even on the average customer, in part because of the high front-end commission paid to salespeople for signing new customers. If the customer didn't stay with the same insurer for four years, the company never recouped those costs. (This also holds true for the South African Life Insurance Industry.) (Reichheld, Loyalty-based Management)

2.4 SANLAM'S POSITION ON CLIENT SELECTION, RETENTION & SEGMENTATION

Sanlam introduced a tool to their intermediaries in early 1999 to assist them screen their client's lapse probability. This calculator is based on the client's age group, gender, income group, market segment, policy type, monthly premium and sum assured. It then calculates the probability of the policy lapsing. Norms have been set in accordance to an Intermediary's persistency ratio and new applications are rejected or accepted, based on these norms.

In addition to this, Sanlam embarked on a new strategic direction that saw a change in the branding (slogan) as well as an adoption of new marketing strategies that will take Sanlam into the future. In most Client Retention strategies that were researched, central to them was CRM (client relationship management).

2.4.1 SANLAM'S DEFINITION OF CRM

"CRM is a key business philosophy, supported by an overall strategic intent, to mobilize the entire business around building and maintaining mutually beneficial and long term relationships with our existing and potential clients to ensure continued profitable growth.

CRM is not a "nice to have" project or simply an IT tool or suite of IT tools. It is the transformation of the entire organisation of an enterprise to become client centered, thus ensuring more profitable client relationships.

The adoption of CRM is being fuelled by the recognition that existing clients are an organisation's most important asset and the future of the organization depends largely on the retention and development of it's existing clients and not only of the acquisition of the right clients." (Interview with Deon Lessing in SANDABA Magazine – February 2002)

2.4.2 SANLAM LIFE'S CRM VISION

To be a company that:

- has "client relationship building" as its core business philosophy
- is organized and mobilized entirely around understanding, servicing, retaining and developing clients in order to achieve long term individualized relationships, maximize client life time value and ensure profitable growth
- host a formal , ongoing, ever evolving "value-based CRM strategy" that ensure integration and collaboration and dictates total company behaviour towards existing clients in terms of service, process, communication, channels, pricing, and rewards
- Understands the strategic need for value based client differentiation.

Courtesy: Sandaba Magazine: February 2002

2.4.3 SANLAM LIFE'S CRM OBJECTIVES

The overall objectives are to increase profitability and to improve market share. The strategic objectives are:

- co-ordination and integration around the client("one face to the client")
- to increase premium income and continuations and reinvestments on maturity
- value based differentiation
- mass customization of products
- multi channel sale and servicing
- more effective client interactions
- increased client access
- improve client insight
- improve overall level of service
- improve client loyalty and retention

- increased number of products per client
- improved share of wallet
- to reduce lapses
- to reduce surrenders

<div align="right">Sandaba Magazine: February 2002</div>

In order for Sanlam to achieve its client relationship management (CRM) objectives and vision, there has to be a strategy in place. Sanlam CRM strategy consists of four key focus areas:

- Client knowledge
- Client experience
- Enterprise integration
- High performance culture

Client Knowledge

Sufficient and accurate client information and insight are vital for a successful CRM strategy. CRM is a business philosophy that says client relationship is everything. Knowledge about clients helps to understand, build and maintain good long-term relationships. Information per client refers not only to the accuracy about basic information about each client, but also additional insight/understanding. Together client information and insights represent Sanlam Life's total client knowledge. To ensure that Sanlam has sufficient knowledge to support the CRM strategy, Sanlam Life has developed a total client knowledge policy. The focus will be on:

- Expanded knowledge management competency
- Consolidated client knowledge throughout Sanlam Life
- Generating unique client insight for proactive, fact based decisions; and
- Becoming a company that is knowledge orientated and uses every possible opportunity to gather accurate client information.

Client Experience

In order to become client centered, Sanlam Life must determine the desired client experience at each client impact point. The total client experience strategy should help ensure the desired client experience at each impact point. Impact points that are important to Sanlam are:

- Client Care: Call Centre
- Client Care: New Business Office
- Client Care : Process Office
- Client Care : Claims Process Office
- Distribution: Direct Distribution Channel
- Distribution: Intermediaries
- Client Care : Kiosk and Walk In Centres
- Marketing: Emotional Loyalty Actions
- Marketing: Sanlam.co.za
- Client Care: Complaints Handling
- Distribution: Leads Management

Clients at Sanlam, based on the value segmentation model, will differ in value. The aim of the Client Experience strategy is to provide differentiated service or experience. Thus, the focus of Sanlam Life will be:

- A client experience and offering based on the Sanlam internal Value- based segmentation model
- Integrated service communication with clients
- Integrated service quality management; and
- Self service and e-commerce offerings

Sandaba Magazine: March 2002

Table 2.1 Sanlam's Client Segmentation Model

Client Value Segment	Definition	Figures	Strategy
A	High *CCLV and High PCLV**	7% or 40 000 of existing primary clients	Retain and develop at all costs
B	High CCV and Low PCLV	8% or 160 000 of existing primary clients	Retain and develop at all costs
C	Low CCLV and High PCLV	8% or 160 000 of existing primary clients	Retain and develop at all costs
D	Low CCLV and Low PCLV	77% or 1 540 000 of existing clients	Retain and develop as cost effectively as possible

Sandaba Magazine: June 2002

*CCLV: Current Customer Lifetime Value

**PCLV: Potential Customer Lifetime Value

Enterprise Integration

As the desired client experience should be aligned with operations, channel processes and IT, the focus will be on the following:

- Integrated operational strategies aligned with client offerings and client experiences
- Integrated and optimised channel operations
- The ability to read the market and respond with innovative solutions
- Aligning the CRM programme within Sanlam Life, individual, corporate and business processes
- An IT architecture that supports client centered processes

- Client centric competencies, roles and responsibilities
- An appropriate alliance strategy and management capability
- Organisation-wide, client-centered, metric reflecting scorecard, with which the results can be measured against the targets set
- One face to the client
- A good brand image

Sandaba Magazine: March 2002

High Performance Organisation

CRM can only be successful if the internal culture is conducive, with focused, motivated and empowered staff. Sanlam's focus areas will be:

- Inspired leadership (leaders who walk the talk)
- "Live the brand" – to be innovative and dynamic when serving the client
- "Relationship-driven" culture
- Alignment of remuneration and reward models to engender client-centered behavior
- Training and development to be client –centered
- Alignment of recruitment policies to employ people who fit into this culture
- being the employer of choice for empowered and motivated employees who provide the desired client experience

(Sandaba March 2002)

"Once a company has identified the customers it should keep, it has to go about the business of keeping them. Often that means adding new product and services to meet customers' evolving needs. Companies that fail to use their knowledge of customers to develop the product or service these people will need, are leaving the door open for another company to lure them away." (Loyalty-based Management, Frederich F Reichheld, Harvard Business Review, Mar/Apr 93.Vol.71 Issue 2, p64, 8p, 3c)

2.5   CRM COMMENT

"Customer relationship management (CRM) is one of the hottest tools in business today. But like total quality management and re- engineering before it, CRM has not always lived up to its hype. Still, companies ignore it at the risk of being left behind. Simply, CRM is a high-tech way of gathering mountains of data about customers, then using it to make them happy -- or at least a source of more business. One CRM trailblazer was gaming company Harrah's Entertainment, which has successfully combined software and human marketing expertise to get gamblers into its 25 casinos." Harrah's CEO Phil Satre, talked with USA TODAY management reporter Del Jones about CRM.

This article and interview highlights the following critical issues:

- Know your good customers and your unprofitable customers, so you can lure the right ones back. Collecting mountains of data is easy. The hard part is hiring the expertise to figure out what to do with the data. Apply CRM knowledge to fresh strategies. For example, most gaming companies lure customers with ever-lavish casinos. Not Harrah's.

- A little knowledge about customers is a dangerous thing if they are peppered with junk mail. CRM has to work for customers, not just the company. Use CRM to build alliances with companies in other industries.

- Don't panic if your company is behind. But beware of shelf software and expertise that doesn't fit your needs.

- Beef up your Web site. That's where CRM's future resides.

(Customer Relationship Management, or CRM: Del Jones, USA Today: 24/12/2001)

Pricewaterhouse Coopers Consulting (New York City; www.pwcconsulting.com), in a recent survey entitled, "What is going wrong with CRM?" sheds some interesting ideas on the implementation and interpretation of CRM. Two trends emerged from the findings of The Multi-Channel Value Quantification Survey:

- Firms lack internal CRM integration initiatives both across marketing, sales, and service channels and between front and back office systems

- Firms that use CRM seem to be out of touch with the factors that matter most to clients and customers who interact with their businesses.

The survey results are based on interviews with corporate decision-makers from 225 Global 2000 companies with at least $100 million in annual revenue (41% with more than $1 billion) in a variety of different businesses and industries. PWC Consulting also surveyed 225 international consumers experienced in interacting with large companies. The surveys were conducted between August and September 2001.

Key findings were:

One-third of consumers indicated a strong preference for having a variety of communications channels through which to interact with a company. However, companies underestimate the desire for "channel freedom," ranking it third on a list of features they think customers prefer. Consumers report that they are 60% less likely to do business with a company that doesn't offer their preferred channel. While establishing and maintaining customer loyalty is the first corporate CRM objective, adding channel choices does not necessarily translate to higher profits. In fact, if done ineffectively, channel overload can impose huge costs. Companies must evaluate which channels are most strategic to their businesses and equip them with features that appeal to customers.

Nearly 75% of responding companies report that they are still trying to achieve front-to-back-office harmonization; 60% said their cross-channel integration still needs improvement; and only 25% rated cross-channel integration as "achieved."

Seventy-four percent of consumers typically use e-mail or the Internet to contact a company, but only 13% described online channels as their preferred contact. Despite all the attention paid to enabling technologies, consumers overwhelmingly prefer connecting by phone or in person. More than 70% said that the phone is their first choice.

When corporate respondents were asked why meeting CRM objectives had been so difficult to achieve in the past, the majority cited ineffective processes, followed by people and corporate priorities. Surprisingly, despite the economic slump, respondents ranked budget as the lowest barrier to CRM success.

While all industries tout integration as a CRM priority, they are dealing with different challenges:

Respondents in the manufacturing and consumer products sectors displayed the least confidence in how well they handle customer relationships. Only 42% of respondents in those industries feel they're currently providing the best possible relations.

Energy and utility companies perceive themselves as much farther along, with 59% claiming their customer relationships were working optimally. Financial services came in next at 54%; and communications, information, and entertainment companies were tied with 52%.

Financial service respondents indicated the strongest need for back-to-front-office integration. This industry group may be pushing the hardest to harmonize functions because of the enormous consolidation the financial sector is undergoing.

Many CRM efforts are suffering from their evolution as a collection of independently developed systems, often under stand-alone business units. When consumer expectations dictated that companies add another channel, such as wireless Internet, they often cobbled new capabilities onto existing systems without regard for integration. Successful CRM programs require back-to-front-office integration that consolidates disparate systems into a seamless whole in which information is consistent and shared in real time across every channel, ranging from bricks-and-mortar stores to mail order, and from e-mail to phone.

Corporate respondents rated "identifying what customers expect from their companies" as the most difficult CRM objective to achieve, followed by "integrating process and technology company-wide." But corporations had disparate views of the difficulty of the integration process. Information companies cited integration as the hardest objective, while financial service companies appear to have the most success with it (only 18% cited it as their most difficult CRM objective). Despite a trend toward investments in analytic technology, these results suggest that enterprises are struggling to ascertain what customers want. Without this critical knowledge, opportunities to cross and up-sell to customers evaporate.

Consumers said the quickest way to lose their business was to fail to resolve issues effectively and quickly. Nearly half the respondents believe resolving an issue on the first call is the most important way to preserve loyalty, ranking it higher than such factors as having a smooth purchase process and receiving the order in a timely fashion." (*The Trouble With CRM: What Partners Need to Know?* Partner's Report for CPA Firm Owners: 01/04/2002, What is going wrong with CRM? A recent survey by PWC Consulting (New York City; www.pwcconsulting.com)

"Why do metrics matters?" As with any initiative, you have to track your progress with CRM. The challenge of tracking a CRM project--and probably the reason so many businesses fail to follow up--is that it involves a unique set of metrics.

"Hard, quantifiable, short-term metrics are hard to come by, and many of the desired behaviors of CRM aren't the sort that can be readily recorded and tracked by existing financial accounting and management reporting systems," notes Arthur O'Connor, author of the eCRMguide article, "How to Pick and Use the Right Metrics for CRM". (*www. eCRMguide.com*) He offers two suggestions and one caution to professionals contemplating an array of CRM metrics for their initiative.

Set and manage expectations appropriately

"Realize that a metric is a means (simply a form of measurement), not an end in itself." O'Connor calls this "perhaps the single and most important rule: Don't get fixated on short-term measurements." CRM is a long-term proposition, so a short-term focus will backfire. He states, "Some of the best companies" take a balanced scorecard approach i.e. they use "both soft (qualitative) and hard (quantitative) criteria in assessing the value of their CRM initiatives."

Set reasonable targets in appropriate time frames

"As with any major investment, CRM requires time and patience," asserts O'Connor. Realizing that you still need to see how you're doing along the way, he suggests creating a

"group of metrics and questions that will give you some indication of performance and, more important, provide insights into how you can make improvements in your process."

Be careful what you wish for

"The law of unintended consequences is alive and well with CRM initiatives," warns O'Connor, especially where incentives are concerned. He cites "incentives to turn CRM into an expensive sales force automation system" as "perhaps the most widespread trend." The problem? "Companies implement only a fraction of their CRM systems' capabilities, using them to generate more pitches and expecting the sales force to push more product." eCRMguide (*www. eCRMguide.com*)

Whilst CRM is here to stay, perhaps it might be wise to learn from corporate colleagues and hope to avoid those very pitfalls. Every situation is unique and what might have worked successfully or failed miserably in the United States could very well have the reverse results here.

"Only those who risk going too far can possibly find out how far one can go
(T S Elliot)

2.6   SOUTH AFRICAN LOYALTY PROGRAMMES

The South African business landscape has two significant loyalty programmes that are most talked about:

- South African Airway's Voyager Miles
- Discovery's Vitality

2.6.1 SOUTH AFRICAN AIRWAY'S VOYAGER MILES

The Voyager Miles programme is perhaps the most widely known in the South African context in terms of "loyalty programmes". Voyager Miles are awarded on flight frequency as well as the use of the certain products from Voyager partners.   Voyager Programme Partners includes:

- Airlines
- Cars
- Hotels and Resorts
- Financial Services (Investec & Standard bank)
- Telecommunications
- Dining Programme
- Retail.

Members become "locked into" expected rewards and despite "shoddy service" from certain partners, exit barrier from the Voyager Programme (perceived benefits) retains clients. Perhaps this is not a true reflection of loyalty, or is loyalty considered repeat purchase/usage? Clients on the Voyager Programme are also segmented according to usage, with heavy users enjoying the most benefits. (*www.flysaa.com/voyager/about partners_affialiates.html*)

2.6.2 DISCOVERY'S VITALITY PROGRAMME

Discovery Health was to mark the era of the Medical aid revolution in South Africa. Vitality was introduced at the launch of a new Medical Aid product (Discovery Health). Vitality provides members with health and wellness benefits.

2.6.3 REASON'S FOR VITALITY'S SUCCESS

1. You can only belong if you own a Discovery Health Plan

2. Vitality benefits include:
   - Discounted gym membership, **plus** vitality points for using the gym
   - Discounted movies tickets
   - Health and wellness facilities with incentives for usage
   - Incentives for preventative care and medical advice (points are awarded for logging onto Discovery world web-site and seeking medical, health advice etc: effect; encourages regular contact with company and rewards preventative medical practice)

3. As Discovery Health plan owners, there are incentives to purchase a Discovery Life policy:
   - No more medical report (Medical reports from the Medical Aid is sufficient)
   - Upon purchase: 5 000 Vitality points
   - Ancillary benefits: 2 500 Vitality points

4. Memberships to both plans are rewarded with points annually and depending on length of membership there are higher percentages. One sure way to stop churning.

5. Membership is divided into segments and rewards are structured to reward status in memberships. Memberships of the lower status are constantly encouraged to increase their status for higher rewards. (This is another effective

way of maintaining constant communication and strengthening of relationships between client and company.)

6. Besides the Vitality programme, Discovery sends out a monthly magazine to every member, with news of foreign investments, economic scenarios, motoring trends, travel etc. (Discovery clients are usually High Income Earners with high discretionary income and sophisticated needs.) Del Jones speaks of the importance of not confusing your communication with other junk mail a client receives. (www.discoveryworld.co.za)

Discovery's vitality programme not only provides tangible value added benefits that are consistent with the lifestyle of it members. It serves both as an exceptionally successful client retention tool, and also, builds brand equity amongst the dependents of the principal members. (Members that have their families on the Medical Plan and Vitality share the same benefits)

The success of Voyager and Vitality clearly illustrate the success and benefits of loyalty programmes. The companies listed below, with which Frederick Reichheld has worked with for many years, also demonstrate the benefits of loyalty.

Harley-Davidson, Milwaukee, WI - recovered from near bankruptcy in the 1980s by building mutually beneficial relationships with all stakeholders based on simple core values. Returns to investors have averaged 24% (among the best public company records over the past decade), and despite Milwaukee's tight employment market, long lines of applicants await job openings at Harley.

Enterprise Rent-A-Car, St. Louis, MO – "raced" past Hertz and Avis to become the largest car rental firm in North America. It continues to grow at more than 20% per year in an otherwise sluggish industry. With over 45,000 employees, the company manages to hire more college graduates than any other firm in America does, by putting the interests of customers and employees ahead of owners.

The Vanguard Group, Malvern, PA - the mutual fund industry's growth leader, whose $550 billion in assets under management was built by putting long-term investment, returns to their customers first. With more than 40% of transactions now on the Web, Vanguard maintains the lowest costs and the highest customer retention rates in its industry.

Southwest Airlines, Dallas, TX - the only consistently profitable major airline in the U.S. for every one of the past 27 years (since 1973), it has employee turnover rates of 4 to 5%, in an industry where double those rates are typical. In the notoriously cyclical airline business, Southwest has never had a layoff. With the lowest ticket prices, the company still ranks at the top in customer service and safety.

Dell Computer, Round Rock, TX - which effectively utilized the Internet to revolutionize the sales and production of personal computers that it, has become the U.S. market share leader. By focusing on building the most valuable customer experience, Dell has made itself the profit leader.

Cisco Systems, San Jose, CA - whose employee turnover runs less than 10% although it is headquartered in Silicon Valley where turnover, averages 25% to 30%. Not only does every employee carry the company values embossed on an ID badge, but also all bonuses are dependent on meeting customer satisfaction goals.

Northwestern Mutual, Milwaukee, WI - the company which has consistently focused on creating superior value for its policyholders. The "Quiet Company" has so successfully parlayed its superior customer retention into lower costs and faster growth that it can no longer be categorized as a high-end niche player; it is the industry leader in individual life insurance." (Reichheld,Frederick, Loyalty Rules, Harvard Business School,2001)

"Jim Ericson, Northwestern Mutual's CEO from 1993 to 2001, steered a straight and steady course through a brutally complex business by keeping his company focused on one simple rule: do whatever is in the customer's best interest. Strict observance of the rule has produced some decisions that appear at first glance to be bad business. For example,

several years ago a Northwestern Mutual customer wanted to buy an insurance policy for his newborn daughter. He completed the application and sent in his first premium payment, but the company couldn't issue a policy because the baby's physician had not yet sent in the necessary medical paperwork. When a Northwestern Mutual representative called the baby's father to explain the delay, the father cut her off, saying it was too late -- the little girl had died that morning of sudden infant death syndrome. After conferring with her manager, the Northwestern representative decided that since the child's parents had done all that had been asked of them, the company should issue a policy if the medical records indicated that the child would have qualified for a policy. The doctor eventually provided the necessary information, and Northwestern issued a policy and paid the claim. Although Ericson didn't even hear about this remarkable decision until after it was made, he was responsible for it, because he and his leadership team had clarified the simple rule that produced it. There may be costs associated with a company's loyalty to its customers, but the long-term economic benefits are far greater."

(Reichheld,Frederick, *Lead for Loyalty*, Harvard Business Review,Jul/Aug2001.Vol 79 Issue 7,p 76, 9p, 1c)

"MBNA, Newark, DE - the only credit card company that believes customer retention is so important that it reports the statistic in its annual report. The company retains 97% of its profitable customers.

Chick-fil-A, Atlanta, GA - whose store operator turnover runs 5% versus the competition's 35 to 40%. Founder Truett Cathy has so effectively marshaled loyalty effect economics that he can afford to let his operators earn compensation double or triple industry averages, while still generating sufficient cash to grow the chain and to contribute approximately 10% of profits to charity.

SAS, Cary, NC - the leading statistical analysis (e-intelligence) software firm whose 5% turnover rate among software engineers compares with 20%+ for the industry. By hiring the right kind of people and providing them with a career and lifestyle that reinforce work-family balance (employees enjoy free healthcare and childcare), SAS is building an institution in a notoriously fickle market place.

USAA, San Antonio, TX - whose customer turnover is so low that the primary root cause of defection, is death. USAA's top management believes so strongly in the importance of customer retention that they base their own bonuses on this metric. USAA demonstrates how customer loyalty and employee loyalty go hand in hand; the firm's telephone staff turnover runs 9% versus more than 20% for the industry.

The New York Times, New York, NY - where customer retention is tracked as carefully as profits, and, where retention performance (above 90%) stands head and shoulders above the rest of the newspaper competition which churns readers at rates of 25 to 50%.

U.S. Marine Corps - the only branch of the U.S. military that has managed to meet its staffing targets - primarily because of superior recruiting and retention success. Rather than dropping standards to meet staffing demand, the Marines constantly raise them. The Corps' motto, *Semper Fideles*, helps convey to outsiders the central role that loyalty plays for the Marines.

Intuit, Mountain View, CA - the leader in personal financial software, whose employee turnover runs half the Silicon Valley average. Intuit has weathered several storms including a blocked merger with Microsoft and a fundamental shift in its business model from shrink-wrapped software to the Internet by remaining loyal to its founder's values."
(Reichheld F, Loyalty Rules, pg. 13-15)

2.7   INSURANCE CONSUMPTION TRENDS IN THE USA AND THE UK

2.7.1   BRITISH TRENDS

Britain's life companies put their future at risk by ignoring the NET. A new breed of online financial services distributor is emerging to capture consumer relationships by simplifying financial products. Most of Britain's life companies are product manufacturers, reliant on third parties for distribution. The UK's 9000 firms of Independent Financial Advisors (IFA) account for the lion's share of distribution in the UK retail investment and life assurance markets. The dominance of IFAs in personal pensions distribution, risks blinding life companies to the fact that their own ability to distribute products to consumers is under threat.

Today's handful of nascent online pensions partnerships will blossom into a complex web of relationships as firms outsource key functions and come to depend on their partners for a range of core services. As partnerships become a common place, the structure of UK life and pensions industry will evolve to become an eBusiness network. EBusiness networks will reshape the pension industry by:

- **Encouraging firms to specialize**: Increasing collaboration will force firms to face up to their strengths and weaknesses. Smart firms will use the Net to shed inefficient cost centres and focus investments on genuine added value. Outsourcing will catch on as firms seek to replace unknown fixed costs with known variable costs. Partnerships, like Barclays' Bank's deal to act as an agent for Legal & General's life assurance products while closing down its own smaller life operation, will become common as firms recognize they cannot be specialists at everything they do.

- **Rewarding firms that share information:** Firms will recognize their dependence on their partners to provide a first class customer experience. To stay responsive to customer needs, firms will empower their partners with information about their customers as if they were part of their firms, creating new intracompany processes. Instead about worrying about who owns the

customer, financial firms will share the customer relationship, just as Sainsbury and Heinz have a relationship with a customer that buys baked beans at the supermarket.

- **Paying firms to share assets:** Instead of hiring staff and building call centres for their own exclusive use, firms will use the Net to share assets and overheads. Life Companies will partner or outsource to share costs of administering pensions business, just as Barclays and Lloyds TSB have done with their merged cheque-processing operation.

The Net will put inefficient firms and business units into the spotlight as specialists use the Net to co-operate. To thrive in eBusiness networks, life companies must use the Net to break up their vertically integrated structure – allowing individual business units to specialize and seek new partners.

Forrester spoke to executives at 30 of the UK's largest life- assurance companies and the life- assurance divisions of the UK's larger banks to find out the effects of the Net on the provision of life and pension provisions in the UK. It would appear that one of the major concerns in the UK is distribution, and how to reach the customer in the most economical and efficient manner.

2.7.2   NORTH AMERICAN TRENDS

Forrester conducted a similar research on the North American market interviewing 40 of the US largest life insurance companies. The conclusions drawn from the interviewees were:

Rely on agents to sell and will continue to do so: Insurers are loath to sell life insurance online, pointing to product complexity and fears of channel conflict.

Will use technology to improve agent's efficiency: Life insurers are building extranets to make their agents more productive.

Question their agent's ability to generate new business: Carriers believe that agents don't prospect aggressively enough and, by not sharing customer data, make it difficult for carriers to cross-sell.

Forrester also provides conclusive evidence that the advisor is well and alive in America. In an article: Independent Advisors attract the Affluent, 75 % clients with investable assets over $1 million have an advisor. A third of this number use independent professionals. This translates into 1 million households, or a quarter of the total US affluent market. Most of these investors consider an independent to be their primary advisor. The affluent value their independent advisors highly. Those who rely on a single independent advisor are more loyal and satisfied than any other affluent group of investors that uses advisors.

Those investors, who value autonomy, have independent advisors. They are more self-directed investors. They use the Net to track, trade and transfer their assets, pay bills, and communicate with their advisors. While the affluent with advisors pay an average of $ 1 400 per year for advice, those whose primary advisor is independent are half as likely to pay commissions and twice as likely to pay a percentage of their assets compared to their peers.

Similar trends are also common here in South Africa. Forrester's research in the British and American Life Insurance markets highlights two distinct schools of thought on distribution.

- The British are keen to find online solutions and distribute their products by forming partnerships and sharing client data.
- The Americans still believe in the role of the intermediary despite the developments of technology and its role in creating greater efficiencies. Each company, as highlighted in the case of Northwestern Mutual, individually addresses the issue of client retention and loyalty.

Creating a loyalty-based system in any company requires a radical departure from traditional business thinking. The success of Vitality and the American examples from Reichheld shows direct linkages between providing value for customers and a superior financial competitive position. Doing what's best for the client does not conflict with high

margins, but it's the only way to ensure long-term profitability. It puts creating customer value at the centre of its business strategy, and demands significant changes in business practice – redefining target customers, revising employment practices, and redesigning incentives and finding innovative products solutions that remain flexible to changing needs.

2.8   BRAND IMAGE & REPURCHASE DECISION

Brands are a major determining element in the repeat purchase of consumer products, industrial products and services, and an important way of adding differentiation at the augmented level. The value of brand image can best be described with cola blind test example (Table 2.2):

Table 2.2 Brand Equity Comparison

	Open	Blind
Prefer Pepsi	23%	51%
Prefer Coke	65%	44%
Equal / Can't say	12%	5%

Source: Relationship Marketing, Christopher et al. Pg. 60

The brand image adds value to the offer in the mind of the consumer when they see the familiar Coke package and Logo. Coke is still number one, despite the many generics in the marketplace.

The degree to which consumers are committed to a particular brand or goods or services depend on a number of factors: the cost of switching, availability of substitutes, the perceived risks associated with the purchase, and the degree to which they have obtained satisfaction in the past. Due to higher perceived risks, costs and lack of substitutes, consumers are more likely to remain customers of a particular company with services than goods. Another reason for consumers to be more brand loyal with services is the recognition of the need for repeated patronage in order to obtain optimum satisfaction from the seller. Becoming a "regular customer" allows the seller to gain knowledge of the customer's tastes and preferences, ensures better treatment, and encourages more interest

in the consumer' satisfaction. Thus a consumer may exhibit brand loyalty to cultivate a satisfying relationship with the seller. (Ziethaml & Bitner: pg. 40)

Sunday Times and Markinor published a recent survey on brand awareness, trust and loyalty on the Insurance Industry in South Africa. (Figure 2.1)

Figure 2.1 Brand Equity: Insurance Companies

	Brand rating	Top of Mind Awareness	Trust & Confidence	Loyalty
Old Mutual	27 %	44 %	84 %	72 %
Metropolitan	14 %	27 %	76 %	69 %
Sanlam	13 %	27 %	74 %	65 %
Liberty	3 %	6 %	63 %	55 %

The Liberty brand, which has been around for longer than most gets a low brand relationship score. Old Mutual is way ahead followed by Metropolitan, Sanlam and Liberty in fourth place. Sanlam attributes it third place to low ad spend. Metropolitan's position is most reflective of the mass-market segment at which it is pitched. Liberty's Mike Jackson disagreed with these results saying that Liberty was a niche market company, targeting high net worth individuals falling into LSM 7 and 8. Martin Slack MD of Markinor, however, argues that these LSM are nowhere near high net worth. Momentum is believed to be closer to this target market than Liberty. (Sunday Times: 7 October 2001)

2.9 WHAT SATISFIES INVESTORS?

Bill Doyle of Forresters in a recent publication explains what satisfied investors. The main sentiments voiced by clients were that: " brokerage customers were very satisfied with the fundamentals that their brokerages offer, like accurate account information and trade executions. But they are less impressed with the advice they receive. When choosing a new firm, these investors look for one that differentiates itself with low commissions and sound advice."

In order to understand investor's relationship with their primary brokerage, Forrester asked 2000 brokerage customers in the US and Canada how they felt about 28 online and offline

features – from the quality of the advice they receive to the speed with which their trades are executed. Overall customers:

- Trust their firm to be accurate. More than 85% of brokerage customers are satisfied with the accuracy of the account information and statements across channels, 80% have no complaints about trade execution, either on- or offline.

- Feel they get better customer service offline than online. Overall, customers are fairly satisfied with the service they receive from their primary firm. Online customer service is improving, but customers are still less satisfied with it than they are with offline service: 70% believe that call-centre reps are helpful, but only 60% are happy with online customer service.

- Aren't quite pleased with advice. Less than two out of three customers with an advisor are satisfied with their advisor's knowledge and with the quality of the advice they receive. Satisfaction trails off further for online advice. Barely half of those who go online for advice rate their brokerages' offering as satisfactory.

When investors were asked what they would value when choosing a new brokerage firm, they emphasized what they are least satisfied with presently. If they were to start afresh, they would place importance on:

- Low commissions and fees. Fees and commissions are at the bottom of the barrel for current satisfaction, and among the first things investors would look for in a new firm. Eighty one percent of brokerage customers say that price would be "very" or "extremely" important when choosing a new firm.

- Quality financial advice. While advice languished in the current satisfaction ratings, it vaults up to the top of the list of what customers want in their next brokerage. More than eight than out often investors say that good advice would be a priority when choosing their next firm.

- Online offerings, for those who use them. 90 % of online investors would look for a firm that lets them monitor their accounts online. But for investors overall, online features would be less important than other attributes when considering a new firm.

Forrester's overall conclusions reveal that:

1. Brokerage customers are most satisfied with their firms' accuracy; they get lower marks for fees and advice.
2. The next time, customers would seek out features they're unhappy with today. When looking for a new firm, investors would seek out low fees and good advice, rather than basic features that please them now.

   (What satisfies Investors: Consumer Technographics North America. March 2002) www.forrester.com

CHAPTER THREE   METHODOLOGY

3.1   INTRODUCTION

The primary aim of this study is to determine if client loyalty is dependent on the intermediary or by satisfaction with a company. The secondary aim of this study is to measure client satisfaction with long tem insurers and identify reasons for satisfaction, dissatisfaction and repurchase. The research methods are discussed together with the study design, sample and collection methods. Details of the questionnaire and the statistical methods used are also discussed.

3.2   RESEARCH DESIGN

This is a descriptive cross-sectional study, where the aim is to examine the relationships between the variables. Qualitative and quantitative data will be collected to gain insight into the full spectrum of issues surrounding loyalty.

Quantitative data will be collected using Questionnaires, which would include disconfirmation scales, questions that would result in nominal, ordinal and ratio data. Every effort would be made to avoid errors that are common with these scales. Errors such as: leniency, central tendency and the halo effect.

Disconfirmation scales were chosen, as they appear to be the most relevant to measure the relationship between satisfaction and service quality. Cronin and Taylor, Parasuraman and many other acclaimed academics have conducted much research on these scales. The scales on this questionnaire were based on Chin and Lee's scales that were used to test for satisfaction on system installations and usage. (Wynne W Chin and Matthew KO Lee, The case of end-user computing satisfaction, 21st International Conference on Information Systems, Dec 10-13 2000, Brisbane Australia)

Non-Parametric Tests such as the chi-square would be applied to analyze and interpret information.

Fieldwork using questionnaires would be conducted by researcher and selected intermediaries.

Quantitative data will be collected by interviews conducted with either focus groups or individuals to ascertain nuances of information that may elude the questionnaires.

3.3   SAMPLING DESIGN

The target population is made up of 150 clients from 3 different segments, 50 company employees that have high contact with clients, and a selection of 20 intermediaries. It will be a stratified sample made up of clients from different segments. According to Dillon, Madden and Firtle (1994), the size of each sample cell will equal to 50 respondents made up as follows:

- 3 strata of clients from Sanlam Broker Services database
    1. High net worth clients (50)
        ♣ Clients with income in excess of R25 000

    2. Middle income clients (50)
        ♣ Clients with total household income of between R10 000 and R 15 000

    3. Lower Income clients (50)
        ♣ Clients with total household income less than R 7000.

Quantitative analysis in the form of discussions will be conducted with the following:
Employees   (not intermediaries) with regular client contact, (Employees from underwriting, new business processes, policy services) and Intermediaries [made up of Tied Agents, Independent Brokers, & Corporate Brokers]

3.4   ETHICS

The sensitive nature of information being used to recruit respondents demands high levels of ethical and moral integrity. Client confidentiality will be maintained at all times as personal and financial information is at risk.

3.5   BIAS

An external "moderator" will be used on a regular basis to monitor researcher bias, as the researcher is intimately involved in the financial services industry and has high contact with both intermediaries and clients.

CHAPTER FOUR   ANALYSIS OF SURVEY

200 questionnaires were distributed to clients from the selected income categories via intermediaries and email. Fifty completed questionnaires were received by the cutoff time allocated for the analysis.

Question 1

Select the companies with whom you hold policies. (Indicate with a tick or fill in what's not listed)

(Refer to Graph 1: Selection of Company by Respondents in Appendix.)

Respondents were asked to select the companies with which they were policyholders.
This table merely indicate the spread of policies held by respondents with different companies. Sanlam appears to be most popular as the database of Sanlam Broker Services was used. This question assisted respondents in placing the other questions into perspective. Nominal data was produced with the responses.

Question 2
List 5 factors that influenced the choice of the company/companies you selected.

(Refer to Graph 2: Reasons for Company Selection in Appendix)

This question asked respondents to list factors that influenced the company they chose. The responses were varied. The most common were banded together in the following broad categories:

- Reputation (stability of company, brand, image, size of company, image)
- Broker influenced decision
- Performance
- Service (efficiency, punctuality, timeous feedback, speed etc.)
- Referral (word of mouth, referred to by ...Etc.)
- Rates (price, premium, etc)

This graph clearly reflects the most popular factors influencing choice of insurance company. The most important are: reputation, service, performance and broker. The importance attached to reputation can be attributed to the number of mergers in the marketplace. Companies like Fedsure, Norwich, Southern Life and now BOE have left policyholders feeling very insecure. Insurance policies represent security and protection for the individual, family and business. A strong reputation, service levels and performance of the company provide security for policyholders.

Question 3

How many Financial Advisor/Brokers have you dealt with?

This question deals with the number of financial advisors each respondent has or had. (Refer to Graph 3: Number of Financial Advisors in Appendix)

This graph illustrates that 78% of respondents have had two or more Financial Advisors. This graph highlights the population tendency that very few people have only dealt with a single intermediary.

Question 4

This question dealt with the factors influencing the choice of their current advisor.

Of the 50 questionnaires 3 had nil responses, 2 respondents indicated they had no current financial advisor, and 45 respondents indicated various factors. The most common responses were grouped together into the following list:
- Referral
- Honesty/ trust
- Knowledge/ qualification
- Service / efficiency/ convenience/ punctuality

(Refer to Graph 4: Reasons for Broker Selection in Appendix)

The factors that most influenced respondents' decision to deal with a financial advisor are service, referral, knowledge and honesty.

Question 5

Here respondents were asked to rate the service level of their current broker according to scale listed below.

How would you rate your satisfaction with the use of the system?						
-3	-2	-1	0	+1	+2	+3
Very dissatisfied			neither			very satisfied

(Refer to Graph 5: Rating of Financial Advisor's Service in Appendix)

In this graph, 1 set of response is missing. 4 % expressed extreme dissatisfaction with their current advisor. 4 % stated their experiences were quite below what they expected, 2% said their experiences were below their expectation and 8 % indicated their experience as slightly below their expectation. 20% stated their experience as what they expected, 14% had experiences slightly above their expectations, 22% had experiences quite above their expectations and 4 % expressed their experiences were exceptional. The graph indicates that client's experiences with their financial Advisor were mostly at an expected level or better than expected level. This could be attributed to the stringent requirements by Financial Services Board, new legislation already in place (The Policyholder Protection Rule) and the Financial Services Intermediary Act which is being promulgated.

Question 6, 10, & 14 deals with the service experiences policyholders had with company 1, 2, 3 respectively. Policyholders rated their experiences according to the disconfirmation scale.

(Refer to Graph 6:Service Experience in Appendix)

The majority of respondents indicated service experiences at expected and better than expected levels. Company One seems to have received an overall rating of expected and

better than expected service experiences. 8 % of the respondents' experiences were below the norm, whereas Company Two had 14 % of respondents indicating service level below and well below the norm. Company Three did not have a high response rate.

Question 7, 11, 15 deals with their experiences with regards to the process of an application with Company 1, 2, 3 respectively.

(Refer Graph 7: Processing of Application in Appendix)

Most respondents indicated that their experiences with the processing of applications were as expected and better than expected. 9 % indicated experiences slightly below and below expectations from Company One, 10 % from Company two and 10% from Company Three. Most respondents were fairly happy with Company One and Company two. Company Three appears to have low scores on expected and better than expected levels because the response rate for Company Three was lower than Company One and Two.

Question 8, 12 & 16 dealt with experiences with underwriting at Company 1,2 and 3.

(Refer to Graph 8: Underwriting Experience in Appendix)

Respondents generally indicated their underwriting experiences as being the norm and better than expected. In comparison to service experience and application processing, the degree on discontentment is higher for this variable. 14% of respondents had experiences below their expected level with Company One, 16% with Company 2 and 8% with Company 3. Underwriting entails clients needing to complete medical requirements, made up of blood tests and medical examinations. This can become a sensitive issue for clients, especially if there are non-disclosures and medical reports are called for. In some instance, clients declared every cold and flu, every visit to the doctor as well as the number of aspirins they may have taken to treat an occasional headache. Medical reports may be called for by a conservative underwriter, resulting in clients completing several reports and probably visiting the doctor more times than was anticipated when the policy application was made.

Question 9,13 and 17 deals with the policyholders' experience with the receipt of Documentation from Company 1,2, and 3.

(Refer to Graph 9: Receipt of Documents in Appendix)

The policy document is the only tangible factor in the entire relationship between a policyholder, the intermediary and the insurance company. This document also serves to confirm if the requests of the applicant were carried out. Client experience with the receipt of the policy document with Company 1 are well spread in the expected and above expected range. 2% of respondents indicated experiences as far above what they expected. 6 % indicated experiences below expected level and 4 % well below expected.

Client experience with the receipt of document at Company 2 is generally at an expected and better than expected level. At company three, 6% of total respondents indicated a below than expected level of satisfaction with the receipt of documents.

Question 18

Would you contact the company for your queries or your advisor?

(Refer to Graph 10: Choice between Advisor & Company in Appendix)

68% of respondents indicated that they would contact an advisor if they had any queries.20% of the respondents indicated that they would deal directly with the company and 12% of respondents did not answer this question.

As the data produced by this question was nominal, non-parametric test of Chi-Square one sample is used to test the hypothesis.

Using this technique we test for significant differences between observed data distribution among the categories and expected distribution based on the null hypothesis. In the one sample test, we establish a null hypothesis based on the expected frequency of objects in each category.

Null Hypothesis: Client loyalty is not dependent on the relationship the intermediary has with the client.

Contact:	Observed	Expected
Advisor(Intermediary)	34	22
Company	10	22
Total	44	44

TABLE 4.1 Chi-Square Analysis

Using the formula below: -

$$\chi^2 = \Sigma \frac{(O_i - E_i)^2}{E_i}$$

Get $\chi^2 = 13.09$

The critical value for χ^2 (called χ^2_{crit}) is obtained from standard tables (Cooper and Schindler, 2001). Using a 95% level of confidence (i.e. $\alpha = 0.05$), and for one degree of freedom (i.e df = 1) get $\chi^2_{crit} = \textbf{3.84}$. Degrees of freedom = (no. of rows -1) (no. of columns -1) = (2-1)(2-1) = 1 (Cooper and Schindler, 2001).

Since $\chi^2 > \chi^2_{crit}$, this implies that the null hypothesis is rejected at the 95% level of confidence.

Question 19

Respondents were asked to rate their service experience if they ever dealt directly with a company.

(Refer to Graph 11: Rating of Service of Companies in appendix)

In this graph 70% of respondents indicate their service experience as expected or better than expected. This is ironical if this information is analysed in conjunction with Question 18, where respondents prefer to deal with an advisor rather than the company. While 68 % of respondents indicated that prefer to deal with an advisor, they also indicated expected

and better than expected service levels from the company they dealt with. This serves to confirm that for clients the first point of contact is the intermediary, even when they enjoy expected and better than levels of service directly from the company. The sample of respondents was made up of people who are in the income category of above R3000 per month and many are professionals.

Question 20

List reason that would prompt you to purchase a policy with the same company again.

(Refer to Graph 12: Reason for Repurchase in Appendix)

This was an open-ended question and the responses were diverse. The common reasons were clustered together under the following broad sub-groups; Reputation /image /stability of company, Rates, Performance, Efficient / service, Product innovation, Broker knowledge / Qualification, Claim pay out, Other was a sub-group of non related items that were clustered into this group.

The most important and frequent reasons for clients purchasing again with a company are service, reputation and performance. Whilst all the elements of these factors are not completely controllable, such as performance, is still dependent on market conditions and the financial markets have been volatile in recent times. A Company's reputation as indicated by the respondents is made up of company image, stability of the company, size of the company, brand awareness and advertising. Surprisingly one of the factors listed as fairly important is broker knowledge/ qualification. Could this be due the media, especially Personal Finance?

Question 21

List items / issues that you consider as being exceptionally good in your experience with Insurance companies.

(Refer to Graph 13: Exceptional Experience in Appendix)

This graph indicates the various reasons that respondents listed as being exceptionally good in their experience with insurance companies. Service is rated as the most important, followed by communication and performance. Reputation is rated slightly below performance.

Question 22

List items/issues that you would consider as extremely disappointing.

(Refer to Graph 14: Disappointing Experience the Appendix)

The most frequent reasons for discontentment among policyholders were poor service, misrepresentation, poor performance and lack of confidentiality. Respondents that cited lack of confidentiality were annoyed that brokers or intermediaries claiming to represent the same company would approach them.

Question 23

This question sought information on client awareness of loyalty programmes.

(Refer to Graph 15: Loyalty Programme Awareness in the Appendix)

It produced nominal data.

58% of the respondents indicated that they were aware of loyalty programmes such as Voyager Miles and Vitality. 38% indicated no knowledge of these programmes and 4 % did not answer this question. It was also found that respondents in the higher income group (above R10 000) were more aware of Voyager Miles and Vitality. (Table 4.2) Possible reasons for this could be that respondents in the higher income group travel frequently and have more exposure to the Discovery and Voyager products as it is aimed at the higher income sector.

Table 4.2 Incomes – Loyalty programmes Cross Tabulation

INCOMES * Loyalty programmes Crosstabulation

			Loyalty programmes			Total
				N	Y	
INCOMES	R3,000-R10,000	Count	1	22	1	24
		% of Total	2.1%	46.8%	2.1%	51.1%
	R10,100-R25,100	Count	1	4	18	23
		% of Total	2.1%	8.5%	38.3%	48.9%
Total		Count	2	26	19	47
		% of Total	4.3%	55.3%	40.4%	100.0%

Question 24

This question asked respondents to list the programmes to which they belonged.

(Refer to Graph 16: Loyalty Programme Membership in Appendix)

By far the most popular programme is Voyager Miles (16%) followed by dual membership between Voyager Miles and Vitality (16%) and then Vitality (4%).

Question 25

This question asked respondents that were aware of loyalty programmes to indicate what value, if any they added to them.

(Refer to Graph 17: Value from Loyalty Programmes in Appendix)

19 respondents completed this question. The responses were as follows: 38% of the respondents indicated that the accumulation of Voyager Miles meant free trips, 16% enjoyed discounted gym membership, 16% discounted movie tickets, 13% discounted holidays and 7% indicated different tiers provide preferential discounts. The accumulation of Voyager Miles can be exchanged for a number of rewards, including free trips. Frequents flyers thrive on this specific rewards. Vitality offers members discounted gym membership at Virgin Active, discounted Movie tickets at Ster Kinekor as well as discounted holiday packages and special offers on lifestyle products. Both programmes

have tiers of membership, thus increasing rewards to the higher value segment. (Platinum and Gold Members)

Question 26

This was a demographic question on gender.

(Refer to Graph 18: Gender of Respondents in Appendix)

Forty six percent of the respondents were female and 50 % were male. 4% of respondents did not answer this question. This information had no statistical bearing on the hypothesis, but gender information for marketing in the insurance industry is important. Women and men consume insurance products differently.

Question 27

This is a demographic question on the age of the respondent.

(Refer to Graph 19: Age Group of Respondents in Appendix)

Respondents were asked to select an age category to which they belong. There were five broad bands as listed below.

<20	20-30	31-40	41-50	51>

There was no respondents in the under 20 category. The bulk of respondents fell into the 20 –30 age category and the 31-40 age category. 24% fell into the 41-50 age category and 10 % fell into the over 51 age category.

Question 28

Respondents were asked to complete the income category that was pertinent to them. Salary scales are listed below.

(Refer to Graph 20: Income Group of Respondents in Appendix)

R 3000-R 7000	R7100-R10000	R10100-R15000	R15100-R25000	R25100 >

40% of respondents fell into the R3000 –R 7000 category, 8% into the R7100 –R10 000, 6% into the R10100 – R15000, 20% into the R15100 –R25 000 and 20% into R25 000plus category. The sample initially attempted to target people within the three income groups:

- Lower income or clients with one policy
- Middle Income
- High income clients with income of R 20 000 plus

This is a stratified convenience sample.

Question 29

Race Group (for statistical purposes)

(Refer to Graph 21: Race Group of Respondents in Appendix)

Respondents were asked to indicate their race group as below.

Asian	African	White	Coloured

This graph illustrates that the highest number of respondents came from the "Indian" population group. This was completely unintentional.

Question 30

This question asked respondents to state their occupation. Although this question has no bearing on the hypothesis, occupation is an important underwriting criteria, thus respondents falling into certain rate categories based on age, income and occupation may have had differing underwriting experiences. A list of respondent's occupation is attached in the appendix.

No statistical tests could be carried out to determine mean, median and mode, as the data was nominal.

CHAPTER 5   RESEARCH CONCLUSION

5.1   ACHIEVEMENT OF RESEARCH OBJECTIVES

The primary objective of this study was to elucidate the preconception that client loyalty is dependent on the relationship that an intermediary has with a client. The secondary objective of this study was to determine how clients perceptions and attitudes lends itself to either clients remaining with or leaving a particular insurer in favour of another.

5.1.1 CLIENT LOYALTY AND INTERMEDIARY RELATIONSHIP

Although most respondents have had 2 or more Intermediaries, (Graph 3: Number of Financial Advisor in Quest.3) and had expected and better than expected service levels from companies they dealt with directly (Graph: Rating of Service of Company in Quest. 19) they still prefer to deal with an Advisor in the event of queries. (Graph 10: Choice between Advisor & Company) Factors that influenced the selection of intermediary as listed by respondents (Graph 4:Reasons for Broker Selection in Quest. 4) are:

- Service
- Referral
- Knowledge
- Honesty

Good service was a critical factor in most responses and tended to be priority. Referral also seemed to be a critical factor in the selection of an intermediary. Referral means that that there is track record of the intermediary having dealt with someone known. Knowledge was suprisingly more important than trust. Perhaps this could be attributed to the fact that there have been a significantly high number of misrepresentations in the selling of insurance products.

Misrepresentation, next to poor service, was the second most critical factor respondents listed in their dissatisfaction with insurance companies (Graph 14: Disappointing Experience in Quest.22). The Personal Finance, a weekly newspaper carries regular articles on criteria for selecting a financial advisor, product comparisons, trends in the insurance

industry and also regularly publishes the names of Financial Advisors who have been banned from selling insurance products. Thus, consumers have become more aware of malpractice and more informed in their decision. The major insurance companies have shown their support for journalist like Bruce Cameroon, who has become the unofficial spokesperson for the consumer.

The financial advisor's role in a consumer's life seems unchallenged. Respondent's rated their advisor's service level and if they dealt directly with a company, they also rated the company's service. The results, pitted one against the other, clearly show that the advisor has the edge over the company where clients are concerned. This fact is confirmed with 68% of the sample selecting the advisor in favour of dealing directly with a company. The table below is an aggregation of response that fell into the three main categories and clearly indicates that service satisfaction level with the advisor is higher than with a company.

(Refer to Graph 22 in Appendix)

5.1.2 ATTITUDES AND REASONS WHY CLIENTS REMAIN WITH OR CHANGE THE COMPANY THEY DEAL WITH

Questions 21, 22 and 23 provided insight into client attitude and reasons for remaining with a company or selecting a new one.

The most frequent reasons advanced by respondents to repurchase with a particular company are:

- Service
- reputation
- performance
- rates

Service has been a common thread frequently raised and sought from respondents.

Reputation of a company has become a critical factor after the insurance industry saw the demise of major companies like Lifegro, Southern Life, Norwich, Fedsure and most

recently BOE. There has been many articles on the how policyholders funds were mismanaged and questions over the Fedsure debacle are awaiting a response from the Financial Services Board. This information has been widely published in most business publications.

The last seven years in the financial markets have been very volatile and we saw the financial markets crash on a regular basis, thereby leading to poor performances in most sectors. Added to the woes of the financial markets have been world terrorism, severely impacting on the USA. South African financial markets take their cue from the global markets. Performance in some sectors has been very mediocre and clients who were incorrectly advised and chased performers on the stock markets saw their wealth erode rapidly. Most investors purchasing investment products with insurance companies have limited discretionary income and thus are zealous about their investments performing reasonably well. They expect better performances than they would have enjoyed with bank deposits. Thus consistent performance is critical in companies retaining existing clients and attracting new ones.

Rate was another issue critical in keeping or losing clients to the competitors. Rates for life policies are based on a number of issues:

- company's risk pool
- claims history/ratio
- smoker and non smoker ratio
- costing of smoker and non smoker risks
- age, occupation, income, qualification

Clients are rated into risk groups based on their age, occupation, income and qualification. On application with a company, they are medically underwritten to determine their medical risks. Prices for the same applicant may vary with different companies with slight variations in product structure. Life cover rates are a contentious issue as clients go in search of the cheaper more flexible products. The recent trend in churning for better rates are a major concern for management and regulators in the financial services industry.

5.2   LIMITATIONS OF THIS STUDY

This study was conducted over a two-month period and reflects a single "snapshot" in time of client experiences and expectations. Due to the dynamic changes in the financial services industry, this research would have to be repeated at regular intervals, in order to gain more in-depth insight and to be able to detect other trends that may have escaped this study due to the size of the sample. Clients of brokers from the Sanlam Broker Services database were chosen in the sample. Perhaps there may be significant differences in a bigger sample. This was a convenience sample.

Access to client retention strategies being used by the leading insurance companies was limited to what was in the public domain.

Besides Voyager Miles and Discovery's Vitality programme, First National Bank is currently busy launching E-bucks, a customer appreciation plan, and Liberty Life has launched Freestyle, a plan similar to the Discovery model. Both these plans are new and still in their infancy and no previous reference were made to them. Voyager Miles and Vitality were chosen because of their popularity and success.

5.3   MANAGEMENT IMPLICATIONS AND RECOMMENDATIONS

The following recommendations are made based on this study:

- Knowing your client's demographic details and lifetime value are not sufficient to keep them in the future. Many business strategists generically espouse this type of research. Understanding their lifestyle and developing successful communications touchpoints, which engage consumers at the right time, with the right content, on the right device. Innovation in old order firms will be the key.

- Loyalty programmes such as Vitality and Voyager Miles have proven success, which is no indication that a similar product can be copied successfully. Elements of the product may have relevance but discerning customers will reject too many similar products, as their success will become diluted. Reichheld has illustrated many examples of successful companies that enjoy high client and employee

loyalty without the Vitality and Voyager type plan. Employees need be empowered to act in the best interest of the organisation.

- Managing loyalty is a process that must be organisation wide. It should not just be about customer segmentation, but also about employee loyalty, so that synergy within the organisation is developed and loyalty goals become easier to achieve. Creating client and employee loyalty begins with the mission of the company and its core values. Each and every member of the organisation adopts these values. Northwestern Mutual and State Farm Insurance are examples of synchronicity of organisation culture and client loyalty.

- CRM the current buzzword in many businesses can be a successful tool. But its implications need to be understood by employees in the product line. Handouts on the merits of CRM and publications in house magazines are not sufficient. Many production line employees don't have the analytical capacity to understand the relevance. Thus the organisation's disjoint will continue.

- Not every client is valuable. Value should be considered using not only present-day metrics but also future value. An underwriter interviewed during this study, made an interesting comment, " companies pay high commissions to agents to bring in the clients, and pay underwriters just as much to reject clients." There needs to be synergy between product development, marketing, underwriting, and after-sales services and claims payments.

5.4   AREAS FOR FURTHER RESEARCH

- While many clients indicated positive experiences with companies, they still preferred to deal via an intermediary. The role of the intermediary is critical in the relationship with clients. Companies need to find innovative ways to communicate with clients, not only about the sale of a product, and updates on their policy values, but other related issues regarding health and lifestyle. Clients in most models are dependent solely on the intermediary for information and decision making. While there is information available on the web, not everyone is geared to

handle that mode of communication. Cellular phone technology is perhaps more widespread in South Africa than the worldwide web.

- Further research on loyalty and client attitudes need to be conducted with a bigger sample to gain a more in-depth and broader perspective.

- Voyager Miles is an up and running programme. Research needs to be done on whether it may be viable for an insurance company to become a partner for its upper income segment. Exit barriers from such a product become high. Therefore retaining a client and assurance of premium payment being met are certain.

If a man does not keep pace with his companions, perhaps it is because he hears a different drummer.

THOREAU

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APPENDIX

The attached questionnaire is part of an MBA research programme. You are asked a number of questions about your experiences with Long Term Insurance Companies. Please answer all questions and indicate Not Applicable if you cannot relate to any question.

Thank you

Please complete all responses either by typing in or marking with an X and mail it back to nasrath.edoo@sanlam.co.za or sirjac@freemail.absa.co.za.

Thank you

1. Select the companies with whom you hold policies.(indicate with a tick or write what's not listed)
   - Sanlam- s
   - Old Mutual -om
   - Momentum -mom
   - Liberty Life -ll
   - Discovery -dl
   - Other _____

2. List 5 factors that influenced the choice of the company/companies you selected.

   _____

   _____

3. How many Financial Advisor/Brokers have you dealt with?

   _____

4. List the factors that influenced the choice of your current Financial Advisor/Broker.

   _____

The following statements are related to your experience with a Financial Advisor/Broker and company. Please select the response that most reflects your experience.

5. Service experience with Broker/ Financial Advisor

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I wanted	slightly below what I expected	about what I expected	slightly above what I expected	above what I wanted	quite above what I expected	Far above what I expected

6. Listed below are a number of experiences you would have had with the purchase of a policy. Please indicate the name of the company in brackets and rate the experience with each company in terms of the list variable.

Company A_____(type in name e.g. OLD MUTUAL)

Service Experience A1

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I wanted	slightly below what I expected	about what I expected	slightly above what I expected	above what I wanted	quite above what I expected	Far above what I expected

7. Process of Application A2

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

8. Underwriting requirements A3

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	Slightly Below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

9. Receipt of documentation A4

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

Company B

10. Service Experience

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

11. Process of Application

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

12. Underwriting requirements

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

13. Receipt of Document

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

Company C

14. Service

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

15. Process of Application

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

16. Underwriting requirements

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

17. Receipt of documentation

-4	-3	-2	-1	0	1	2	3	4
Far below what I wanted	quite below what I wanted	below what I wanted	slightly below what I expected	about what I expected	slightly above what I wanted	above what I wanted	quite above what I wanted	Far above what I wanted

18. Would you contact the company for queries or your Advisor/ Broker? (Tick Box)

Company	Advisor

19. If you have contacted the company/companies directly, rate your level of service

-4	-3	-2	-1	0	1	2	3	4
Far below what I expected	quite below what I expected	below what I expected	slightly below what I expected	about what I expected	slightly above what I expected	above what I expected	quite above what I expected	Far above what I expected

20. List reasons that would prompt you purchase a policy with the same company again.

_____

_____

_____

_____

21. List items/issues that you consider as being exceptionally good in your experiences with Insurance companies.

_____

_____

_____

_____

22. List items/issues that you would consider as extremely disappointing.

_____

_____

_____

_____

23. Are you aware of any Loyalty Programmes? E.g. Vitality, Accolades, Voyager Miles (tick)

Yes	No

24. Which one do you belong to?

_____ _____ ____ _____

25. What value does your membership to the programme(s) add?

_____

_____

_____

_____

_____

26. Your age category

<20	20-30	31-40	41-50	51>

27. Gender

Male	Female

28. Income category?

R 3000-R 7000	R7100-R10000	R10100-R15000	R15100-R25000	R25100 >

29. Race Group (for statistical purposes)

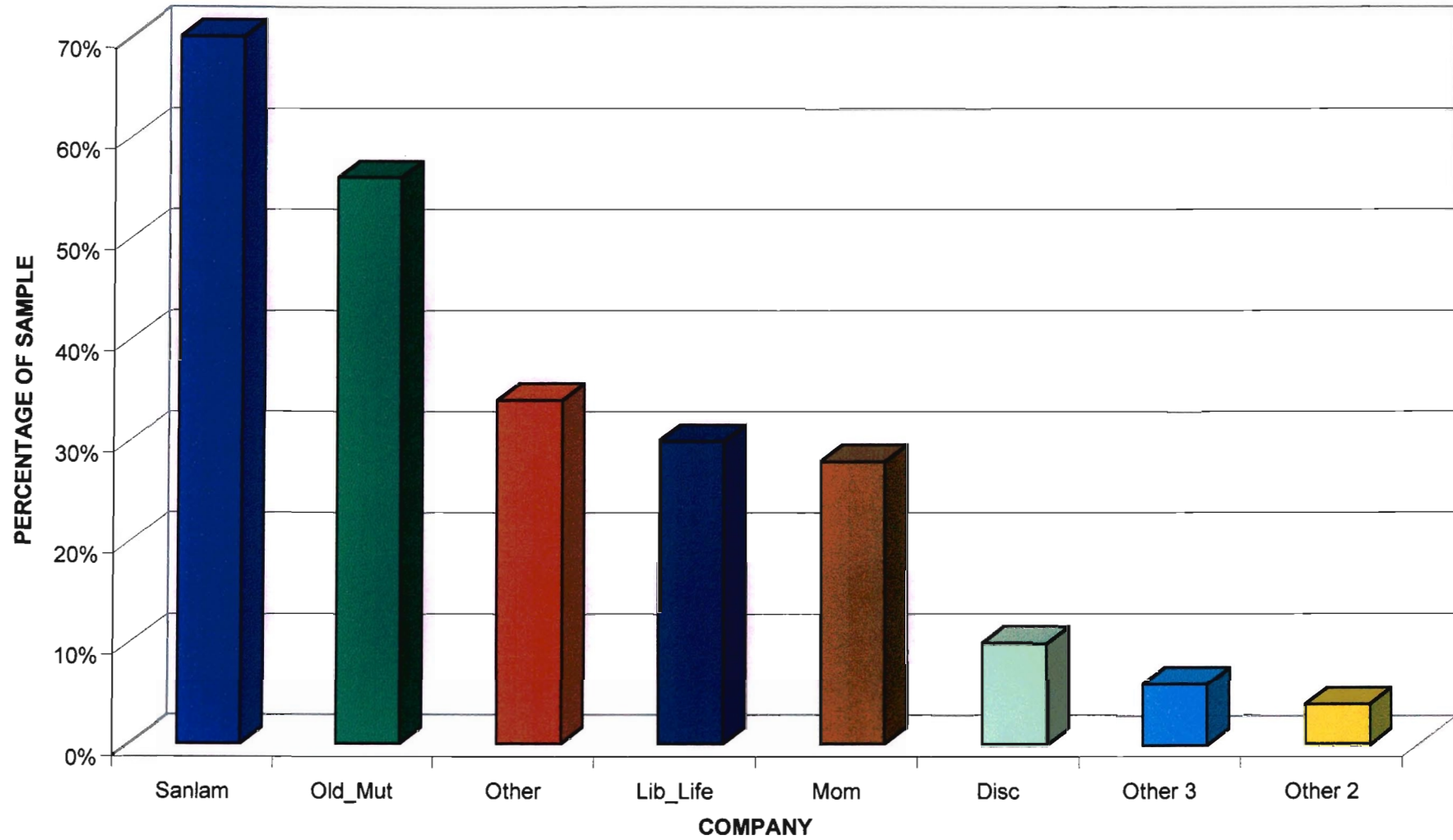| Asian	White	African	Coloured

30. Occupation

_____

Thank you very much for your time.

Nasrat Edoo

0837861567

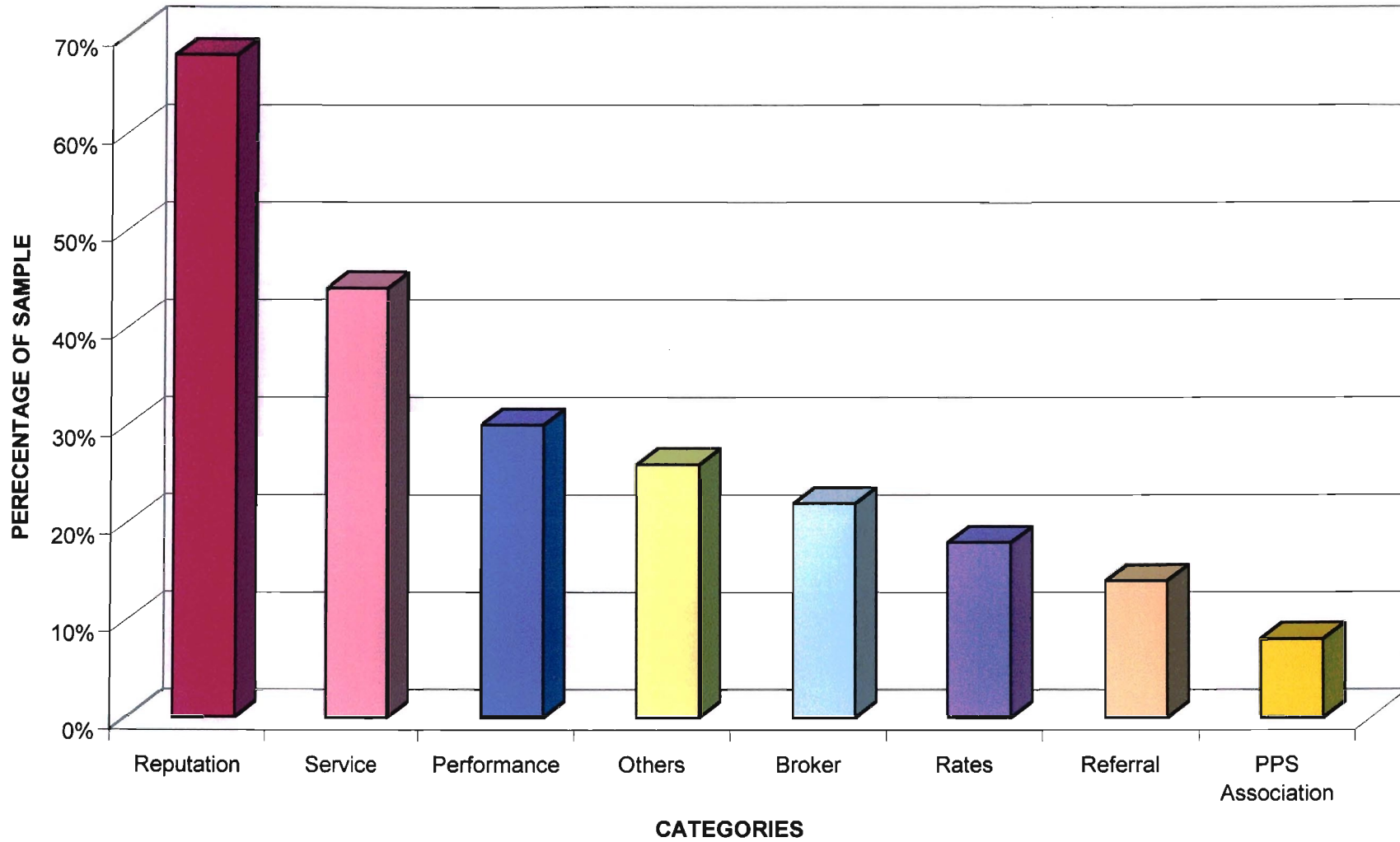**QUESTION 1**

GRAPH 1: SELECTION OF COMPNAY BY RESPONDENTS

QUESTION 2

GRAPH 2: REASONS FOR COMPANY SELECTION

QUESTION 3
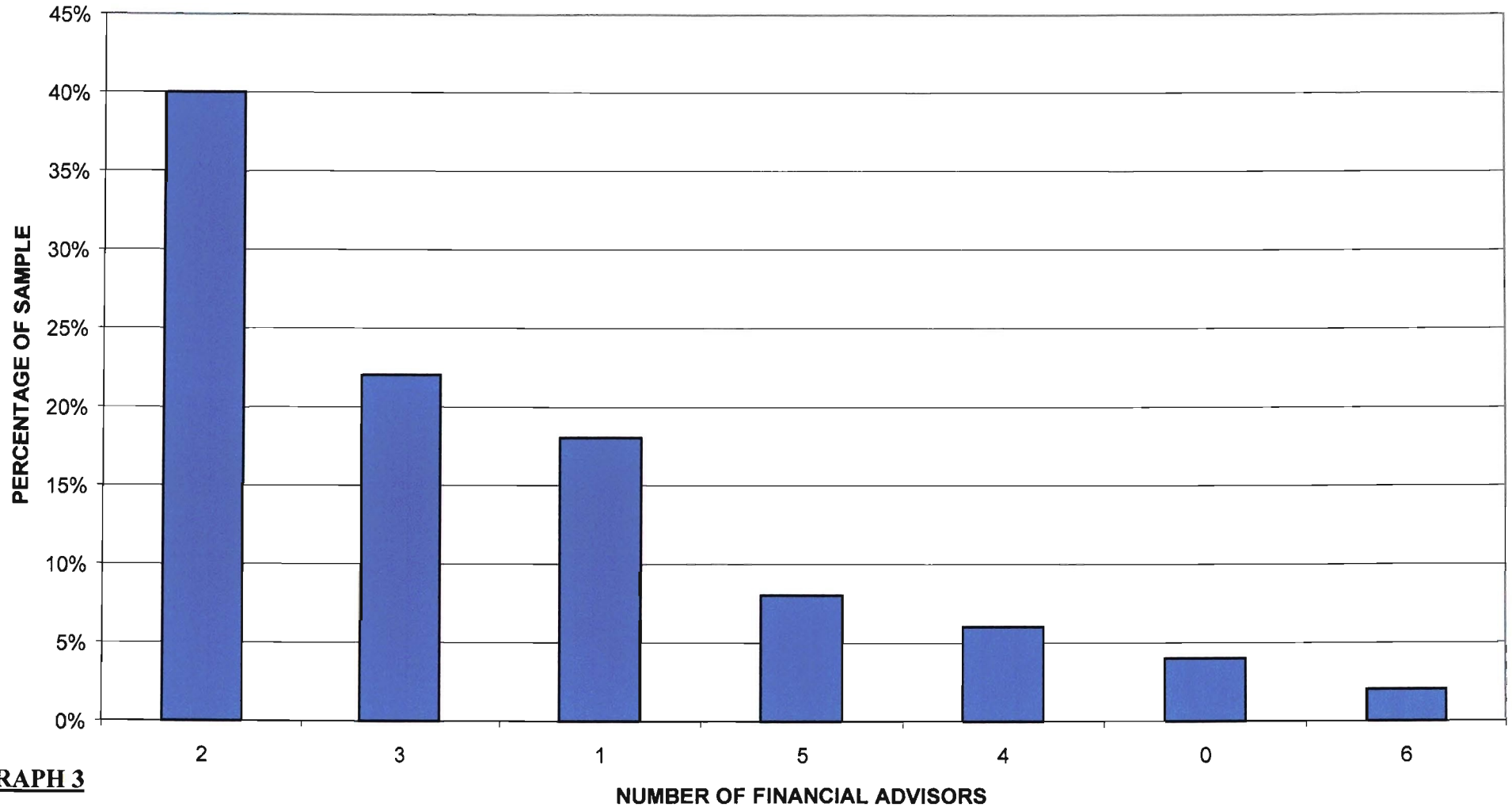
GRAPH 3

QUESTION 4
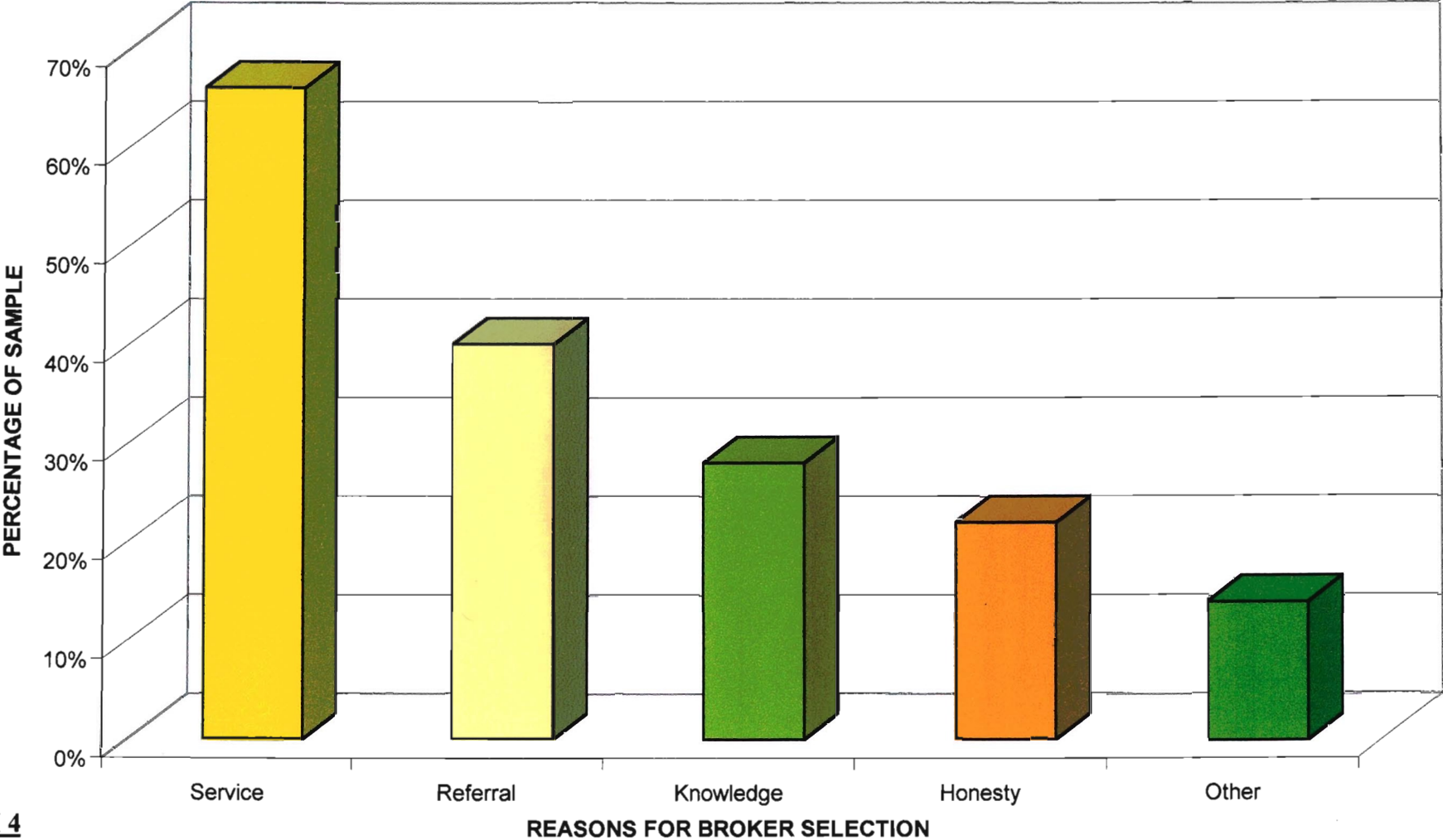
GRAPH 4

QUESTION 5
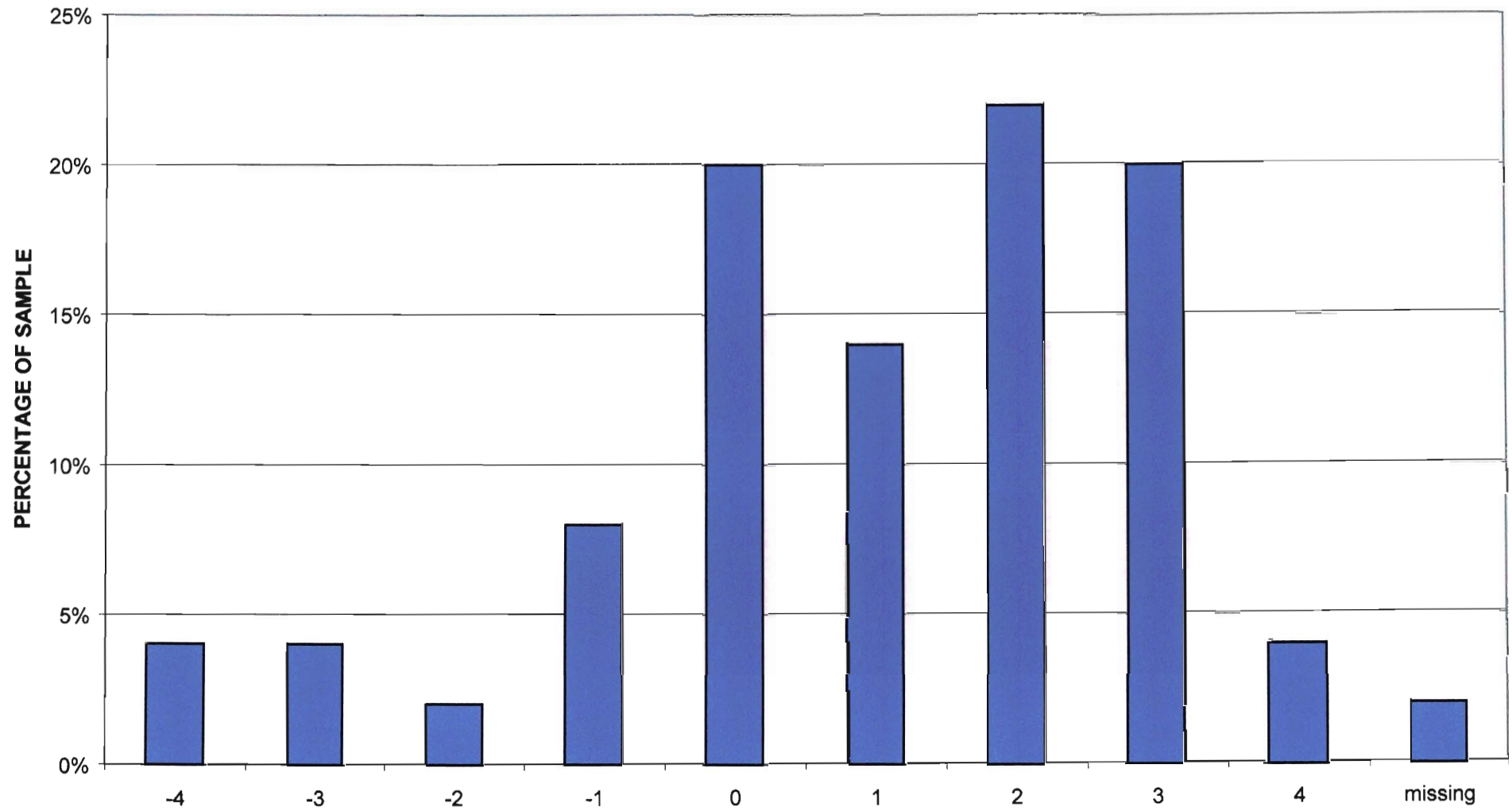
GRAPH 5: RATING OF FINANCIAL ADVISOR'S SERVICE

SERVICE EXPERIENCE
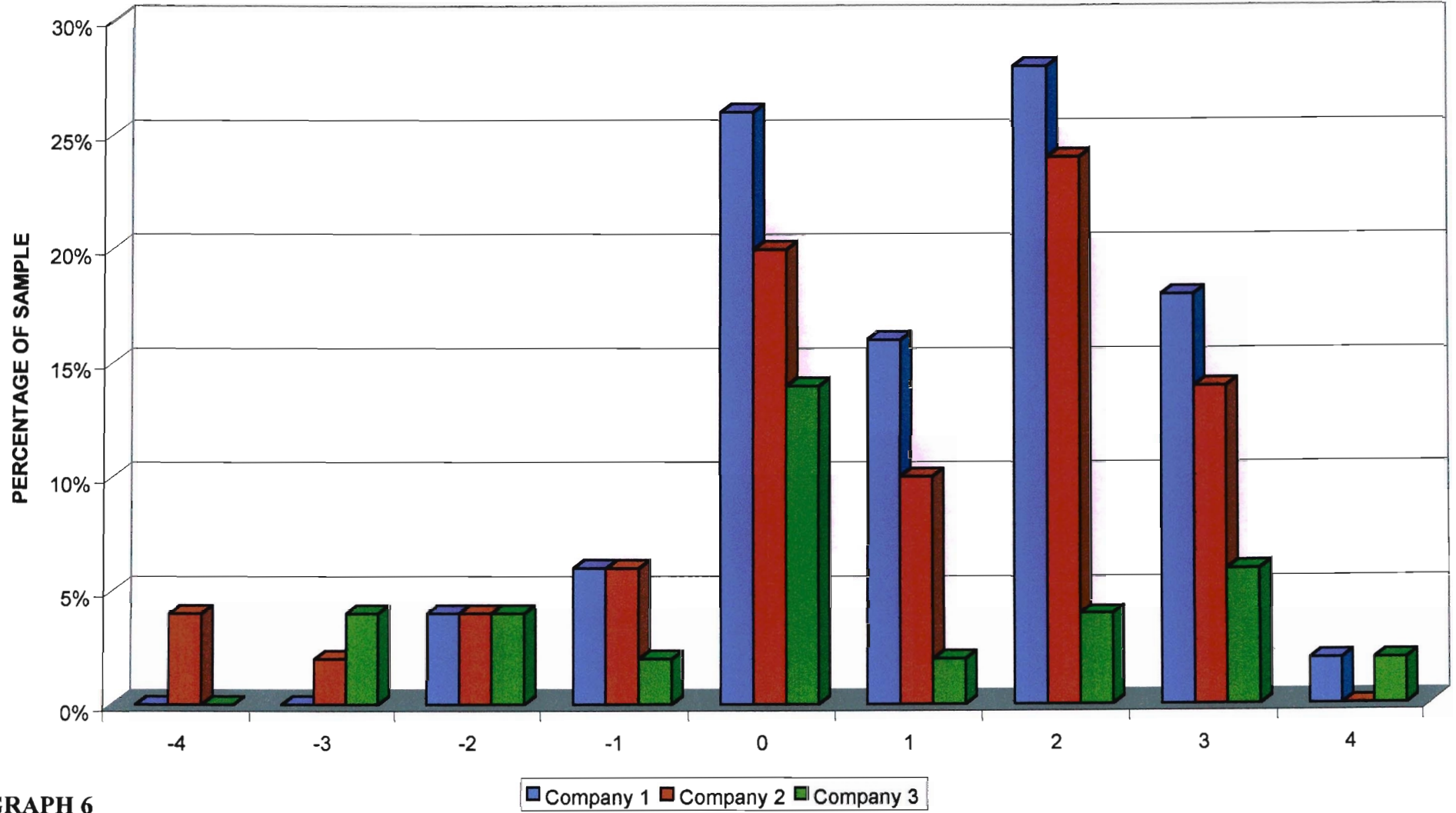
GRAPH 6

PROCESSING OF APPLICATION
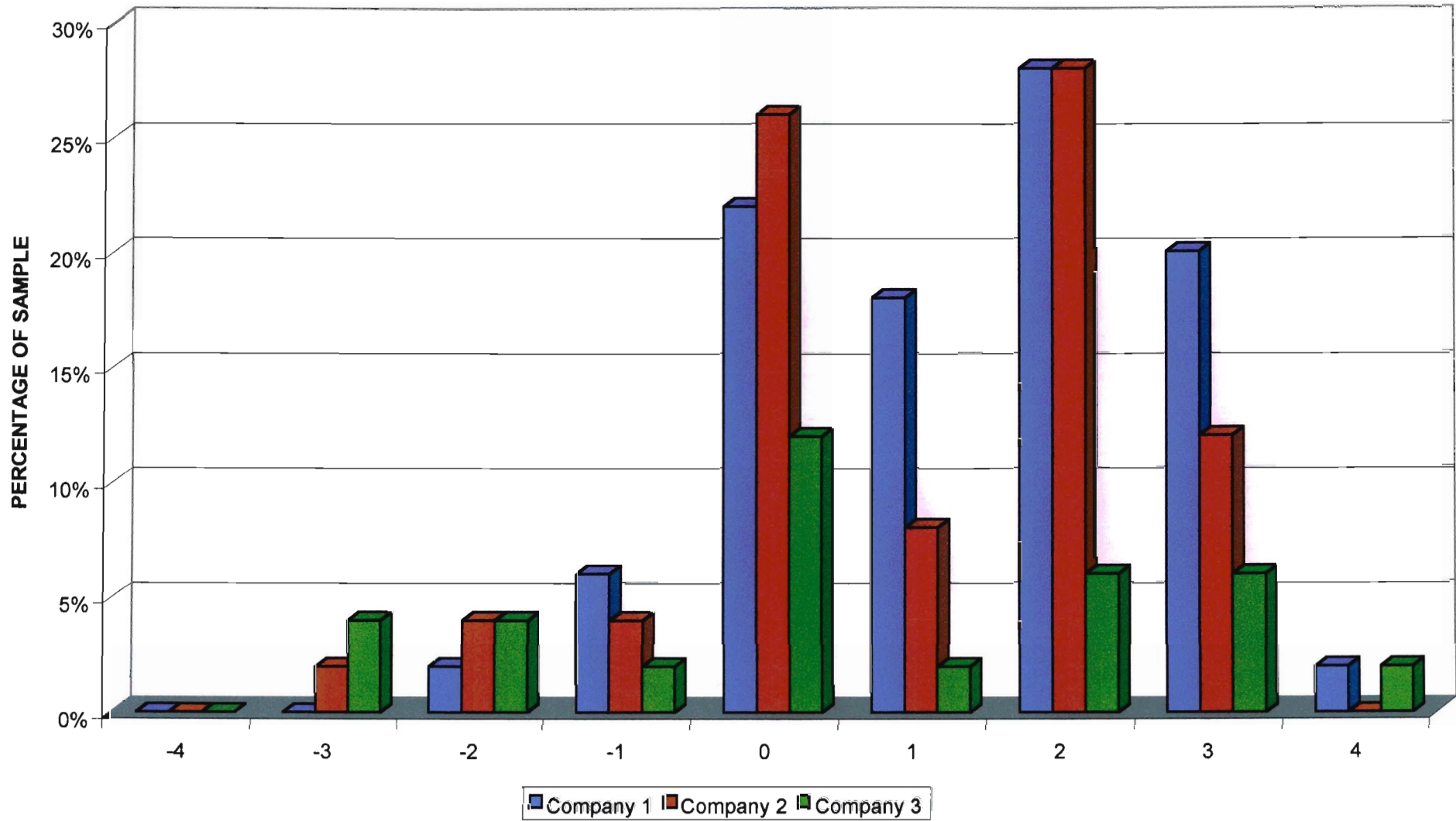
GRAPH 7

UNDERWRITING EXPERIENCE
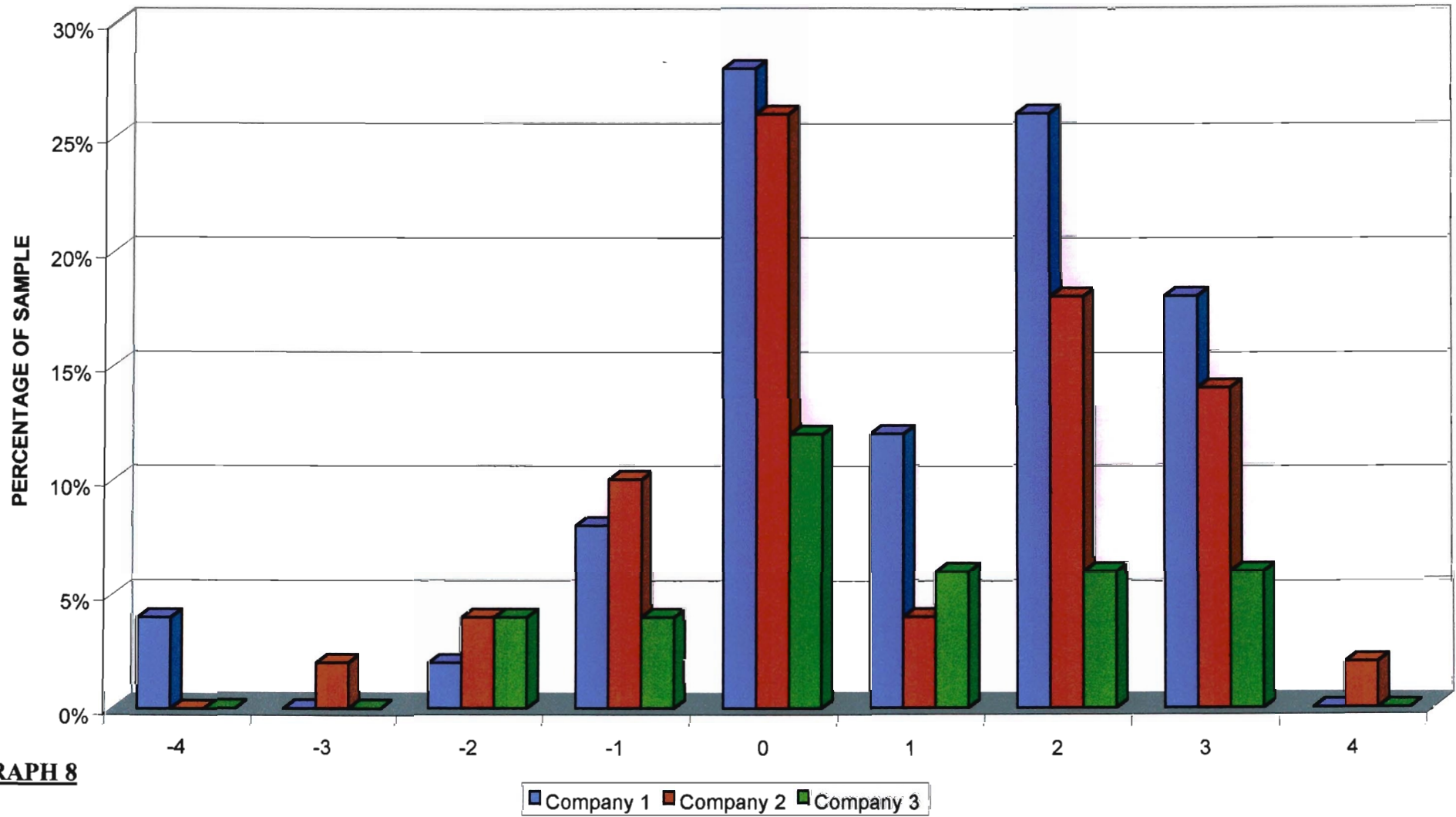
GRAPH 8

RECEIPT OF DOCUMENTATION

GRAPH 9

Legend: Company 1 · Company 2 · Company 3

PERCENTAGE OF SAMPLE (y-axis: 0% – 70%)

x-axis categories: -4, -3, -2, -1, 0, 1, 2, 3, 4
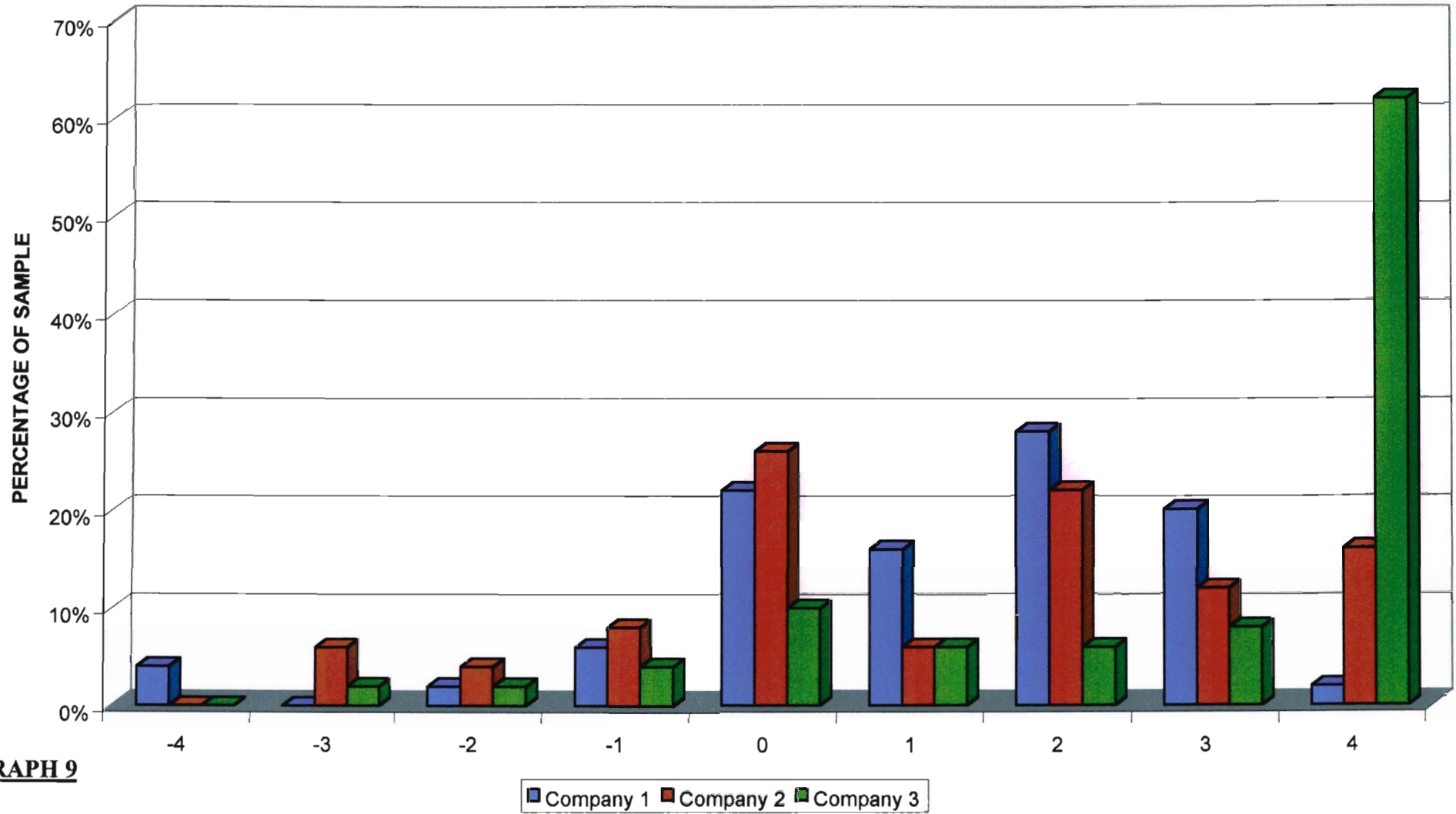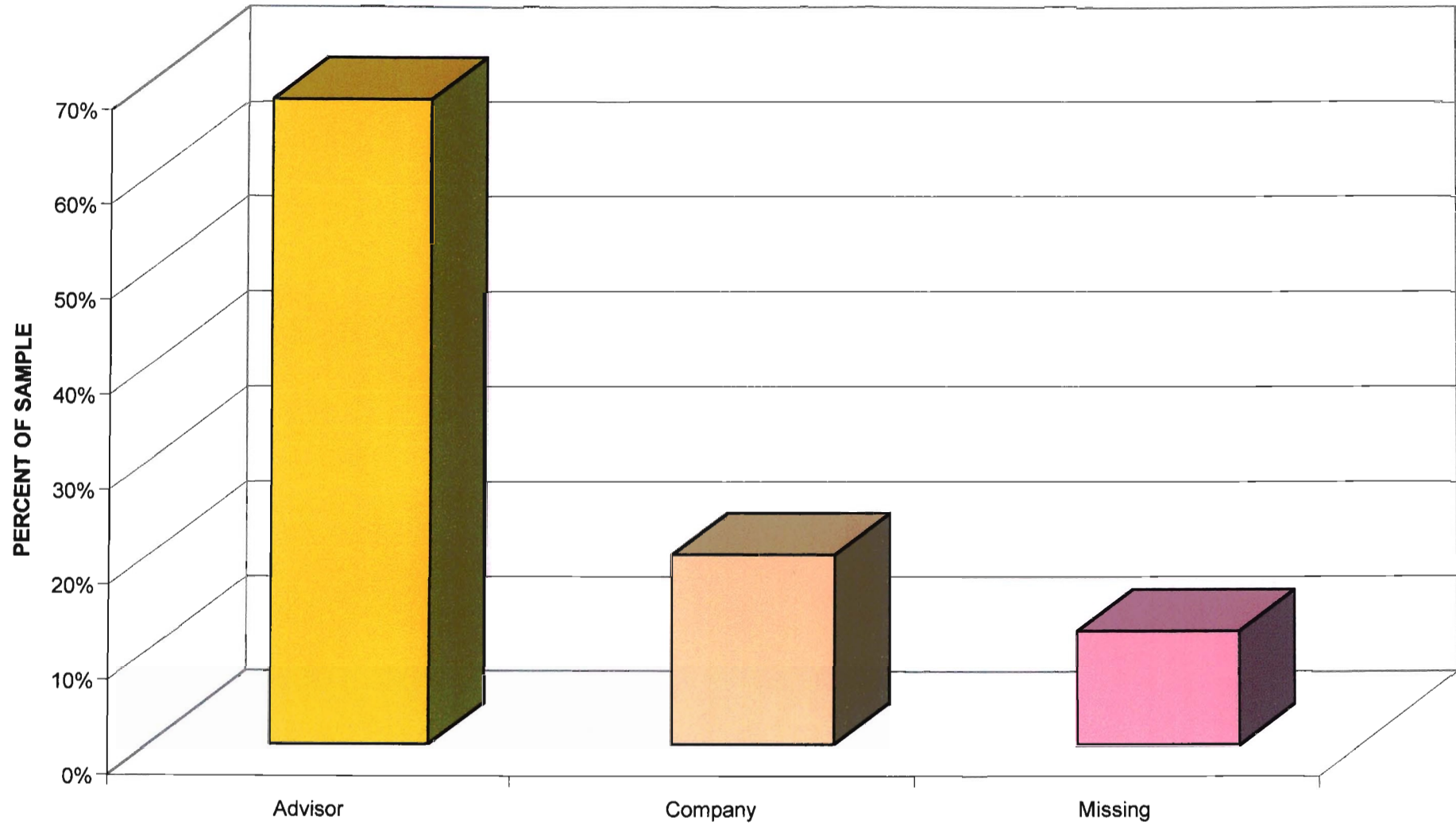
QUESTION 18

GRAPH 10:CHOICE BETWEEN ADVISOR & COMPANY

QUESTION 19
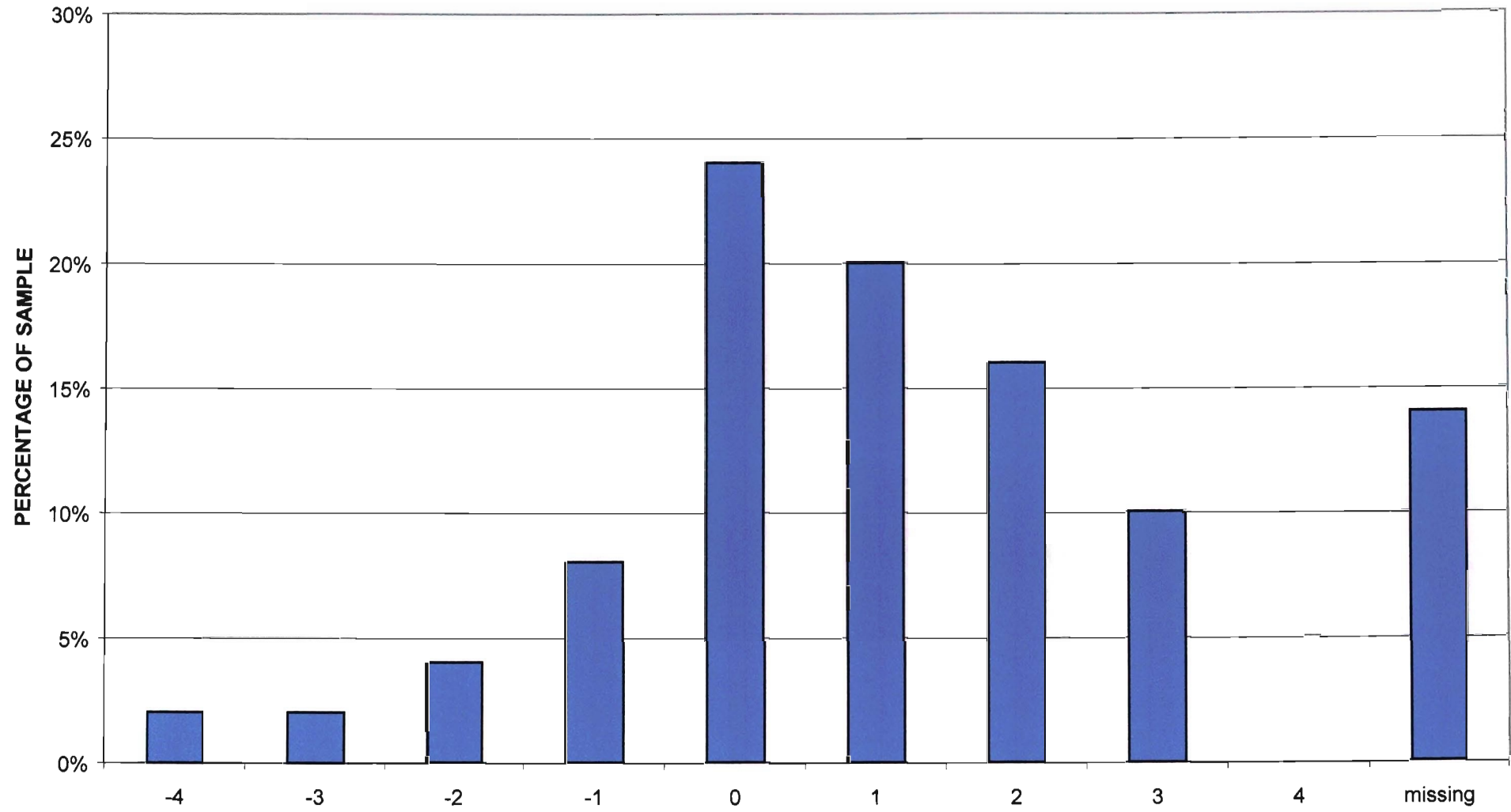
QUESTION 11: RATING OF SERVICE OF COMPANY

QUESTION 20
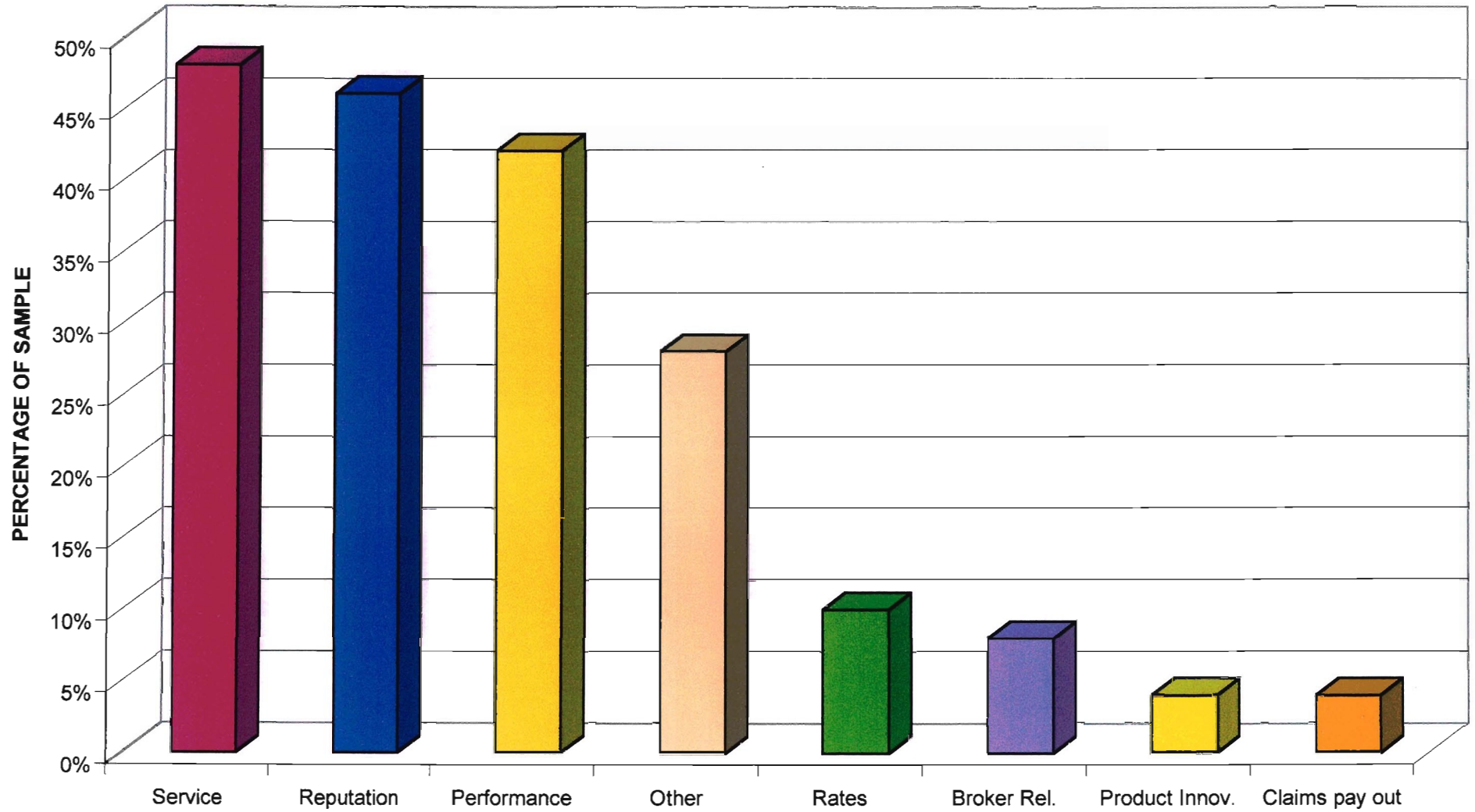
GRAPH12: REASONS FOR REPURCHASE

QUESTION 21
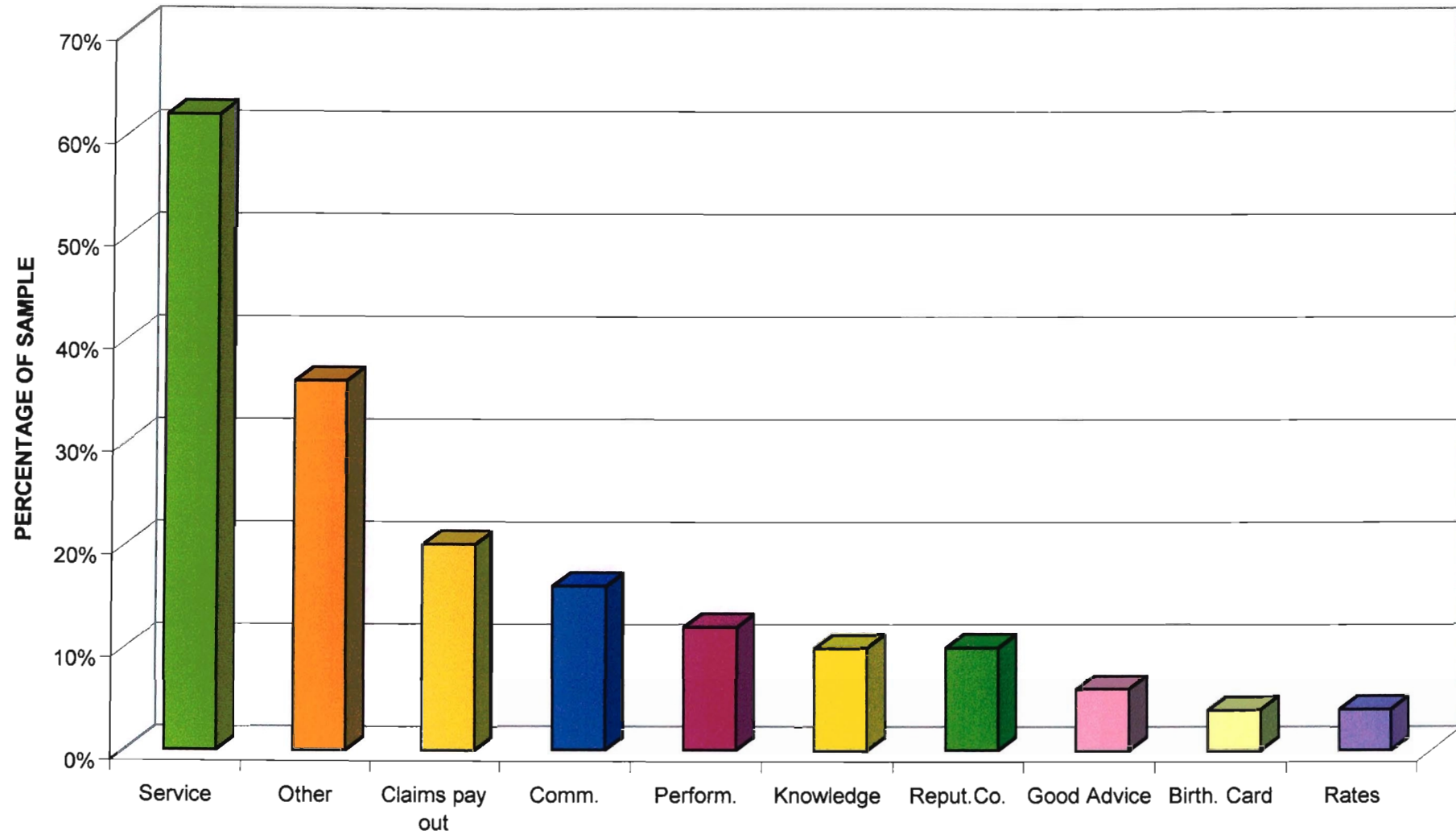
GRAPH 13:EXCEPTIONAL EXPERIENCES

Question 22
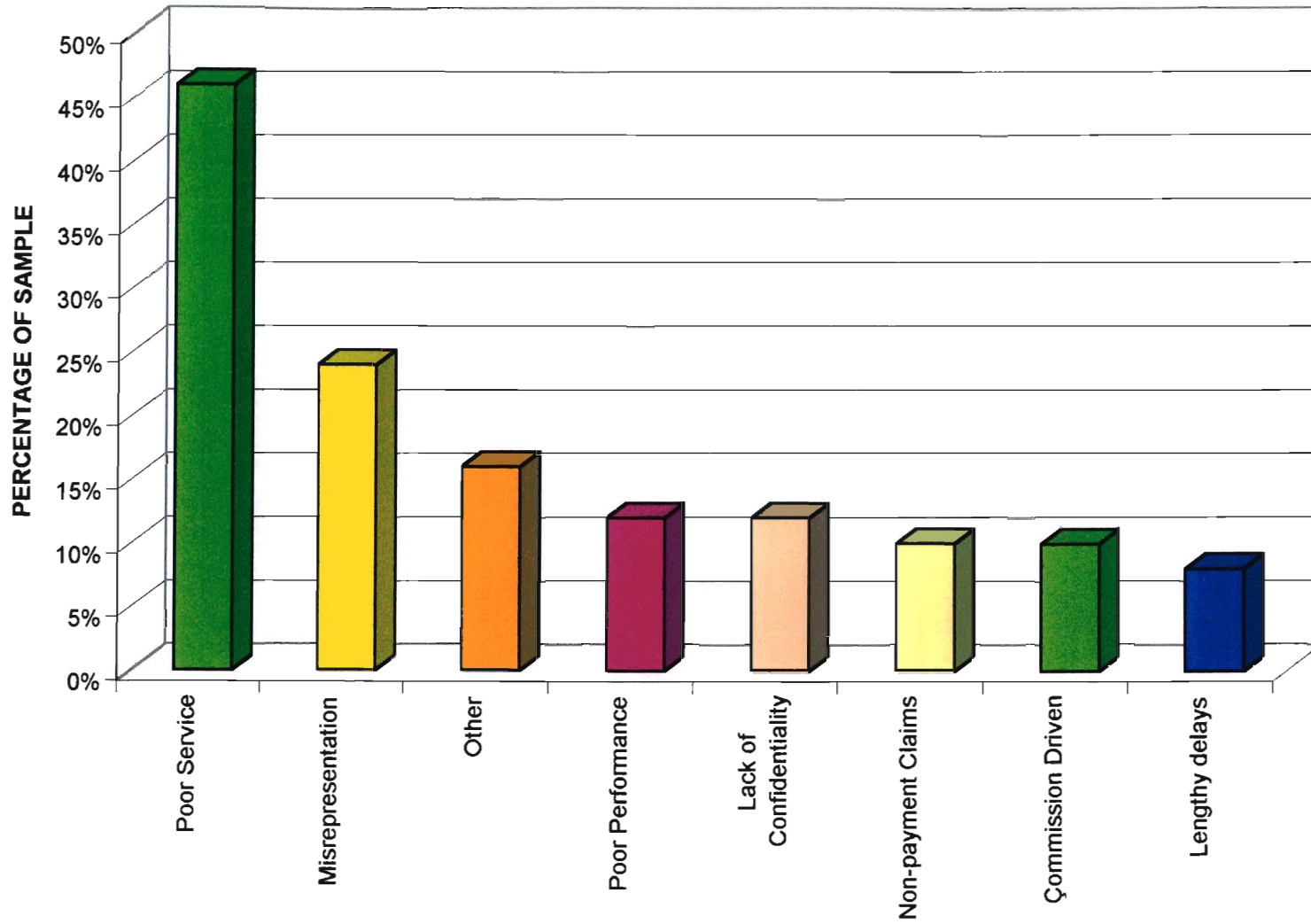
GRAPH 14: DISSAPOINTING EXPERIENCES

QUESTION 23
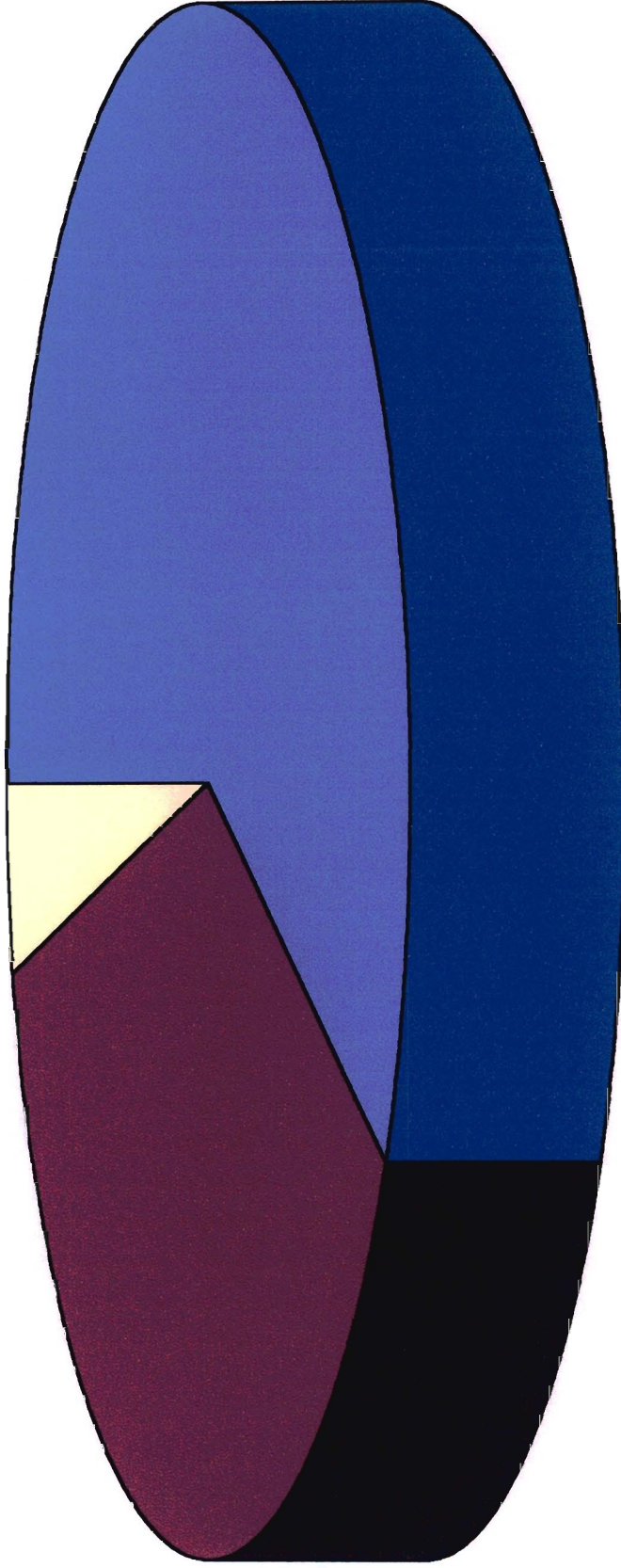
No ■ Yes □ Missing

GRAPH 15: LOYALTY PROGRAMME AWARENESS

QUESTION 24
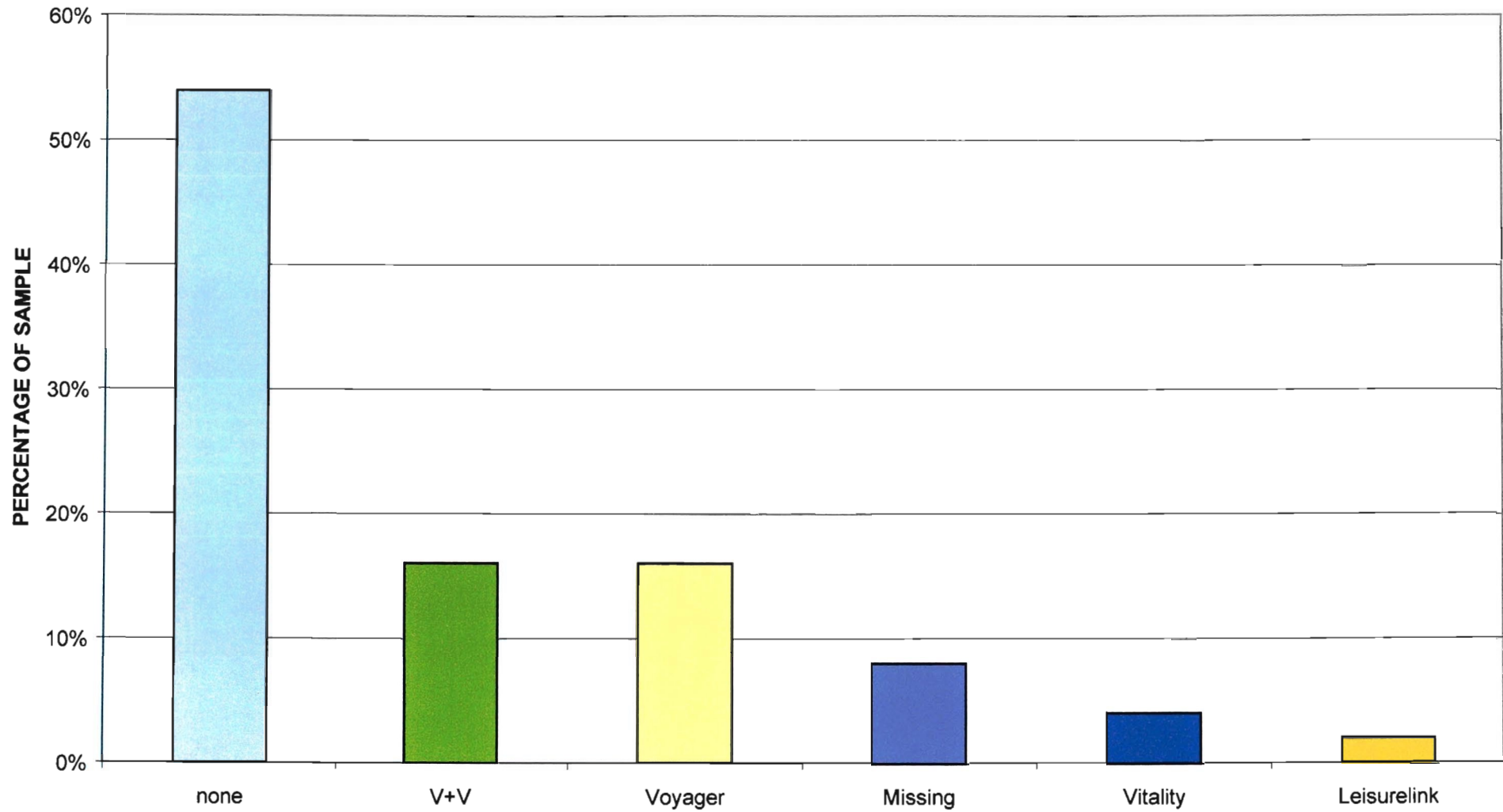
GRAPH 16: LOYALTY PROGRAMME MEMBERSHIP

QUESTION 25

PERCENTAGE OF SAMPLE

35%								
30%								
25%								
20%								
15%								
10%								
5%								
0%								

V miles Gym Disc Movie Disc Holiday Disc Tiers of rewards Med Advice Value for Money Don't know Spec Offers
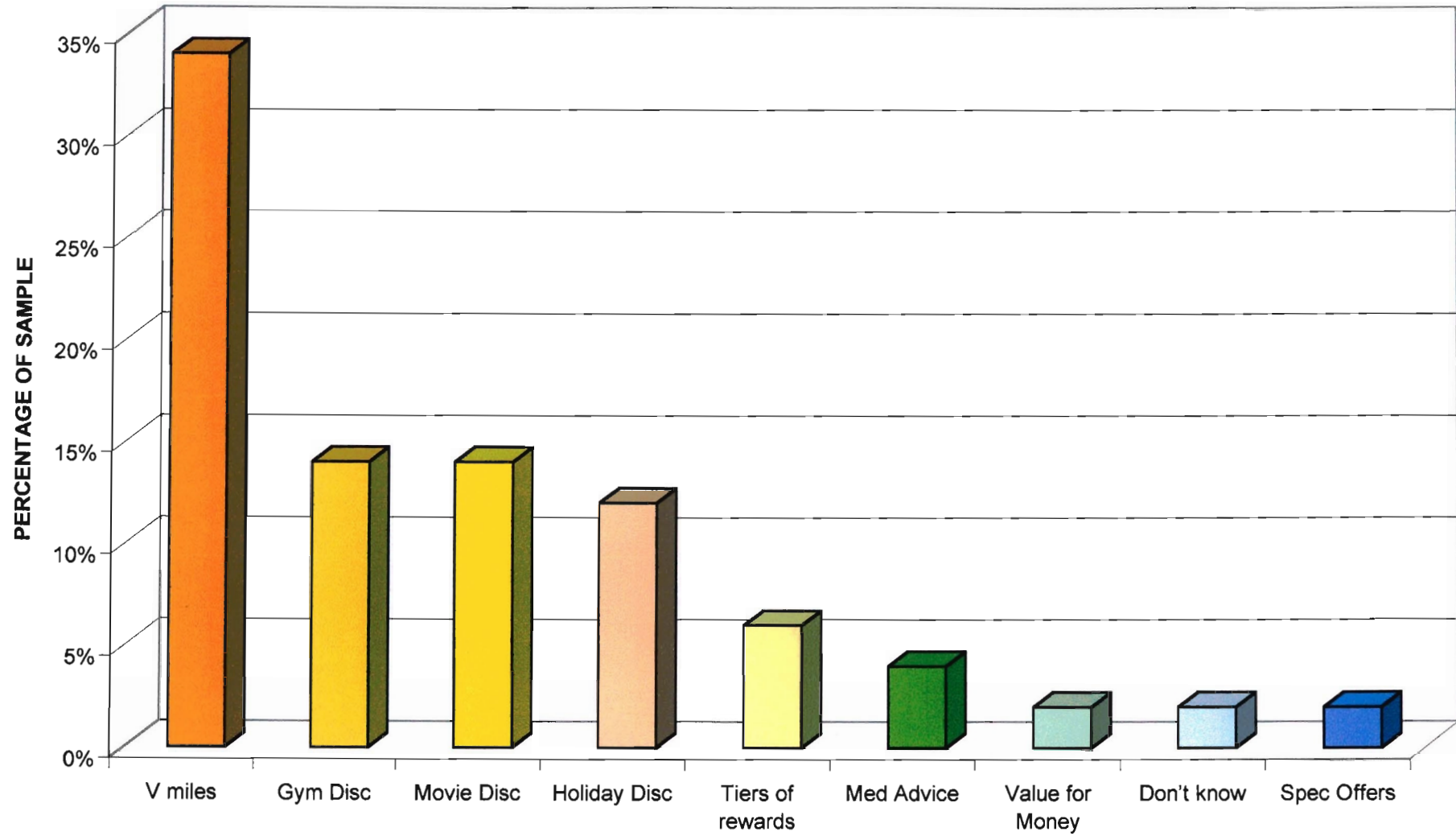
GRAPH 17: VALUE FROM LOYALTY PROGRAMMES

QUESTION 26
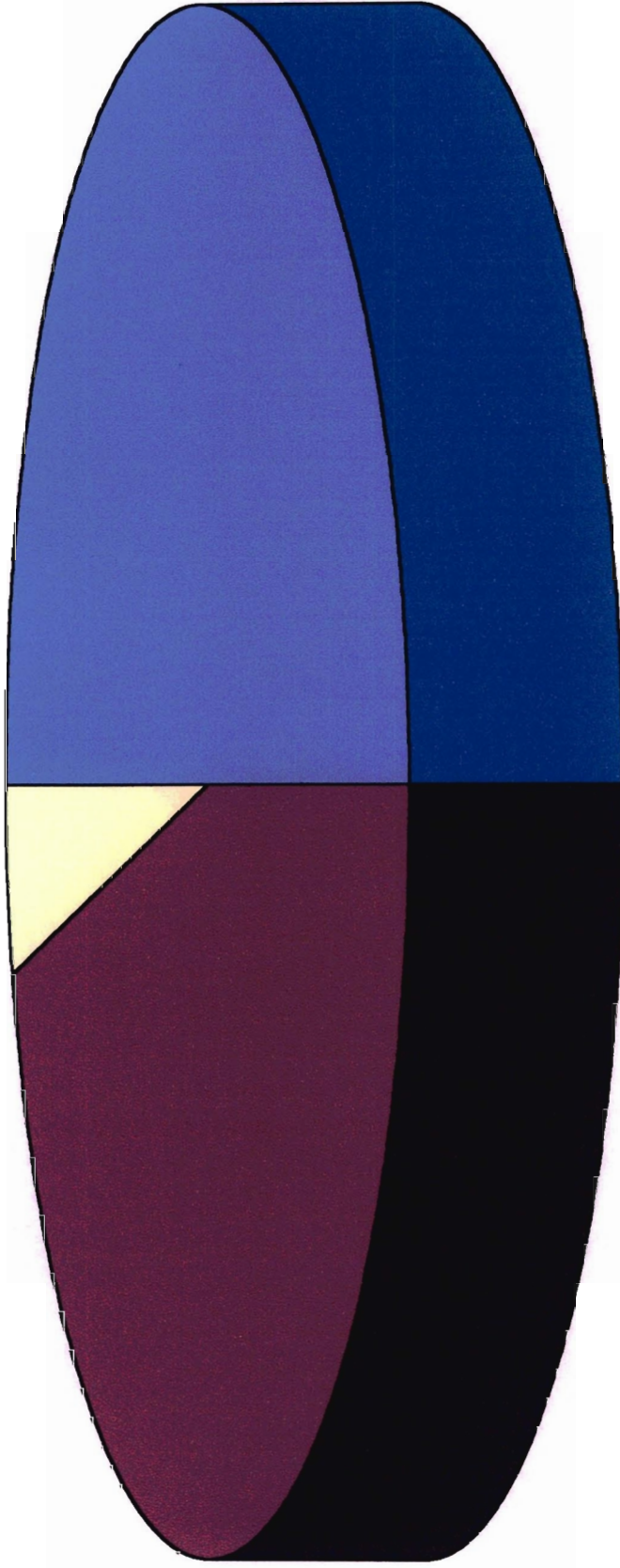
Male ■ Female □ missing

GRAPH 18: GENDER OF RESPONDENTS

QUESTION 27
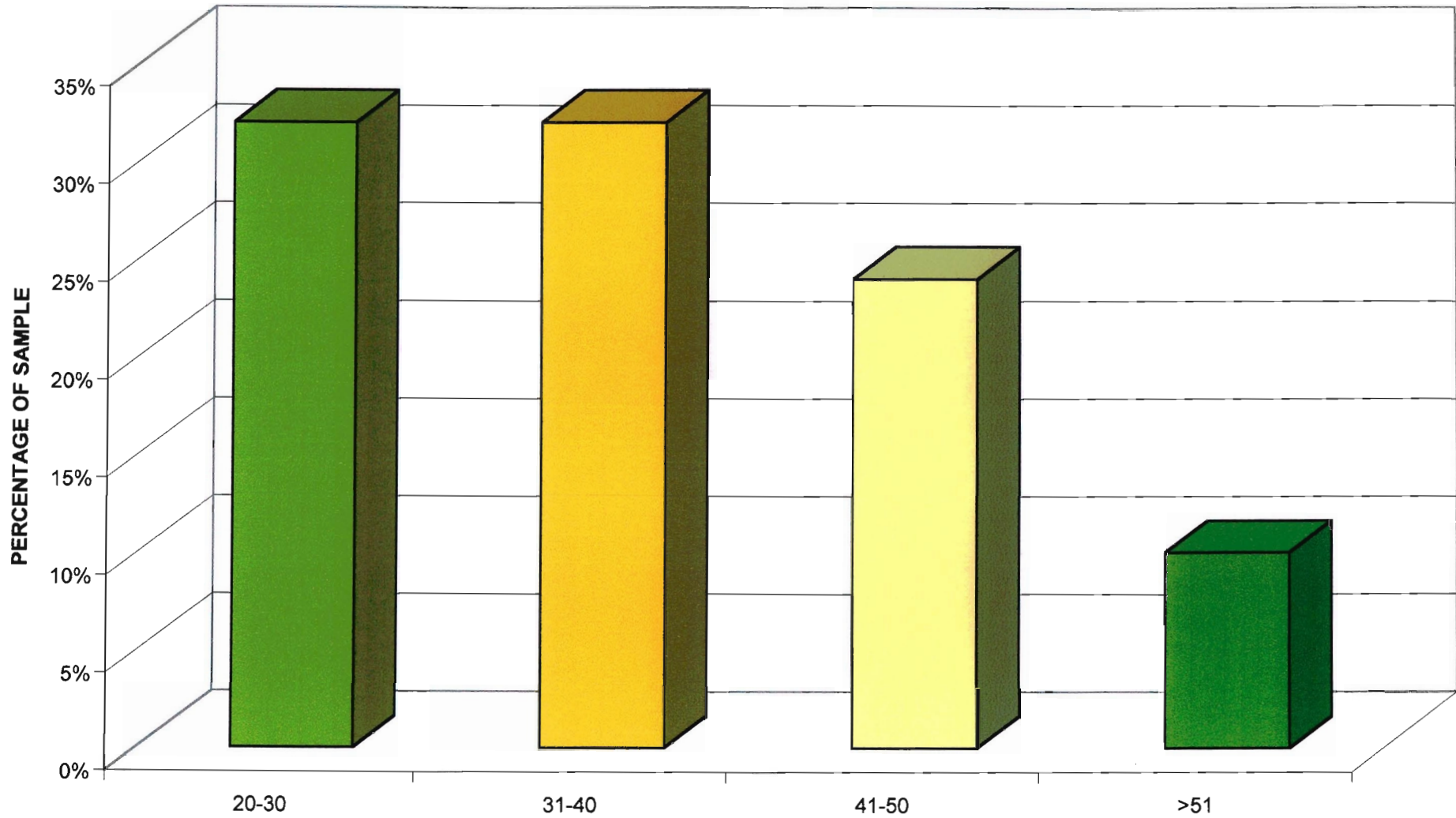
GRAPH 19: AGE GROUP ANALYSIS

QUESTION 28
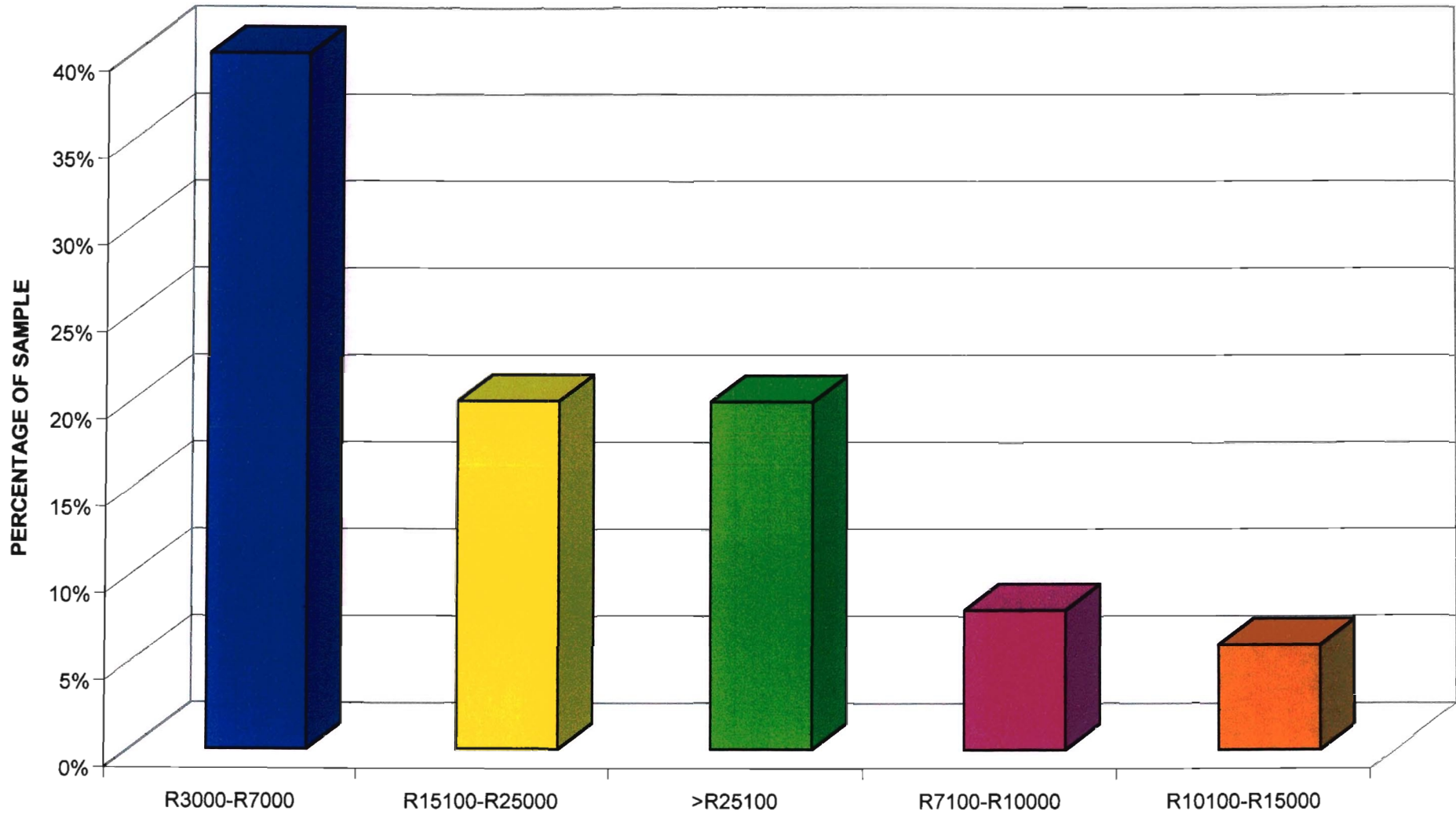
GRAPH 20: INCOME GROUP ANALYSIS

QUESTION 29
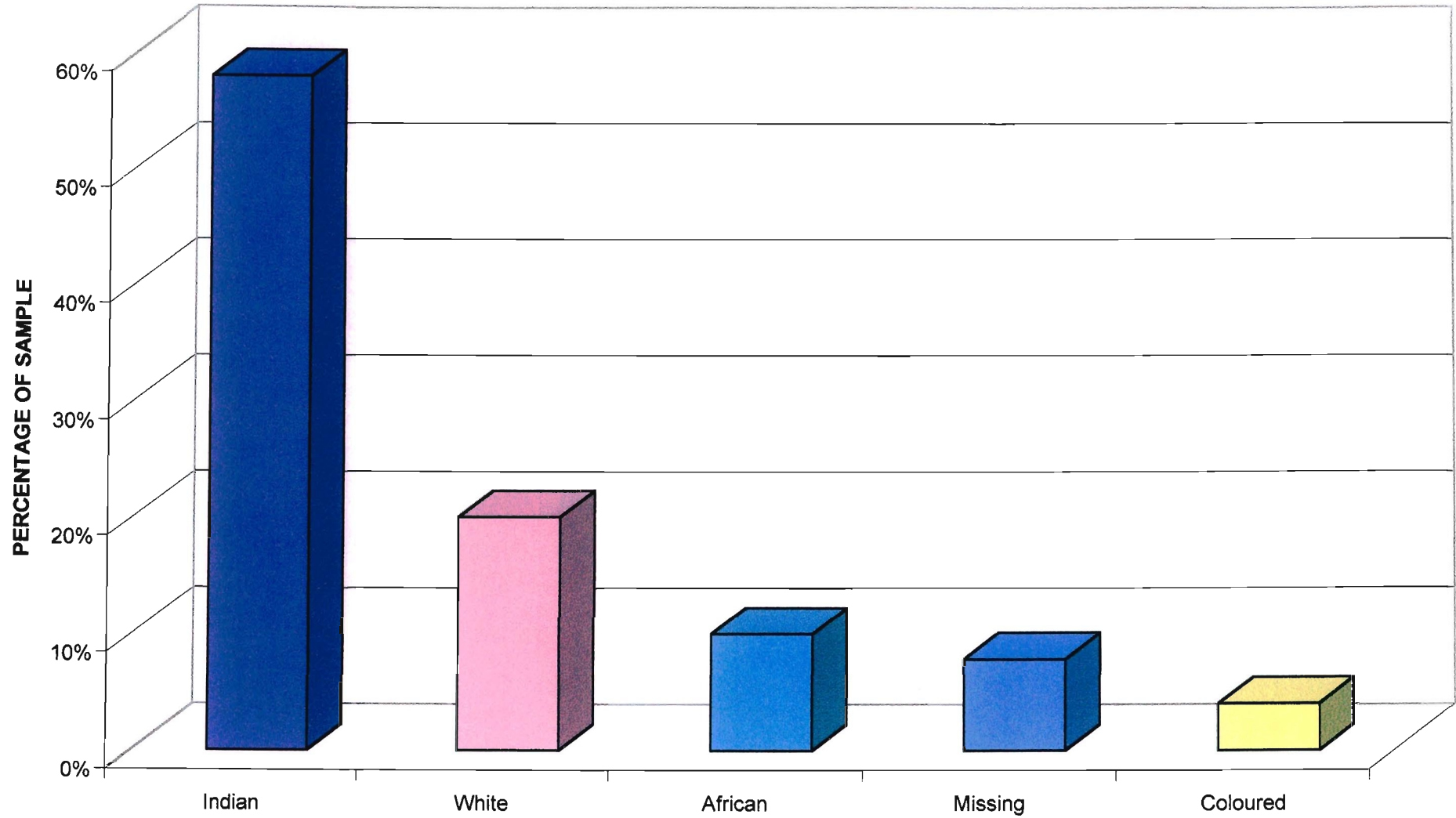
GRAPH 21: RACE GROUP ANALYSIS

LEVEL OF SERVICE FROM ADVISOR AND COMPANY
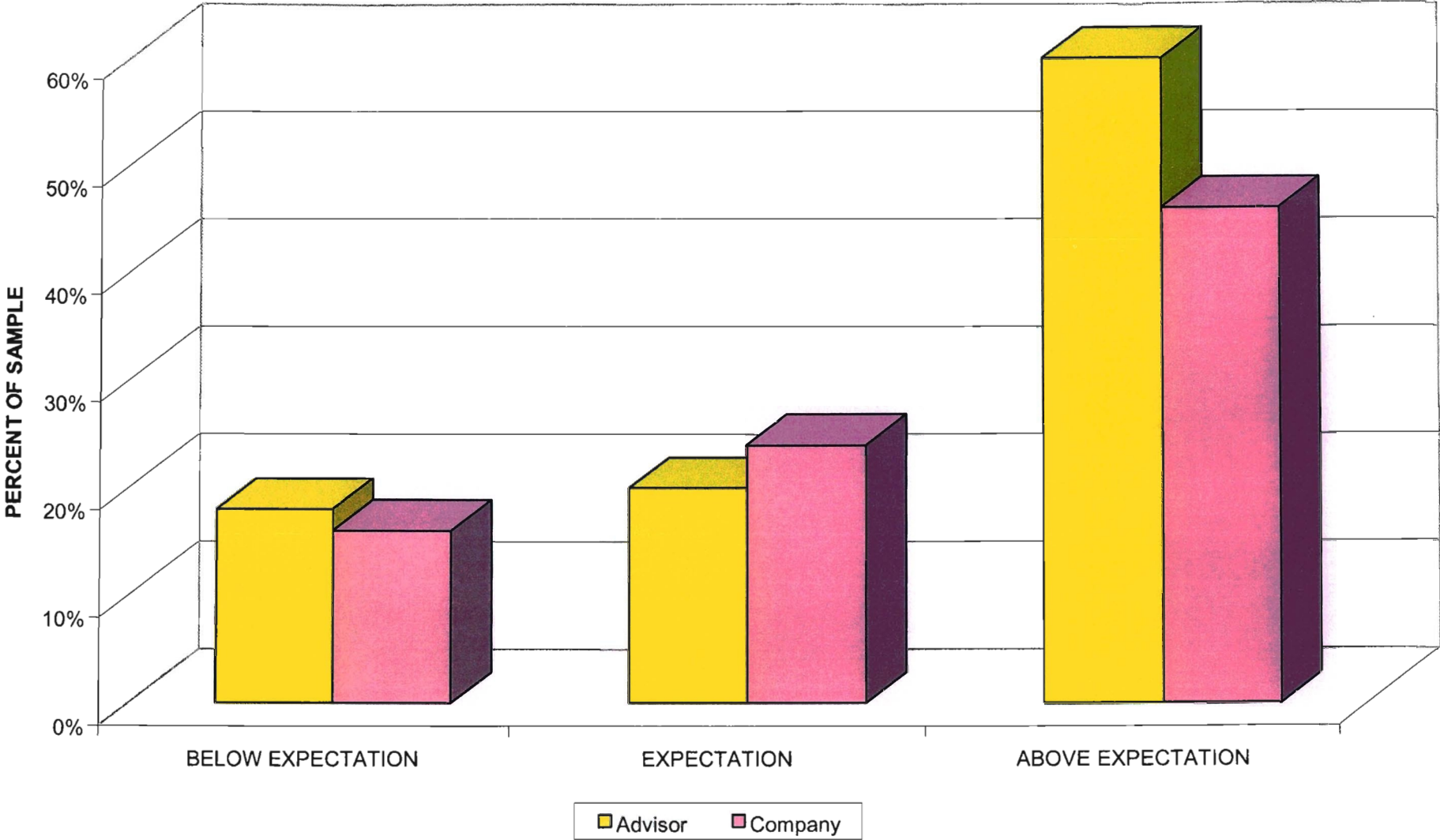
GRAPH 22

Question 1

Company	Frequency	Sample Size	Percentage
Sanlam	35	50	70%
Old_Mut	28	50	56%
Mom	14	50	28%
Lib_Life	15	50	30%
Disc	5	50	10%
Other	17	50	34%
Other 2	2	50	4%
Other 3	3	50	6%

Question 2

	Frequency	Sample Size	Percentage
Reputation	34	50	68%
Broker	11	50	22%
Performance	15	50	30%
Service	22	50	44%
Referral	7	50	14%
Rates	9	50	18%
PPS Association	4	50	8%
Others	13	50	26%

Question 3

	Frequency	Sample Size	Percentage	Cum Percent
0	2	50	4%	4%
1	9	50	18%	22%
2	20	50	40%	62%
3	11	50	22%	84%
4	3	50	6%	90%
5	4	50	8%	98%
6	1	50	2%	100%

Question 4

	Frequency	Sample Size	Percentage
Referral	20	50	40%
Honesty	11	50	22%
Knowledge	14	50	28%
Service	33	50	66%
Other	7	50	14%

Question 5

	Frequency	Sample Size	Percentage	Cum Percent
-4	2	50	4%	4%
-3	2	50	4%	8%
-2	1	50	2%	10%
-1	4	50	8%	18%
0	10	50	20%	38%
1	7	50	14%	52%
2	11	50	22%	74%
3	10	50	20%	94%
4	2	50	4%	98%
missing	1	50	2%	100%

	Question 7				Question 11				Question 15			
	Company 1				Company 2				Company 3			
-4	0	50	0%	0%	2	50	4%	4%	0	50	0%	0%
-3	0	50	0%	0%	1	50	2%	6%	2	50	4%	4%
-2	2	50	4%	4%	2	50	4%	10%	2	50	4%	8%
-1	3	50	6%	10%	3	50	6%	16%	1	50	2%	10%
0	13	50	26%	36%	10	50	20%	36%	7	50	14%	24%
1	8	50	16%	52%	5	50	10%	46%	1	50	2%	26%
2	14	50	28%	80%	12	50	24%	70%	2	50	4%	30%
3	9	50	18%	98%	7	50	14%	84%	3	50	6%	36%
4	1	50	2%	100%	0	50	0%	84%	1	50	2%	38%
missing	0	50	0%	100%	8	50	16%	100%	31	50	62%	100%

	Question 8				Question 12				Question 16			
	Company 1				Company 2				Company 3			
-4	0	50	0%	0%	0	50	0%	0%	0	50	0%	0%
-3	0	50	0%	0%	1	50	2%	2%	2	50	4%	4%
-2	1	50	2%	2%	2	50	4%	6%	2	50	4%	8%
-1	3	50	6%	8%	2	50	4%	10%	1	50	2%	10%
0	11	50	22%	30%	13	50	26%	36%	6	50	12%	22%
1	9	50	18%	48%	4	50	8%	44%	1	50	2%	24%
2	14	50	28%	76%	14	50	28%	72%	3	50	6%	30%
3	10	50	20%	96%	6	50	12%	84%	3	50	6%	36%
4	1	50	2%	98%	0	50	0%	84%	1	50	2%	38%
missing	1	50	2%	100%	8	50	16%	100%	31	50	62%	100%

	Question 9				Question 13				Question 17			
	Company 1				Company 2				Company 3			
-4	2	50	4%	4%	0	50	0%	0%	0	50	0%	0%
-3	0	50	0%	4%	1	50	2%	2%	0	50	0%	0%
-2	1	50	2%	6%	2	50	4%	6%	2	50	4%	4%
-1	4	50	8%	14%	5	50	10%	16%	2	50	4%	8%
0	14	50	28%	42%	13	50	26%	42%	6	50	12%	20%
1	6	50	12%	54%	2	50	4%	46%	3	50	6%	26%
2	13	50	26%	80%	9	50	18%	64%	3	50	6%	32%
3	9	50	18%	98%	7	50	14%	78%	3	50	6%	38%
4	0	50	0%	98%	1	50	2%	80%	0	50	0%	38%
missing	1	50	2%	100%	10	50	20%	100%	31	50	62%	100%

	Question 10				Question 14				Question 18			
	Company 1				Company 2				Company 3			
-4	2	50	4%	4%	0	50	0%	0%	0	50	0%	0%
-3	0	50	0%	4%	3	50	6%	6%	1	50	2%	2%
-2	1	50	2%	6%	2	50	4%	10%	1	50	2%	4%
-1	3	50	6%	12%	4	50	8%	18%	2	50	4%	8%
0	11	50	22%	34%	13	50	26%	44%	5	50	10%	18%
1	8	50	16%	50%	3	50	6%	50%	3	50	6%	24%
2	14	50	28%	78%	11	50	22%	72%	3	50	6%	30%
3	10	50	20%	98%	6	50	12%	84%	4	50	8%	38%
4	1	50	2%	100%	8	50	16%	100%	31	50	62%	100%
missing		50	0%	100%		50	0%	100%		50	0%	100%

Question 19

	Frequency	Sample Size	Percentage
Advisor	34	50	68%
Company	10	50	20%
Missing	6	50	12%

Question 20

	Frequency	Sample Size	Percentage	Cum Percent
-4	1	50	2%	2%
-3	1	50	2%	4%
-2	2	50	4%	8%
-1	4	50	8%	16%
0	12	50	24%	40%
1	10	50	20%	60%
2	8	50	16%	76%
3	5	50	10%	86%
4	0	50	0%	86%
missing	7	50	14%	100%

Question 21

	Frequency	Sample Size	Percentage
Reputation	23	50	46%
Rates	5	50	10%
Performance	21	50	42%
Service	24	50	48%
Broker Rel.	4	50	8%
Product Innov.	2	50	4%
Claims pay out	2	50	4%
Other	14	50	28%

Question 22

	Frequency	Sample Size	Percentage
Service	31	50	62%
Claims pay out	10	50	20%
Knowledge	5	50	10%
Comm.	8	50	16%
Perform.	6	50	12%
Good Advice	3	50	6%
Birth. Card	2	50	4%
Reput.Co.	5	50	10%
Rates	2	50	4%
Other	18	50	36%

Question 23

	Frequency	Sample Size	Percentage
Poor Service	23	50	46%
Poor Performance	6	50	12%
Non-payment Claims	5	50	10%
Misrepresentation	12	50	24%
Commission Driven	5	50	10%
Lengthy delays	4	50	8%
Lack of Confidentiality	6	50	12%
Other	8	50	16%

Question 24

	Frequency	Sample Size	Percentage
No	29	50	58%
Yes	19	50	38%
Missing	2	50	4%

Question 25

	Frequency	Sample Size	Percentage	Cum Percent
Leisurelink	1	50	2%	2%
none	27	50	54%	56%
V+V	8	50	16%	72%
Vitality	2	50	4%	76%
Voyager	8	50	16%	92%
Missing	4	50	8%	100%

Question 26

	Frequency	Sample Size	Percentage
V miles	17	50	34%
Gym Disc	7	50	14%
Movie Disc	7	50	14%
Holiday Disc	6	50	12%
Tiers of rewards	3	50	6%
Value for Money	1	50	2%
Don't know	1	50	2%
Med Advice	2	50	4%
Spec Offers	1	50	2%

Question 27

	Frequency	Sample Size	Percentage
20-30	16	50	32%
31-40	16	50	32%
41-50	12	50	24%
>51	5	50	10%

Question 28

	Frequency	Sample Size	Percentage
Male	25	50	50%
Female	23	50	46%
missing	2	50	4%

Question 29

	Frequency	Sample Size	Percentage
African	5	50	10%
Coloured	2	50	4%
Indian	29	50	58%
White	10	50	20%
Missing	4	51	8%

Question 30

	Frequency	Sample Size	Percentage
R3000-R7000	20	50	40%
R7100-R10000	4	50	8%
R10100-R15000	3	50	6%
R15100-R25000	10	50	20%
>R25100	10	50	20%