

# Evaluation of Relationship Marketing Dimension Effect on Degree of Customer's Loyalty of Insurance Industry in Iran

Abbas Alaei

Department of Business Management, Parsabad Branch, Islamic Azad University, Parsabad, Iran.

---

## ABSTRACT

Today, it has become more difficult the attraction and retention of customers in country insurance industry regarding to activation of private insurance companies and segmentation of markets, information and communication development internationally and becoming more aware and skillful, and only organizations have an appropriate position in competition area that core axis of their activities be attraction and retention. In such position. It is asked whether the use of relation-based marketing in country insurance industry can influence on customers loyalty? THE aim of current study is to consider the stronger perspectives of relation-based marketing on customers loyalty of insurance that based on represented model by Dubeasi including trust, commitment, communications and contrast control has been considered. The current study is causal and research statistics community include all customers of branches of Ardabil province. The gathered data is considered by questionnaire using Spss software by multilateral regression analysis method and the obtained out comes indicated that the variables of trust, commitment and communications in meaning fullness level of %5 influence on degree of insurance customers loyalty, but it is rejected the effect of contrast control variable in meaning fullness level of %5 on degree of customer loyalty.

**KEY WORDS:** relation-based marketing, insurance services, customer loyalty, trust, commitment, communications.

---

## 1. INTRODUCTION

The current age is the period of speed and unpredictable changes and the companies face with most difficult competition condition by presence of factors including vague boundaries among markets, fragmentation marketing, shortening of product life span, speed change of customer purchase patterns and becoming aware and skillful that was unprecedented. (Wong & Shool, 2002) In this field, only organizations will have appropriate position in the area of competition That they place the core axis of their activities , the providing of customer demand and meeting of their needs, because the high level of customer satisfaction causes more loyalty (lawlak & wright, 2003). Today, attraction and retention of customers in country insurance industry, regarding to activation of private insurance companies and information and communications development in international level that cause people to compare the services of various insurance companies all over the world, has been become more difficult (Amirshahi, 2007).

So, the nature of insurance firm's cause that in direction of customer based, attraction and retention of customer, apply the appropriate strategies and approaches. Because durability and survival of these firms depends on their customers and more they can retain their current customers, more they succeed in long-term. The main view of customers is that continuously by better value supply to customer, meet its satisfaction (kotler, 2001). One of methods is to use of relation-based marketing (Bose & Bansel, 2007). Relation-based marketing is for overcoming on un concreteness of services, specially about services such insurance that their evaluation is difficult for customers, even after purchase and use (Crosby & step hen, 2001). In spite of attention and emphasis on importance of relation based marketing and the presence of numerous studies that has been done about main issues of relation-based marketing, making functional of this concept faces to ambiguity yet.

## 2. Problem expression

Today, it has been become the attraction and retention of customers in country insurance industry regarding to be coming active of private insurance firms, expansion of completion and development of information and communications in international level more difficult that this itself

leads to decrease of gain of insurance of gain of insurance firms. Richheld and Suser in 1990 by researches argued that %5 decrease in customer number cause to lose 50% of insurance firms gain. Based on done researches, 5% increase in retention of current customers will increase 25-125 percent of company gain (Beerli et al, 2007). So, the customer loyalty is a clear factor in success of firms. The notable point is that the loyalty customers have many profits including, improvement of organization gaining-profit, decrease of marketing costs, increase of company selling, having customer that are not very sensitive to cost (Kandampully & Suhartano, 2006). Oliver defines the loyalty as a deep commitment to repurchase or encouragement of other people for purchase of products and services (Oliver, 1999). in this study. We will use of perceptual measurements for customers loyalty measurements, and consider the perspectives of relation- based marketing and it's effect in creation of relation- based marketing and it's effect in creation of loyalty in customers, the relation- based marketing is a strategy for attraction, retention and promotion of relation ship with customers, so that the goals of sides in evolved in relationship is provided (Ndubisi, 2007). The relation – based marketing is a strategy for overcoming on un concreteness of special services about services such insurance that it's evaluation is difficult for customer even after perchance and use (Crosby & Stephens, 2001).

Regarding to done interviews with insurance managers, finding of perspectives of relation- based marketing that impact on customers loyalty, is as one of challenges that they face in it is research. Trust, commitment, communization and conflict handing based on represented model by Dubisi in 2007 is consider as perspectives of relation-based marketing. Trust, indicates that how much each part can rely on promise of other port and it is defined as interest to confidence and relying to audience (Wong and Shal, 2002).

Commitment: it is the intent of one side (part) of relationship for continuing or retaining of relation with other part (Rashid, 2003). Communication: it is all of formal and informal inter courses that cause to exchange the meaningful and in time information among purchaser and seller, and finally; conflict handling is defend as provider ability in minimizing of negative outcomes from potential and clear involvement (Ndubisi, 2007). so, the main question of research is following as: does use of relation-based marketing influence on degree of insurance customers loyalty?

### 3. Research Goals

Main goal of it is research is following as:

Recognition of relation- Based, marketing impact on degree of insurance customers loyalty.

Secondary goals:

1. Recognition of trust impact on degree of loyalty of insurance customers.
2. Recognition of commitment impact on loyally degree of insurance customers.
3. Recognition of communication effect on loyalty degree on insurance customers.
4. Recognition of conflict handling effect on loyally degree of insurance customers.

### 4. Background and Research Theoretical Principle

First time, the concept of relationship marketing is developed in us marketing literature, in article of Berry in 1983.

Relation- based marketing has emerged among courses of services marketing and industrial marketing, the expressed phenomenon by this concept is fully supported by continuous trends in modern trading (Nubisid, 2007).

Base of this branch of marketing that had a close relationship with consumer behavior and has been created of heart of researches related to relationships among purchaser and seller in moderate and relatively large business in this paradigm. In stead of hostile attitude bargaining category, purchaser and seller agree log ether for attainment to their goals and commit together in a planned framework and from their relationships (Wray et al, 2007). Relation- based marketing has been defined variously , but unfortunately , in Brodi idea is not clear in literature and has been changed to vague speak, that reflects various views and materials (Zincludin & Philipson, 2007).

Berry has considered the relation-based marketing as a strategy for attraction, retention and Rein forcemeat of relationship with customer (Wony & shoal, 2002). According to Morgan and Hunt, the relation- based marketing refers to all activities of marketing that develop towards creation improvement and retention of exchanges of success full relationship (Morgan & Hunt, 1994). The aims of relation – based marketing is creation, retention of sustainable relationship between company and its customers so that it is satisfactory for two sides (Ndubisi, 2005). Regarding to many research that are done about relation- based marketing, it has been considered various key perspectives including: trust, equity, kindly, commitment, empathy, competence, communication. Internal relationship marketing, promise fulfillment, good experience, social bonding, customer satisfaction, conflict handling and partnership in secrets for relationship marketing in each of these researches. In this study, we focused

on stronger perspectives that are identified from past that Ndubisi in 2007 has introduced them as following: trust, commitment, communication and conflict handling (Ndubisi, 2007). loyalty variable is dependent in this research and based on Moven and Minor opinion, the degree of customer loyalty to a mark, goods or service, that has positive attitude and it is defined the intent of it's purchase continuing in future (Moven & Minor, 2007). There are 3 approaches for loyalty measurement: Behavioral approach, perceptual approach and combined approach.

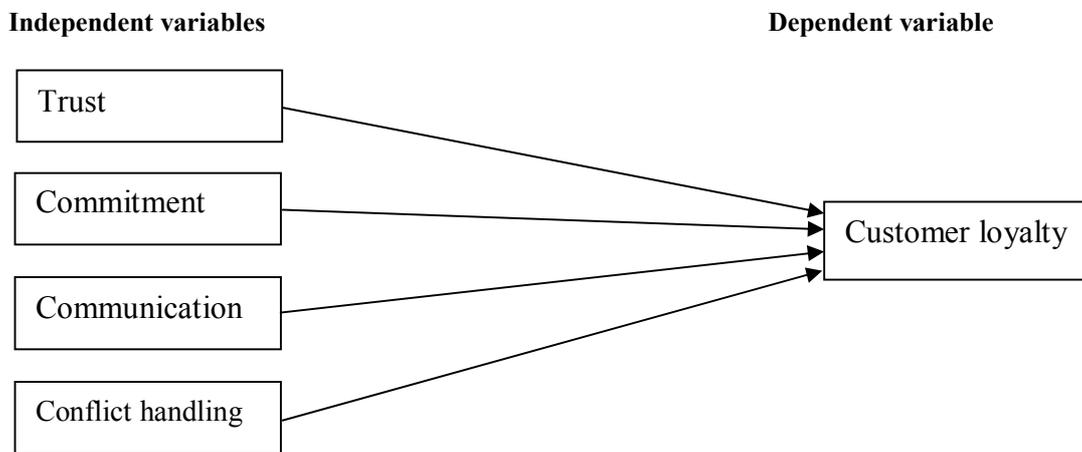
Behavioral measurements consider repetition of purchase behavior as loyalty unsex. The perceptual measurements deal with loyalty sense and compositional measurements measure the loyalty by customer privities to a product, internal interest to exchange the purchase repetition and total value of purchase (Bowen & Chen, 2007). We will use of perceptual approach for customer loyalty measurement in this study.

**5. Research Theoretical Model**

It is needed a scientific and theoretical framework in order to do the scientific and systematic researches that is named "conceptual model".

There are the impendent variable including, trust commitment, communication and conflict handling in right side of perspectives of relationship marketing.

The assumption is that trust, commitment, communication and conflict handling influence directly on customer loyalty (Ndubisi, 2007).



*Figure 1. The proposed research model.*

**6. Importance and Necessity of Research**

The customer loyalty is as a clear factor in success of a company business. There is no guarantee that satisfactory customers repurchase of company because of it is, today , it has been be came clear that the customer loyalty in a company business is considerably more important than customer satisfaction. The loyal customers present many benefits for companies including: improvement of organization benefits, decrease of marketing costs, increase of company selling , having customers that are not sensitive to cost very much and so on the loyal customers present surprising marketing force by oral advertisement and goods offer and company services to other relatives (Ndubisi, 2007).

Because of this, today, marketers seek information and key cases that can make loyal the customers to the organization. One of these influence cases in customer relation ship with company for obtaining the information is the benefit related to customers and by better understanding of their need and demands and presentational satisfactory products and services. SO. The relation ship marketing allow the company to close to them in order to understand correctly needs it's customers and creation of better value, and by presentation of products and services according to their needs, it can guide the organization towards decrease of costs.

**7. Research Hypotheses**

*Main hypothesis:*

The relationship marketing influences on degree of insurance customers loyalty.

*Secondary hypotheses:*

1. Trust influences on degree of in surface customers loyalty.
2. Commitment influences on degree of insurance customers loyalty.

3. Communication influences on degree of insurance customer loyalty.
4. Conflict handling influences on degree of insurance customer loyalty.

## **8. RESEARCH METHODOLOGY**

### *8.1 Research Method*

Methodologically, this research is on of causative researches. The current study places in group of descriptive research by now to obtain the needed data and in view of classifying of researches regarding to their goals. The descriptive research includes a set of methods that their aim is to describe the conditions or considered phenomenon. Performance of descriptive research can only be for recognition recurrent conditions or helping to de cession-making process (Sarmad et al, 2008). This research places in class of field researches by control type and control degree. Because the researcher considers the variables normally and since this research shows that how companies can apply the relationship strategy for growing and retaining of loyal customers and how to manage the customers' relationships with supplier, it will be functional. The aims of functional researches are development of fun functional knowledge in a special field (Sarmad et al, 2008).

### *8.2 Methods and Information Gathering Instrument*

In current study, it has been used the librarian method for gathering and arrangement et research literature. So, it has been used the current books and essays in libraries and Internet. Also, it has been used the questionnaire instrument for gathering of data from customers. This research questionnaire has been designed using standardized question are in Ndubisi research in 2007. This questionnaire has been arranged by standardized questionnaire of Ndubisi research based on LIKERT spectrum as five – points from 1= totally disagree to 5= totally agree (Ndubisi, 2007).

### *8.3 Data and Information Analysis Method*

Data and information analysis method in this research is following as:

1. It has been used the descriptive statistics for evaluation of central indexes and arrangement of statistical frequency distribution tables.
2. It has been used the referential statistics (Variance analysis) for hypotheses testing. It should be known that has been used the statistical testing's for generalization of research results. In current study, it has been used the statistical testing of multiple Regression analysis for data analysis by SPSS software. It has been explained and predicted the independent variable (s) by Regression analysis of statistical method through dependent variable (Saal, 2002).

## **9. Community and statistical sample**

In this research, they have been considered the insurance customers in Ardabil province as statistical community. It is tried that we generalize the obtained results of this research to other cities by insurance customer's consideration in Ardabil province.

The sample group is a small set of statistical community including some members that have been choose from statistical community. So, the sample group is a sub set of statistical community that by it's a study. The researcher can generalize the result to total of statistical community (Sekaran, 2007).

Krejcie & Morgan and also Cohen presented a good decision-making model by showing of summarized sample volume table. This table presents scientific and generalized guidance for sample volume. In this research, it has been used the cluster sampling method. When it has been used the cluster sampling method that it has been defined the group choice of more possible easier people from choice in a community.

This method requires multiple sampling steps for obtaining of final sample (khaki, 2008). Now, regarding to that number of insurance companies customers of Ardabil province, by done interviews with managers, it has been announced more than 119000 people, so it will be n= 382 based on written information in Morgan table, so it was distributed 384 questionnaire among customers.

## **10. Research Hypothesis Testing**

It has been represented the results from referential methods function in this section. After doing of required analysis, the related tables are shown here and it has been done the consideration of hypotheses testing based on it.

In table (1) we have done the regression analysis of relation ship marketing perspective impact including trust, commitment, communication and conflict handling on degree of insurance customer loyalty.

Table (1): Regression analysis among relationship marketing perspective and customer loyalty.  
**Regression**

Variables Entered/ Removed			
Model	Variables Entered	Variables Removed	method
1	Conflict handling , commitment, communication, trust	.	Enter

- a. All requested Variables entered
- b. Dependant Variable and customer loyalty

**Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.978 <sup>a</sup>	.956	.955	.44613

- a. Predictors: (Constant), Trust, communication, commitment, conflict management

**ANOVA<sup>b</sup>**

Model	Sum of squares	df	Mean Square	F	Sig
1 Regression	1609.915	4	402.479	2022.177	.000 <sup>a</sup>
Residual	74.438	374	.199		
Total	1684.354	378			

- a. Predictors (Constant), Trust, Communication, Commitment, Conflict Management
- b. Dependent Variable : Customer Loyalty

**coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
1 (Constant)	-.296	.091		-3.234	.001
Trust	.197	.033	0.557	6.012	.000
Commitment	6.470E-02	.025	.132	2.553	.011
Communications	.148	.034	.311	4.386	.000
Conflict Management	-2.485E-02	.030	-.038	-.834	.405

- a. Dependent Variable: Customer Loyalty

*Hypotheses (1): Trust influences on degree of insurance customer loyalty.*

Since the meaning fullness level of testing is less than %5 in trust variable. It could be concluded that trust influences on degree of insurance customers loyalty and because of being positive of Beta value, it could be understood that trust impact on degree of insurance customers loyalty is direct. So, it is supported the research hypothesis (1).

*Hypotheses (2). Commitment influences on degree of insurance customers loyalty.*

Since, the meaningful ness level (sig) of testing in commitment variable is less than %5, so it could be concluded that the commitment influencer on degree of insurance customers loyalty , and because of being positive of beta value , it could understood that commitment impact on degree of insurance customers loyalty is direct. So, it is supported the research hypothesis (2).

*Hypotheses (3). Communication influences on degree of insurance customers loyalty.*

Since, the meaning fullness level (sig) of testing is less than %5 in communication variable, it could be concluded that communication influences on degree of insurance customers loyalty , and because of being positive of beta value , it could understood that communication impact is direct on degree of insurance customers loyalty. So, hypothesis (3) is supported.

*Hypotheses (4). Conflict handing influences on degree of insurance customer loyalty.*

Since, the meaningfulness level of testing is more than %5 in conflict handing variable, obtained Regression coefficient is not meaningful, so it could not be commented about this and it is not supported the hypo thesis.

Regression equation obtained from testing is following as:

$$Y = -0.296 + 0.197X_1 + 0.067X_2 + 0.148X_3$$

This model is meaningful in %95 confidence level.

## 11. Conclusion

This research has many (numerous) functions in management of insurance customers. At first, especially insurance companies and then generally service organizations are interested in obtaining and retaining of loyal customers. Regarding to testing result of hypothesis (1) that it is supported the trust impact on insurance customers loyalty, it is suggested that insurance firms to educate their employees in order to apply enough accuracy in doing things and also, insurance companies should provide the needed equipments (facilities)

To meet their promises and commitments until they can fulfill their commitments to customers and meet their promises in possible minimum time regarding to testing result of hypothesis (2) that it is supported the commitment impact on degree of insurance customer's loyalty. It is suggested that insurance firms take step to create commitment for customers loyalty increase, and in this field, their adjust their services with special needs of each customer, so it is a devised that management and employees of insurance identify the needs of customers by long-term and continuous relationships, and take step in line with presentation of special and needed services of customers. Regarding to testing result of hypothesis (3) that it was supported the communication impact on degree of insurance customers loyalty, it is suggested that insurance firms try to increase customer loyalty in the field of creation of effective communication, and in this line, it is advised that these firms take step to provide intimate reliable information for customers by provisions and distribution of customers guidance hand books in relation insurance rules and regulations, types of insurances and cases like this. Regarding to testing result of hypothesis (4) that it was not supported the conflict handling impact on insurance customer's loyalty. it is suggested that insurances firms to strong then more impotent variables of relationship marketing including trust, commitment, communication for customers loyalty increase.

## REFERENCES

1. Amirshahi, Ahmad; Masoumeh Safianian. (2007). "I Identification of barriers and limitations Related to Performance of Relationship Marketing in Public Insurance Firms in Iran", *Economy and Management Journal*, No 72.
2. Beerli, A. Martin, J.D. and Quintana, A (2007), "A Model of Customer Loyalty in the Retail Banking Market", *European Journal of Marketing Vol, 38 No. 1/2*, pp. 235-275.
3. Bose, Kallol. & Bansel, Harvir (2007), "Regain Management: Issues and Strategies", in Jagdish N. Sheth, Atul. Parvatiyar & G, shainesh (Eds), *Customer Relationship Management: emerging concepts, tools and applications*, Mc Graw. Hill, New dehli, pp.63-70.
4. Bowen, J.T. and Chen. S.I. (2007)," The Relationship between Customer Loyalty and Customer Satisfaction", *International Journal of Contemporary Hospitality Management*, Vol.13 No.5, pp .213-217.
5. Crosby, Lawrence A. & Stephens, Nancy (2001),"Effects of Relationship Marketing on satisfaction, and prices in the life insurance industry", *Journal of Marketing Research*, Vol.XXIV.pp404.
6. koler, Philip. (2004). "Theories of Marketing Management", Ali parsayan, Termeh Publications , 1 the Edition.
7. Kandampully, J and Suhartanto, D. (2006) "Customer Loyalty in the Hotel Industry: The role of Customer Satisfction and Image, *International Journal of Contemporary Hospitlity Management*, Vol. 12,No. 9, pp .346-351.
8. Khaki , Gholamreza .(2008). "Research Method with approach of thesis writing" Baztab publications, first Edition.
9. Lawlock, kristo pher and laren write .(2003). "Principles of Marketing and services", Abolfazli Tajzadeg Namin , Tehran, Samt , 1 th Edition.
10. Moven, Jhon see and Mishel Es Minor .(2007). "Consumer behavior", Abas saleh Ardastani, Mohammad Reza saedi , Etehad publications, 1 thedition.

11. Morgan, R.M. And Hunt, S.D.(1994)," The Commitment- Trust Theory of Relationship Marketing", *journal of Marketing*, Vol,58,pp.20-38.
12. Ndubisi, N.O. (2007)"Relationship Marketing and Customer Loyalty" *Marketing intelligence & Planning*, vol.25No.1p98-106.
13. Ndubisi, N.O. (2005)" Effect of Gender on and Customer loyalty: a Relationship Marketing approach " *Marketing intelligence & Planning*, vol.24No.1 p48-61.
14. Oliver, R.L. (2006),"Whence Consumer Loyalty?" *Journal of Marketing*, Vol.63, pp.33-44.
15. Rashid, Tahir (2003) "Relationship marketing: case studies of personal experience of eating out", *British food journal*, Vol.105, No.10.pp.742-750.
16. Saai, Ali .(2002)."Statistical analysis in social science" keyhan Mehr Publications, 3th Edition.
17. Sarmad, zohreh ; Abass , Bazrgan and Elaheh Hejazi.(2008). "Research method in behavioral sciences " Agah publications, 1 th Edition.
18. Sekaran, Ama.(2007)."Research methods in managements "Mohammad saebi and Shirazi Mahmoud, Publication of Management and planning research and education institute, 3th Edition.
19. Wong, A.and shohal, A. (2002)"An examination of the relationship between trust, commitment and relationship quality", *International Journal of retail & Distribution Management*, Vol.30, No.1, pp.34-50.
20. Wray B., Palmer A. and Bejou D.(2007)."Using Neural Network Analysis to Evaluate Buyer-Seller Relationships". *European journal of Marketing* , Vol.28 No10,pp.32-48.
21. Zineldin, M. and Philipson S. (2007) "Kotler and Borden are not dead: myth of Relationship marketing and truth of 4ps", *Journal of consumer Marketing*, Vol. 24No. 4, pp, 229-241.