The interrelationship between service quality, relational benefits, customer satisfaction and behavioural intentions in the South African short-term insurance industry

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ABSTRACT

South African short-term insurers operate in a highly competitive market but do not successfully differentiate themselves from competitors. One way differentiation can be achieved, is to adopt a customer-focused approach where short-term insurers engage in CRM initiatives such as providing quality services and relational benefits to satisfy customer needs and subsequently retain customers over the long term. This study investigates the effect of service quality and relational benefits on customer satisfaction, as well as the effect of customer satisfaction on behavioural intentions in the short-term insurance industry. A quantitative, descriptive research design was followed and convenience sampling was used to select respondents. Data was collected by means of self-administered surveys from short-term insurance customers in Gauteng, South Africa. The results of the structural equation model indicate that service quality and relational benefits have a significant effect on customer satisfaction, which in turn has a significant effect on customers' behavioural intentions. The paper also offers several managerial implications.

Keywords: Behavioural intention, customer satisfaction, relational benefits, service quality, short-term insurance

Having short-term insurance is a legal requirement for many South African consumers owning a financed asset such as a house or car (MarketLine, 2013: 12), resulting in a large and receptive market for short-term insurance products. The short-term insurance industry contributed more than R82 billion to the South African GDP in 2012 (SAIA, 2012: 23) and consists of 108 individual insurers (FSB, 2012: 41), each providing similar coverage at similar prices to more or less the same market. As a result, the short-term insurance industry is permeated with non-distinguishable competitors, offering mostly standardised insurance products, leaving customers indecisive and ultimately disloyal (Breckenridge, Farquharson & Hendon, 2014: 52). Short-term insurers who wish to differentiate themselves from their competitors have to consider embracing a customer-focused approach when dealing with their customers (Egan, 2011: 8). If short-term

insurers are to succeed, they need to develop an accurate understanding of customers' perceptions regarding the service offering, including customers' existing relationship with the insurer, levels of satisfaction with the insurer, and the behavioural intentions towards the insurer (Rust & Huang, 2014: 23). The 2013 South African Insurance Industry Survey supports this view by noting that some of the world's most successful short-term insurers have adopted a customer-centred approach by placing their customers at the heart of all of their activities and decisions (KPMG, 2013: 23).

Therefore, instead of simply focusing on their non-unique products, affordable prices, or catchy advertisements, insurers should focus on their customers, making them happy, providing in their every (insurance-related) desire, and building strong and healthy (i.e. long-term and profitable) relationships with them. This refers to the concept of customer relationship management (CRM), which according to Venkatesan, Kumar and Reinartz (2012: 311), can best be described as the "*customer-centred business approach, focused on creating and maintaining profitable, long-term customer relationships which in the end awards the business with increase market share, value and profit*".

In the service industry, the CRM construct, its antecedents and outcomes have been well-researched (Kaura & Datta, 2012; Venkatesan *et al*., 2012; Vivek, Beatty & Morgan, 2012). Emphasis has been placed on the related advantages of a CRM approach, with the ultimate goal of being a mutually beneficial relationship. Several researchers elaborated on the idea of building a long-term and profitable relationship – satisfying both business and customer – as well as the antecedents that might ensure this behavioural outcome (Hennig-Thurau, Gwinner & Gremler, 2010; Ledden, Kalafatis & Mathioudakis, 2011; Yen, Liu, Chen & Lee, 2014).

According to Rust and Huang (2014: 18), the customer needs to be satisfied with the quality of the service in order to obtain positive behavioural outcomes, such as loyalty or positive word-of-mouth communications. Hennig-Thurau, Gwinner and Gremler (2002) add that the business should, apart from the core service offering, also provide customers with additional relational benefits to motivate them to remain within the relationship.

The purpose of the study is to determine the interrelationship between short-term insurance customers' perceptions of service quality, relational benefits, customer satisfaction and behavioural intentions.

LITERATURE REVIEW

The literature review provides an overview of the related constructs of this study, namely service quality, relational benefits, customer satisfaction and behavioural intentions. It also uncovers the hypothesised interrelationships between these constructs and presents the theoretical model for the study.

Service quality

Parasuraman and Zeithaml (2002: 340) describe service quality as the result of a comparison between what is expected from a business, and the way in which the business actually performs. In other words, to determine customers' evaluation of service quality, Wilson, Zeithaml, Bitner and Gremler (2012: 66) explain that customers' initial *expectations* of the service should be compared with their *perceptions* of the service received from the business. If the perceived performance ratings are lower than the initial expectations, it would indicate poor quality service (Parasuraman, Zeithaml & Berry, 1988: 31). Based on this conceptualisation, Parasuraman *et al*. (1988: 15) emphasised that service quality essentially involves perceived quality – in other words, how the quality of the service is experienced. Palmer (2011: 262) further elaborates on the

topic of service quality by highlighting that perceived service quality is whatever the *customer* perceives it to be. The level of conformance of a business' service quality to a certain set of standards should thus be guided by the customer's point of view, and not in terms of how management sees it (Lovelock & Wirtz, 2011: 420).

It is evident from existing research (Chen & Hu, 2013: 1092; Ledden *et al*., 2011: 1254; Parasuraman & Zeithaml, 2002: 350) that in the process during which customers form their perceptions of a business' quality offering, they evaluate certain aspects of the service, thus emphasising the multidimensional nature of the service quality construct. Parasuraman *et al*. (1988: 23, 38) uncovered the following five dimensions to evaluate service quality expectations and perceptions:

- Assurance: Signifying the knowledge and courtesy of employees and their ability to inspire trust and confidence with customers.
- Empathy: Refers to the caring, individualised attention the business provides its customers. Thus implying that the business understands its customers and is willing to act in their best interest.
- Reliability: Includes the business' ability to perform a promised service dependably and accurately. Thus implying that the business delivers on its promises by providing its customers with accurate, timely and error-free service the first time.
- Responsiveness: Refers to employees' willingness to assist customers and to deliver prompt service. This is achieved by attending to customers in a timeous manner, reducing their waiting times and responding to their questions, requests, complaints and problems.
- Tangibles: Include the appearance of physical facilities, equipment and materials used by a business, as well as the appearance of employees in direct contact with customers. The 'tangibles' dimension

was, however, omitted from the research instrument used in this study, since policy holders generally do not physically visit their short-term insurers, so that this construct is not relevant to this specific study.

According to Palmer (2011: 46), the core benefit that can be obtained from an insurance product is 'peace of mind'. Short-term insurance is, thus, regarded as a truly service-based offering, since the service offering is essentially the only aspect that short-term insurers can use to satisfy customers. In their research, Gayathri, Vinaya and Lakshmisha (2005: 13) propounded that assurance and empathy are the most important service quality dimensions for short-term insurers, since agents or brokers are relied upon to build a trusting relationship with customers with a view to establish confidence and security with customers, to ensure their commitment to the relationship (Ledden *et al*., 2011: 1247).

Relational benefits

Gwinner, Gremler and Bitner (1998) and Hennig-Thurau *et al*. (2002) introduced relational benefits as part of service perceptions – reasoning that the benefits that customers experience from their relationship with the business also influence their satisfaction with that business. Therefore, despite the benefits that customers receive in the form of quality services (from the core service offering), they are also likely to receive benefits derived simply from them being in a relationship with a business (Gil-Saura & Ruiz-Molina, 2011: 1120). These additional benefits that customers receive above and beyond the core service performance, are referred to as relational benefits (Hennig-Thurau *et al*., 2010: 379), and are the result of having been in a long-term relationship with a business.

As a result, Vivek *et al*. (2012: 131) emphasise the significance of relationships, noting that businesses should see the development and

maintenance of lasting relationships with their customers as crucial to the success and profitability of their business. Since the primary focus of CRM is the customer-business relationship (Rust & Huang, 2014: 140), it is clear that customers should receive some form of benefit from this relationship in order to remain loyal to a business. These relationships should, however, not only benefit the business, but also the customer (Hennig-Thurau *et al*., 2002). By engaging with businesses in a relationship, customers are more likely to be satisfied with the service obtained, which means that other alternatives may tend to appear less attractive, thus ensuring a certain degree of commitment (Gil-Saura & Ruiz-Molina, 2011: 1120). Based on the research of Gwinner *et al*. (1998), the benefits that customers derive from a relationship with a business can be grouped into the following three categories (Hennig-Thurau *et al*., 2010: 375-376; Lee *et al*., 2014: 231; Yen *et al*., 2014: 17):

- Confidence benefits: Refer to a combination of psychological benefits relating to customers' feelings of security, comfort and trustworthiness in the business. These benefits are often regarded as one of the most important relational benefits and also the most influential determinants of customer satisfaction.
- Social benefits: Relate to the emotional part of the relationship and are characterised by the personal recognition of customers by employees.
- Special treatment benefits: Include economic benefits offered in the form of price or time discounts, as well as customisation benefits offered in the form of individualised services. Customers perceive special treatment benefits as the least important of benefits.

Customer satisfaction

Oliver (2010: 8) defines customer satisfaction as the comparison between customers' expectations and perceptions of a business' offering. Thus, if the business' performance falls short of the customer's expectations, the customer will be dissatisfied, and if the performance exceeds the customer's expectations, the customer will be highly satisfied or delighted (Rust & Huang, 2014: 17). Kaura and Datta (2012: 44) further note that, next to price, service quality is often considered one of the most significant determinants of customer satisfaction. The importance of satisfied customers is also expressed by Martin, O'Neill, Hubbard and Palmer (2008: 224), as "the reason for a business' existence". Since, without customers, a business will have no reason to exist, but without satisfied customers, businesses will have difficulty maintaining their existence.

According to Machado and Diggines (2012: 150) and Oliver (2010: 5), several benefits are generally associated with establishing and improving satisfaction levels, including customer loyalty and repeat business, decreasing price sensitivity, positive word-of-mouth communications, reduced costs, enhanced reputation, and protection against price competition.

Behavioural intentions

According to Wilson *et al*. (2012: 426), behavioural intentions can be described as indicators of customers' willingness to keep a sustainable relationship with the business. However, without the ability to exceed customers' basic expectations, the probability of maintaining a relationship with them is limited (Kurtz 2014: 192). Hennig-Thurau *et al*. (2002: 237) as well as Parasuraman and Zeithaml (2002: 340) argued that customers' behavioural intentions can be determined by measures such as repurchase intentions, word-of-mouth, loyalty, complaining behaviour, and price sensitivity. Customer loyalty and positive word-of-mouth communication have been identified from literature (Ledden *et al*., 2011:

1245; Lee *et al*., 2014: 242) as two key outcomes of satisfaction.

Jones and Taylor (2012: 63) describe *loyalty* as the commitment of customers to re-buy a preferred product or service from the same business in future, despite any situational influences and marketing efforts which could potentially change their buying behaviour. *Word-of-mouth*, on the other hand, refers to the informal communications between a customer and others concerning the evaluation of goods or services (Wilson *et al*., 2012: 66). Word-of-mouth communication is regarded as one of the most powerful forces in influencing buying decisions, since potential customers view these personal communications as a more reliable source than non-personal information (Podnar & Javernik, 2012: 146).

To ensure the development of lasting relationships, the business should attempt to continuously exceed customers' basic expectations. According to De Matos, Vieira and Veiga (2012: 2207), customers will be more inclined and positive to remain in a customer-business relationship if they are satisfied with the service experience. A number of benefits are associated with retaining loyal customers, such as decreases in sales and marketing costs, lower transaction costs, increases in sales due to positive word-of-mouth, increases in the number of repurchases, and increases in the value of purchases (Egan, 2011: 134; Lovelock & Wirtz, 2011: 346).

## SOUTH AFRICAN SHORT-TERM INSURANCE INDUSTRY

Short-term insurers include those insurers that provide customers with immediate coverage against low probability losses, damages or liabilities, and include the insurance of household contents, vehicles, properties as well as personal insurance (Breckenridge *et al*., 2014: 51). Short-term insurers are further

categorised as either direct or indirect. *Direct* short-term insurers interact directly with customers, thereby dispensing with intermediaries, whereas *indirect* short-term insurers make use of intermediaries (generally referred to as brokers) when interacting with customers (KPMG, 2013: 8) and act on the customer's behalf (MarketLine, 2013: 13).

The overall growth of the short-term insurance industry (calculated in terms of gross written premiums) has been under pressure, as it was only able to record an increase of 6.9% in 2012 – compared to the 7.9% increase of 2011 (KPMG, 2013: 75). Despite this downturn in 2012, the South African short-term insurance industry still contributed R82 billion to the South African GDP (MarketLine, 2013: 8).

As indicated in Figure 1, several insurers are competing for a share in the South African short-term insurance industry. Of these various short-term insurers, Santam and Mutual & Federal have been dominating the South African short-term insurance industry since 2001, with Santam still leading in 2013 with a 23.1% share of the market's value. Mutual & Federal follows with a 10.5% share of the market's value (KPMG, 2013: 77).

FIGURE 1
Short-term insurance market share
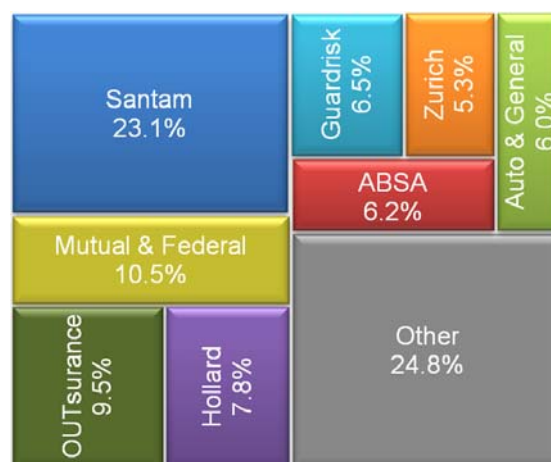
Source: Adapted from KPMG (2013: 77)

Despite the prevailing presence of Santam and Mutual & Federal, they have been exposed to considerable changes in the marketplace as well as a deluge of competitors. According to PwC (2012: 23), some of the most substantial challenges of 2012 included the changing nature of consumerism, new rivals entering the market, and increasing price competitions. A report by MarketLine (2013: 12) adds that customer loyalty in the short-term insurance industry has been declining, since customers are generally well-informed, thus enabling them to shop around for the best overall cover at the most affordable premium.

HYPOTHESES DEVELOPMENT

This section discusses the interrelationships between the constructs of this study, from which the hypotheses are accordingly developed.

Service quality and customer satisfaction

Kaura and Datta (2012: 44) and Ledden *et al.* (2011: 1247) have found that customer-perceived service factors (such as service quality) have a direct impact on customers' levels of satisfaction. In other words, if the business' service quality is inadequate, customers will most likely be dissatisfied, resulting in the business losing potentially valuable customers. Consequently, the business could also lose revenues as well as its competitive advantage in the marketplace (Oliver, 2010: 181). Based upon this discussion, the following hypothesis is formulated for the study:

H1: Service quality has a significant and positive effect on customer satisfaction in the South African short-term insurance industry.

Relational benefits and customer satisfaction

Hennig-Thurau *et al.* (2002: 235) found that relational benefits not only influence the customer and his/her perceptions of the service, but also affect their satisfaction levels. The research of Chen and Hu (2013: 1089) and Yen *et al.* (2014: 13) has found that social benefits are indeed positively related to customers' satisfaction with and commitment to the relationship. Hennig-Thurau *et al.* (2010: 379) add that, as a business increases the number and level of special treatment benefits, emotional barriers to switching will increase, thus implying that the special treatment of customers results in customer satisfaction. According to Lee *et al.* (2014: 244), confidence benefits are commonly regarded as the relational benefit with the most important effect on customers' satisfaction levels, which is also supported by the findings of Hennig-Thurau *et al.* (2010: 377), which indicate that confidence benefits have a positive effect on customer satisfaction. The following hypothesis is consequently formulated for the study:

H2: Relational benefits have a significant and positive effect on customer satisfaction in the South African short-term insurance industry.

Customer satisfaction and behavioural intentions

An important contribution to customer satisfaction literature is the finding that customer satisfaction is a significant and important predictor of customers' behavioural intentions (Oliver, 2010: 372-373). In other words, if customers are satisfied with the level of service quality and the benefits received from their relationship with the business, they are likely to become loyal to the business or at

least communicate positively about their encounters (Kurtz, 2014: 192). It is, however, important to keep in mind that satisfied customers do not necessarily mean loyal customers. Loyal customers, on the other hand, are almost always satisfied (Jones & Taylor, 2012: 63). The correlation between customer satisfaction and behavioural intentions coincide with the benefits related to having highly satisfied customers, which include among others positive word-of-mouth communications, increased spending and repurchasing (Rust & Huang, 2014: 186).

According to Martin *et al.* (2008: 223), customer satisfaction generally serves as a moderator between customer-perceived benefits and behavioural intentions, therefore implying that customers should first be satisfied with the level of service quality and relational benefits before they will become loyal to the business. Based upon this discussion, the following hypothesis is formulated for the study:

H3:   Customer satisfaction has a significant and positive effect on behavioural intention in the South African short-term insurance industry.

Based upon the hypotheses listed, the following theoretical model is proposed for the study.

PROBLEM STATEMENT AND OBJECTIVES

South African short-term insurers are confronted with many rivals who continuously enter the market, resulting in a highly competitive environment (PwC, 2012: 14). Since insurance products are often fairly standardised, short-term insurers need to find a way to distinguish themselves from competitors – therefore considering the adoption of a customer-focused approach and incorporating a CRM strategy (Egan, 2011: 8). South African short-term insurers therefore need to gain insights into customers' perceptions of the service offering, including customers' existing relationship with the insurer, levels of satisfaction with the insurer, and the behavioural intentions towards the insurer.

Existing research regarding the South African short-term insurance industry's customer base, their perceptions, expectations, and relationships with their insurer are currently limited. From the literature review it is evident that several interrelationships between the constructs of the study are evident and therefore the reason for conducting this research is to determine the interrelationship between short-term insurance customers' perceived service quality, relational benefits,

FIGURE 2
Theoretical model
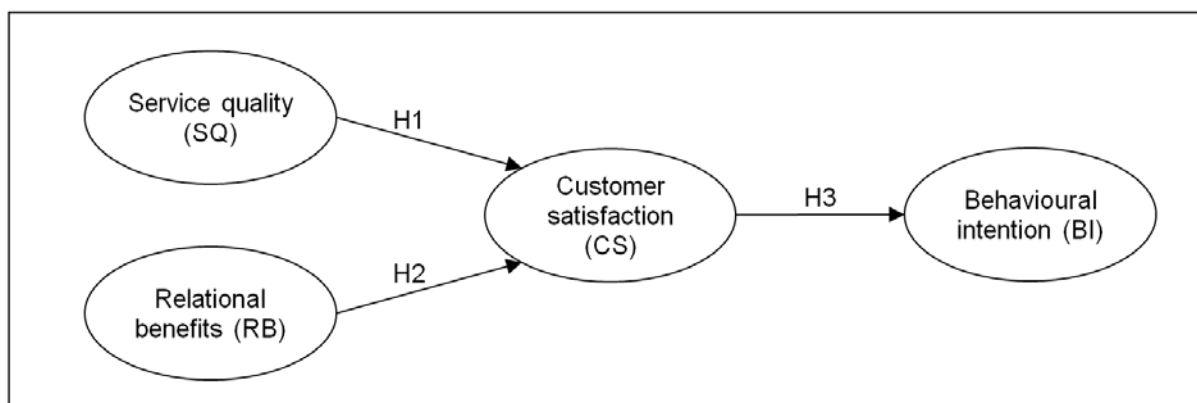
satisfaction and behavioural intentions.

Therefore, to address the problem under investigation, the following objectives are formulated for the study:

- Investigate the service quality perceptions of short-term insurance customers.
- Evaluate the relational benefits received by short-term insurance customers.
- Measure the satisfaction levels of short-term insurance customers.
- Determine the behavioural intentions of short-term insurance customers towards short-term insurers.
- Determine the interrelationships between service quality and relational benefits in leading to customer satisfaction and ultimately to behavioural intention.

RESEARCH METHODOLOGY

A quantitative descriptive research design was followed and the research design was furthermore cross-sectional in nature, therefore, surveying respondents once at a particular point in time. The target population for the study included residents of the Gauteng Province of South Africa who had short-term insurance at the time the survey was conducted.

Non-probability convenience sampling was used, since a sampling frame was not available. Respondents were therefore approached to participate in the study on the basis of convenience and/or availability. The initial sample included 907 respondents, however, due to a number of response errors, a total of 891 useable responses were realised.

Data was collected by means of a self-administered questionnaire. The questionnaire consisted of several sections, commencing with a preamble explaining the purpose of the study, rights of respondents, completion instructions, as well as a screening question to ensure that respondents had short-term insurance at the time of the survey. The subsequent sections included structured questions designed to obtain (1) general insurance information of respondents, (2) determine respondents' service quality perceptions of short-term insurers, (3) determine respondents' perceptions of relational benefits, customer satisfaction, as well as their behavioural intentions towards short-term insurers, and (4) demographic information of respondents. Each of the items included in the scales measuring the key constructs of the study (service quality, relational benefits, customer satisfaction and behavioural intentions) was measured on a ten-point unlabelled Likert-type scale, with 1 representing 'strongly disagree' and 10 'strongly agree'.

Trained fieldworkers (students enrolled for a module in marketing research as part of their degree) were assigned to collect the data from respondents. Fieldworkers had to approach prospective respondents and, based on the screening question, ensure the prospective respondent met the criteria for partaking in the study, and then asked them to complete the questionnaire. Upon completion of the fieldwork, the questionnaires were returned to the researchers, who checked the quality and completeness of the questionnaires and prepared them for analysis.

The SPSS statistical package was used to capture, edit, clean and analyse the data. The data analysis process included: (1) the calculation of frequencies and percentages for variables used to describe the demographic profile of respondents, as well as their short-term insurance patronage habits, (2) determining the reliability and validity of the scales measuring the service quality, relational benefits, customer satisfaction and behavioural intentions constructs, (3) calculating the standard deviations (SD) and means of items used to measure the service quality

TABLE 1
Demographic profile of respondents

Variable	n	%
Gender		
Male	419	47.0
Female	472	53.0
Age		
Younger than 20	27	3.0
20 to 30	364	41.1
31 to 40	221	25.0
41 to 50	172	19.4
51 to 60	89	10.0
61 and older	13	1.5
Highest level of education		
No schooling	6	0.7
Primary school	2	0.2
High school	205	23.1
Diploma	244	27.4
University degree	312	35.1
Post-graduate degree	120	13.5
Gross monthly income		
Less than R5 000	73	8.3
R5 000 to R10 000	163	18.6
R10 001 to R15 000	207	23.7
R15 001 to R20 000	144	16.5
R20 001 to R25 000	109	12.5
R25 001 to R30 000	65	7.4
More than R30 000	114	13.0
Home language		
Afrikaans	116	13.2
English	387	44.1
Nguni (isiZulu, isiXhosa, siSwati, isiNdebele)	160	18.3
Sotho (Sepedi, Sesotho, Setswana)	175	19.9
Tsivenda/Xitsonga	31	3.5
Total monthly insurance premium		
Less than R500	161	18.2
R500 to R1 000	310	35.1
R1 001 to R1 500	174	19.7
R1 501 to R2 000	101	11.4
R2 001 to R2 500	52	5.9
R2 501 to R3 000	36	4.0
More than R3 000	50	5.7

dimensions, relational benefits dimensions, the customer satisfaction construct, and the behavioural intentions construct, and (4) performing structural equation modelling, with the aid of AMOS, to determine the interrelationships among the variables.

RESULTS

Demographic profile of respondents

Table 1 provides insights into the demographic profile of the respondents who took part in this study.

It can be seen from Table 1 that the respondents are fairly equally represented with regard to gender, with 53% female and 47% male respondents. The majority of respondents (41.1%) are 20 to 30 years old, and 44.1% of the respondents speak English. Most respondents have a university degree (35.1%), and 27.4% have a tertiary diploma. About a quarter of the respondents earn a gross monthly income of between R10 001 and R15 000 (23.7%), with nearly half of the respondents earning more than R15 001 per month (49.4%). Almost half of the respondents (46.7%) spend more than R1 000 per month on insurance premiums.

Insurance patronage habits of respondents

Table 2 provides an exposition of the insurance patronage habits of respondents.

It is evident from Table 2 that the largest group of respondents are insured with OUTsurance (17.8%), followed by ABSA (10.2%), and Mutual & Federal (9.3%). The majority of respondents (70.7%) have vehicle insurance, while 38.8% have household content insurance, and 32.1% have home owner's insurance. Finally, it was found that 62.8% of the respondents have been with their respective insurers for a period of 1 to 5 years.

TABLE 2
Insurance patronage habits

Variables	n	%
Insurer		
1st for Women Insurance	76	8.5
ABSA	91	10.2
Hollard	71	8.0
Mutual & Federal	83	9.3
OUTsurance	159	17.8
Other (including Alexander Forbes, Auto & General, Budget, Centriq, Dial Direct, MiWay, Nedgroup, New National, Santam)	411	8.8
Type of short-term insurance		
Household contents insurance	344	38.8
House owner's insurance	285	32.1
Vehicle insurance	628	70.7
Other	33	3.7
Duration with insurer		
Less than 1 year	144	16.2
Between 1 and up to 3 years	341	38.3
Between 3 and up to 5 years	218	24.5
Between 5 and up to 10 years	107	12.0
10 years or more	81	9.0

Validity

All items were either adopted or adapted from existing scales measuring service quality (Parasuraman *et al.*, 1988), relational benefits (Gwinner *et al.*, 1998), customer satisfaction (De Wulf, Odekerken-Schröder & Iacobucci, 2001; Evans, Kleine, Landry & Crosby, 2000; Mano & Oliver, 1993), and behavioural intentions (Bruner & Hensel, 2005: 340, 647). These authors found the scales valid measures of the above mentioned constructs in their respective studies.

In addition, confirmatory factor analyses (CFAs) were conducted to confirm the validity of these measures in this particular study. The results of the CFAs confirm the validity of each of the dimensions of service quality, relational benefits and behavioural intentions, as well as for the customer satisfaction

construct, since each (dimension or construct) could be reduced to one factor explaining between 67.92% and 85.97% of the variances.

Reliability

Table 3 provides the reliabilities of the four main constructs and their underlying dimensions. According to Pallant (2010: 6), Cronbach's alpha coefficients can be calculated to determine the reliability of a scale measuring a particular construct, contending that a value of at least 0.70 is required to indicate reliability.

TABLE 3
Cronbach's alpha coefficients

Construct	Number of items	Cronbach's alpha coefficient
Service quality		
Reliability	5	0.94
Responsiveness	4	0.91
Assurance	4	0.93
Empathy	5	0.90
Relational benefits		
Confidence benefits	6	0.91
Social benefits	4	0.92
Special treatment benefits	3	0.88
Customer satisfaction	18	0.97
Behavioural intentions		
Loyalty	2	0.62
Word-of-mouth	2	0.79
Future loyalty	2	0.84

It is evident from Table 3 that the Cronbach's alpha coefficients for all the dimensions and constructs are larger than 0.70, except for the loyalty dimension of the behavioural intentions construct. However, Field (2005: 288) explains that Cronbach's alpha coefficients depend on the number of items of which the factor comprises. Thus, Cronbach's alpha coefficients lower than 0.70 can be attributed to the factor(s) comprising only of two items (as with the three behavioural intentions dimensions in Table 3) that loaded

on the scale, and not because the scale is unreliable. Field (2005: 668) further notes that Cronbach's alpha values lower than 0.70 can be acceptable in social science studies if the study is concerned with psychological constructs such as customers' attitudes and opinions (as is the case with this study). It can therefore be concluded that all the constructs in Table 3 are reliable and valid, even though the loyalty dimension has a Cronbach's alpha coefficient below 0.70.

Descriptive results

Table 4 presents the standard deviations (SD) and overall mean scores for the four main constructs and their underlying dimensions.

TABLE 4
Descriptive results

Construct	SD	Mean
Service quality		
Reliability	1.845	8.170
Responsiveness	1.795	8.150
Assurance	1.835	8.240
Empathy	1.820	7.910
Relational benefits		
Confidence benefits	1.589	6.889
Social benefits	2.449	5.162
Special treatment benefits	2.327	5.153
Customer satisfaction	1.707	6.883
Behavioural intentions		
Loyalty	2.740	6.475
Word-of-mouth	2.420	6.305
Future loyalty	2.275	7.220

The overall mean scores for the four dimensions of service quality range between 7.910 and 8.240 on a ten-point scale, with assurance realising the highest mean score (8.240), followed by reliability (8.170), responsiveness (8.150) and empathy (7.910) respectively. It is, therefore, evident that all four service quality dimensions realised fairly positive overall mean scores.

The overall mean scores for the three relational benefits dimensions range from 5.153 to 6.889, with confidence benefits realising the highest mean score (6.889), followed by social benefits (5.162), and special treatment benefits (5.153) respectively. It is, therefore, evident that the three relational benefits dimensions scored just above five on the ten-point scale.

The overall mean score for customer satisfaction is 6.883, which indicates a positive score given it was measured on a ten-point scale, and the overall mean scores for three behavioural intentions dimensions range from 6.305 to 7.220. The future loyalty dimension scored the highest (7.220), followed by loyalty (6.475), and word-of-mouth (6.305). All three behavioural intentions dimensions realised a fairly positive overall mean score given it was measured on a ten-point scale.

Testing the theoretical model

The assessment of the fit of the structural model with the observed data was determined by means of structural equation modelling (SEM). Based on multiple regression and factor analytic techniques, SEM allows for the testing of the interrelationships among a set of variables. It furthermore evaluates the importance of each of these variables in the model, and tests the overall fit of the model – which is centred around the χ^2 goodness-of-fit test (Pallant, 2010: 103; Zikmund & Babin, 2012: 428). The proposed theoretical model (Figure 2) was tested using SEM with maximum likelihood estimates of the model parameters.

The structural model, as compiled from the collected empirical data, is presented in Figure 3, followed by the standardised regression weights and correlations in Table 5 and Table 6. The SEM goodness of fit indices for the structural model (compared to the empirical data) are presented in Table 7.

FIGURE 3
SEM model
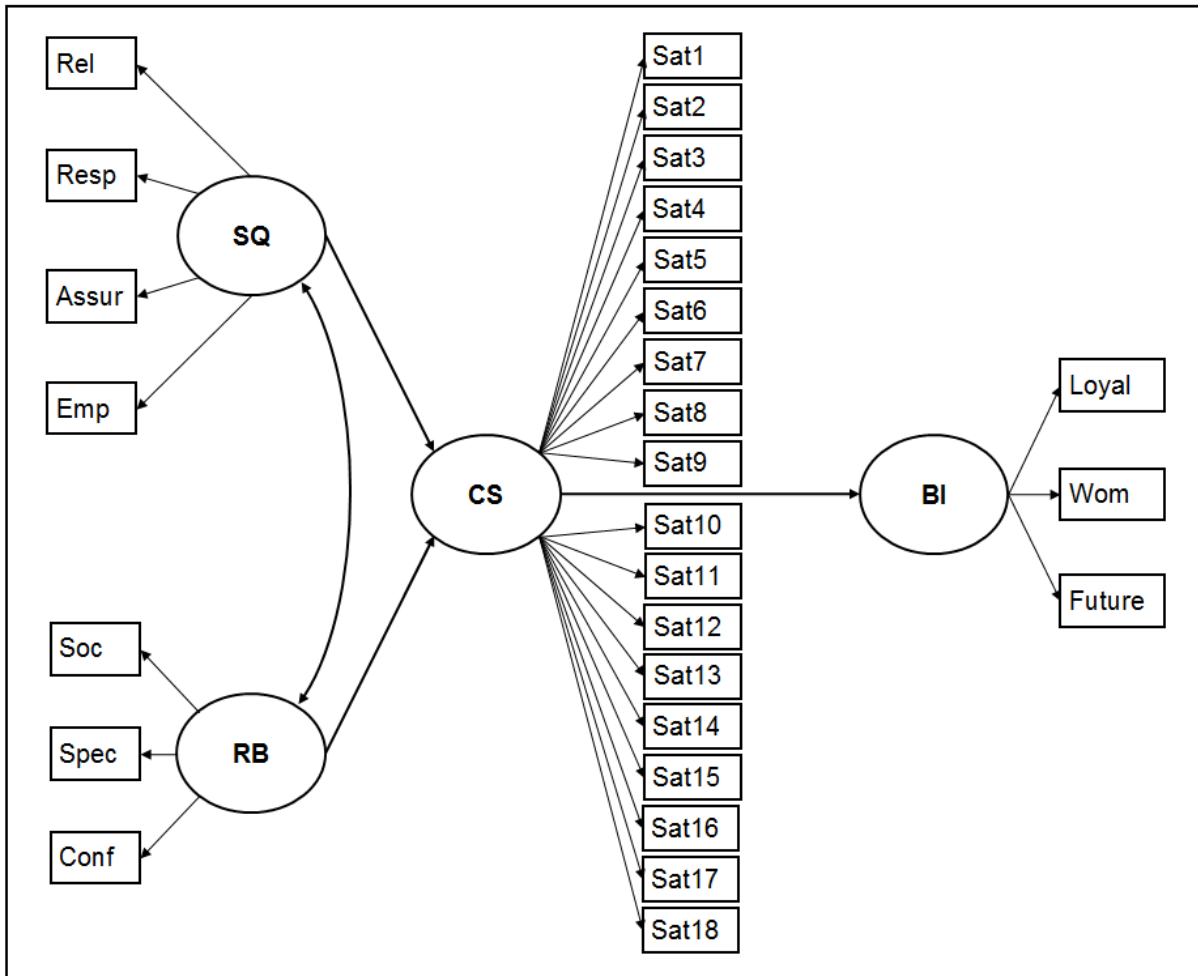
(Abbreviations used: SQ = Service quality; RB = Relational benefits; CS = Customer satisfaction; BI = Behavioural intentions; Rel = Reliability; Resp = Responsiveness; Assu = Assurance; Emp = Empathy; Soc = Social benefits; Spec = Special treatment benefits; Conf = Confidence benefits; Sat = Satisfaction; Loyal = Loyalty; Wom = Word-of-mouth; Future = Future loyalty)

The standardised regression weights (β) and correlations between the CRM constructs – as indicated in Table 5 and Table 6 – are all statistically significant and interpretable.

According to Blunch (2011: 117), several fit indices need to be reported to ascertain whether a SEM model fits the observed data. Some of the most common indices for SEM analysis include the Chi-square value (χ^2) and associated degrees of freedom (thus, χ^2/df), the Tucker-Lewis Index (TLI), the Comparative Fit Index (CFI), and the Root Mean Square Error of Approximation (RMSEA) and its associated confidence intervals (Hooper, Coughlan & Mullen, 2008: 56; Jackson, Gillaspy & Purc-Stephenson, 2009: 19). However, according to Kenny (2011), the TLI and CFI indices are highly correlated, thus requiring that only one of the two needs to be reported. Consequently, a χ^2/df value of 7.056 was obtained, which is above the adequate fit threshold, indicating an unacceptable fit. However, the CFI and RMSEA fit indices indicate a good overall fit of the model to the data (CFI = 0.910; RMSEA = 0.082 [0.080 – 0.085]). A more detailed analysis of the results and measure for model fit is reported in Table 7, including the suggested cut-off points.

TABLE 5
Standardised regression weights

	β weight	p-value
Service quality → Customer satisfaction	0.116	< 0.001
Relational benefits → Customer satisfaction	0.848	< 0.001
Customer satisfaction → Behavioural intention	0.921	< 0.001
Behavioural intention → Loyalty	0.867	< 0.001
Behavioural intention → Word-of-mouth	0.813	< 0.001
Behavioural intention → Future loyalty	0.412	< 0.001
Service quality → Reliability	0.895	< 0.001
Service quality → Responsiveness	0.942	< 0.001
Service quality → Assurance	0.863	< 0.001
Service quality → Empathy	0.885	< 0.001
Relational benefits → Special benefits	0.583	< 0.001
Relational benefits → Confidence benefits	0.873	< 0.001
Relational benefits → Social benefits	0.633	< 0.001
Customer satisfaction → Sat1	0.796	< 0.001
Customer satisfaction → Sat2	0.814	< 0.001
Customer satisfaction → Sat3	0.809	< 0.001
Customer satisfaction → Sat4	0.844	< 0.001
Customer satisfaction → Sat5	0.816	< 0.001
Customer satisfaction → Sat6	0.820	< 0.001
Customer satisfaction → Sat7	0.825	< 0.001
Customer satisfaction → Sat8	0.827	< 0.001
Customer satisfaction → Sat9	0.830	< 0.001
Customer satisfaction → Sat10	0.798	< 0.001
Customer satisfaction → Sat11	0.701	< 0.001
Customer satisfaction → Sat12	0.807	< 0.001
Customer satisfaction → Sat13	0.822	< 0.001
Customer satisfaction → Sat14	0.768	< 0.001
Customer satisfaction → Sat15	0.807	< 0.001
Customer satisfaction → Sat16	0.883	< 0.001
Customer satisfaction → Sat17	0.846	< 0.001
Customer satisfaction → Sat18	0.869	< 0.001

(β weight: Standardised regression weight)

TABLE 6
Correlation

	Correlation	p-value
Relational benefits ↔ Service quality	0.785	< 0.001

TABLE 7
Goodness of fit indices for the structural equation model

	χ²/df	CFI	RMSEA
Suggested cut-off points	**≤ 5.00**	**≥ 0.90**	**≤ 0.10**
Structural model	7.056	0.910	0.082 [0.080 – 0.085]

Taking the above results into consideration, the following conclusions can be drawn:

- Service quality perceptions (consisting of reliability, responsiveness, assurance and empathy) have a significant positive effect on customer satisfaction (p-values < 0.001). Therefore, H1 is supported.
- Relational benefits (consisting of social benefits, special treatment benefits and confidence benefits) have a significant positive effect on customer satisfaction (p-values < 0.001). Therefore, H2 is supported.
- Customer satisfaction (consisting of 18 satisfaction items) has a significant positive effect on behavioural intention (consisting of loyalty, word-of-mouth and future loyalty) (p-values < 0.001). Therefore, H3 is supported.
- The SEM results presented indicate a good overall fit of the model to the data.

MANAGERIAL IMPLICATIONS

The literature overview presented in this study suggests that businesses can differentiate themselves by adopting a customer-focused approach and focus on satisfying (or preferably delighting) customers' wants and needs (Venkatesan *et al*., 2012: 311), which can be realised by delivering quality services (including assuring, empathetic, reliable and responsive service delivery) (Kaura & Datta, 2012: 44) and offering additional relational benefits (including confidence, social and special treatment benefits) to customers (Yen *et al*., 2014: 14).

The descriptive results calculated for the constructs of the study indicate that the four service quality dimensions (i.e. assurance, empathy, reliability and responsiveness) were positively perceived by respondents. From a holistic perspective, the quality of short-term insurers' services, therefore, does not seem to be an issue of concern, since most respondents generally perceived their short-term insurer's

service quality as relatively good. Service quality is therefore perhaps not a key differentiator for South African short-term insurers, when one looks at these results in isolation.

With regard to relational benefits, the results indicate that the three relational benefits dimensions (i.e. confidence, social and special treatment benefits) were rated less positive than the dimensions of service quality, particularly social and special treatment benefits. Relational benefits can therefore be a key differentiator for South African short-term insurers, since the opportunity for improving relational benefits does exist in this industry. Short-term insurers who wish to successfully differentiate themselves, should consequently focus on improving the existing relational benefits (confidence, social and special treatment benefits) they offer to their customers. South African short-term insurers can improve confidence benefits by establishing feelings of security in that customers are confident that their insurer will deliver the service correctly, and by ensuring that customers are confident that their insurer has clear and reasonable service offerings. In turn, short-term insurers can improve social benefits by creating the impression that their staff know each customer by name and by establishing the feeling among customers that they are familiar with the employee(s) who are performing the service. Finally, short-term insurers can improve their special treatment benefits by establishing the belief that established customers receive faster service delivery than other customers and creating the impression that customers receive personalised and special services.

The aim of this study was to determine the interrelationship between the identified CRM constructs (i.e. service quality, relational benefits, customer satisfaction and behavioural intentions), and it was subsequently found that service quality perceptions and the relational benefits respondents perceive they receive

from their short-term insurers correlate strongly with one another. In other words, to improve customers' perceptions of the benefits they receive from being in a relationship with their short-term insurer, the results indicate that short-term insurers could either focus on improving relational benefits, or on the improvement of service quality perceptions.

Service quality and relational benefits were also found to have a significant positive effect on respondents' levels of customer satisfaction with short-term insurers, thus implying that short-term insurers should increase the quality of their services and also offer additional relational benefits in order to improve their customers' satisfaction levels.It furthermore emerged that respondents' levels of satisfaction have a positive effect on their behavioural intentions (loyalty, word-of-mouth and future loyalty). South African short-term insurers can, therefore, encourage positive behavioural intentions among their customers by exceeding their customers' service quality expectations and providing them with additional relational benefits.

In light of the literature review and empirical results, this study proposes a model which South African short-term insurers can implement as part of their marketing strategy to improve their overall profitability and sustainability. The related model (see Figure 3) entails the assurance of high quality services (specifically in terms of prompt and correct service delivery) and the offering of additional relational benefits (particularly offering confidence-related benefits such as comfortable and trustworthy interactions) to customers.

LIMITATIONS OF THE STUDY AND FUTURE RESEARCH SUGGESTIONS

Limited secondary data (of a scholarly nature) on the South African short-term insurance

industry was available, which meant that the literature discussion had to be based on international studies focusing on different service industries.

In addition, a sampling framework was unavailable, resulting in the implementation of non-probability convenience sampling. The results of this study are therefore not representative of the entire population, but only of the respondents who participated in the study. Future research could attempt to obtain customer databases or include short-term insurers in the research project, in an attempt to conduct a more representative form of probability sampling. A similar study can also be conducted amongst long-term insurers in South Africa. This information can then be compared to the short-term insurance industry to determine whether the insurance industry in its entirety can benefit from the findings from this study. Finally, the model composed in this study can also be tested in other service industries to determine its relevance and applicability.

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