

RELATIONSHIP MARKETING ORIENTATION IN INSURANCE SECTOR

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Abstract

As competitive activity increases, together with increasingly demanding customers, the financial service providers have to focus on certain critical issues related to their consumers, which are fundamental to their success. The performance of the agents in the life insurance sector is mainly determined by the relationship maintained by the agents with their customers. In general, the relationship established and maintained by the agents has its own impact on the performance of the agents. This paper analyses how far the LIC agents of Thiruchirappalli of Tamilnadu are successful in RMO by building a strong relationship with customers.

Key words: LIC, RMO, Relationship Marketing

Introduction

The financial service industry is undergoing a period of dynamic change. For a long time, financial service providers had presumed that their operations were customer-centric, simply because they had customers. They ruled the roost as most of them were able to generate profits. However, in the current era of hyper competition, very slight difference exists in the services provided by the major players in this industry. In such a scenario, as the boundaries between the offerings of major players in the financial service industry are becoming increasingly blurred, a customer is unlikely to be overly impressed by the core attributes of financial service. Hence, it is imperative that financial service providers wake up to this reality and re-focus on their core asset—the customer. As competitive activity increases, together with increasingly demanding customers, the financial service providers have to focus on certain critical issues related to their consumers, which are fundamental to their success. More than ever before, they now need to have a detailed understanding of their customers, especially with respect to their needs and demands. They have to determine ways to successfully meet the above through an appropriate range of financial services in order to prevent their customers from switching over to the other service providers. Any approach that can help them address these issues is likely to meet with a great deal of success. Relationship marketing is viewed as an effective tool in this regard. Vaibhav Shekhar and Nitin Gupta (2008)

Relationship marketing

Relationship marketing is the ongoing process of identifying and creating new value with individual customers and then sharing the benefits from this over a lifetime of association. It involves the understanding, focusing and management of ongoing

collaboration between the company and selected customers. Relationship marketing is based on the loyalty of company's customers. The company can obtain a competitive advantage by maintaining and/ or increasing the level of satisfaction of its current clients. By making customer satisfaction an ongoing priority, the focus is taken off the product (brand) and laid on added relationship values, such as trust and commitment. The company develops a genuine policy aimed at achieving customer loyalty. Loyalty is achieved as a result of repeated positive experiences related to the respective insurance company. Customers can develop company loyalty, product loyalty or loyalty for the contact person. In this approach the goal of the company is to build a strong relationship with its customers by cooperating with different parties. Relationship marketing involves creating, maintaining and consolidating a long-term relationship with all the company's partners. Relationship marketing marks a significant paradigm shift in marketing, a movement from thinking solely in terms of competition and conflict toward thinking in terms of mutual interdependence and cooperation. (Philip Kotler,2003)

Literature review

Relationship marketing is recommended as a strategy to overcome service intangibility (Berry 1983) and may be appropriate for "credence" services, that is, services that are difficult for customers to evaluate even after purchase and use (Zeithaml 1981). Yavas and Babakus (2010), customer orientation should be viewed from two angles. The first relates to the functional conceptualization of customer orientation, viewing it as a set of task-oriented behaviors, which include issues such as the exact description of products or the identification of customer needs. The second is the inclusion of behaviors that are intended to establish a personal relationship with the customer, which is referred to as the relational orientation towards the client. Customer orientation directly influences satisfaction, according to Ha and John (2010). It is being viewed as strategic, process oriented, cross-functional, and value-creating for buyer and seller and as a means of achieving superior financial performance. Lambert (2010) Today the success of an insurance company is based on the quality of the long term relationship established between the company and its "partners": customers, employees, broker dealers, banks, hedge funds etc. In the insurance industry this new way of thinking determined the passage from transactional marketing to a holistic marketing concept. The traditional transaction marketing focused on meeting customers' needs so that the company could obtain an immediate advantage. This approach wasn't always benefic for the insurance companies and for their clients. For example in the U.S. in the 1980's and 1990's the life industry was found by the regulators, courts and media to be engaging in widespread marketing and sales practices that were deemed inappropriate, unethical and, at times, illegal. Consequently, business suffered and there was movement to enact new onerous laws to impose new performance standards on the industry (Brian 2008)

The new marketing perspective is based on the fact that a long term relationship should be established between the company and its partners. Modern marketing builds on the principles of traditional marketing, but it focuses on new elements. In the opinion of specialists, the holistic marketing concept is based on the development, design, and implementation of marketing programs, processes and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that everything matters and it has four important components: relationship marketing, integrated marketing, internal marketing, and social responsibility marketing.(Kotler 2006) Building relationships with customers helps marketers to better understand and satisfy customers, objectives which are central to the marketing concept (Kotler, 2000;) The recent shift away from the transaction-based view of marketing has focused attention on the beneficial effects of managing customer relationships (Gronroos, 1989) Developments in IT have also driven the adoption of customer relationship management (CRM). Despite the new terminology which is widely adopted across different sectors, CRM is simply a fresh perspective on relationship marketing ideas. Like relationship marketing, the costs of customer acquisition and desirability of customer retention are key features of CRM (Zeithaml, 2000). Indicators of the financial effects of relationship marketing and CRM are usually limited to the relationship between a customer and a supplier.(Gummesson 2002): "*Relationship marketing is marketing based on interaction within networks of relationships.*"

The Market at a glance:

Prior to 1956, there were about 245 insurance companies, which operated in India. The insurance coverage was mostly confined to life and vehicles. The Government of India felt that a strict Government Control of Insurance Industry is required and nationalized the insurance industry in 1956. Life Insurance Company of India (LIC) was formed in September 1956 by an Act of Parliament, the LIC Act with a capital contribution of Rs.50 million from the Government of India. Over the years the Insurance business has grown enormously and collected funds both in linked and non-linked sectors.

In the end of year 2012, there are 44 new private players have come into existence. India is a most potential insurance market in terms in spread and penetration leaving a huge untapped market penetration, with the insured population being 857 million people (IBEF Report on Indian Insurance Industry, August, 2013¹⁸) with the total population of 120 billion. Indian insurance industry ranks 10 across the world in terms of market. It is felt that the changing demographic profile of Indian population, growth of the economy, change over to new technologies, affordability and created awareness are likely to push the demand for the insurance cover further.

i. <http://www.slideshare.net/IBEFIndia/insurance-august-2013>

Out of these 44, 24 are linked and 20 are non-linked insurance businesses. Most of these are in the form of joint ventures between established players. The growth rate of life insurance in the year was highest during 2012-13. Since the opening of the sector in 2001, Indian life insurance industry has gone through two cycles: the first one being characterized by a period of high growth where CAGR of approx. 31 percent in new business premium between 2001-10, and a flat period where CAGR of around 2 percent in new business premium between 2010-12. During this period, there has been increase in penetration (from 2.3 percent in FY01 to 3.4 percent in FY12), increased coverage of lives, substantive growth through multiple channels (agency, banc-assurance, broking, direct, corporate agency amongst others) and increased competitiveness of the market (from four private players in FY01 to 23 private players in FY12)¹⁹

Objectives of the Study

The present study focuses the following objectives. These are:

- i. To reveal the socio-economic profile of the agents.
- ii. To identify the factors related to Relationship Marketing Orientation.

Research Design

In the present study, the pre determined objectives are fulfilled with the help of pre structured questionnaire. The study is trying to explain the understanding of Relationship Marketing Orientation. Hence it is purely descriptive in nature.

Population

The population for this study is defined as Insurance Regulatory Authority of India approved Life Insurance agents, working for Thiruchirappalli division of Life Insurance Corporation of India,

Sampling Framework

The applied sampling framework for the present study is purposive sampling. Out of the total agents in the selected insurance company, 300 agents from LIC are selected purposively for the study. No scientific sampling procedures have been followed to select the sample units. 104 agents completed the survey. The response rate is 34.67 %.

Data sources

Primary data were collected from the agents in Life insurance market. Secondary data were collected from the existing marketing literature to learn the research done in the general area in which the specific problem falls.

ii. http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/Insurance_industry_Road_ahead_FINAL.pdf

Instrument construction

A draft questionnaire was developed and pre-tested using a small convenient sample to check for any vagueness, gaps and communication errors. Field tests on the revised questionnaire were then conducted with a small sample. Subjects were guided through the question. The final version of the survey consisted of a number of measures to Relationship Marketing Orientation, employing five-point rating scales (1 = strongly agree and 5 = strongly disagree).

The questionnaire contained questions on the following areas:

1. Respondent background.
2. Relationship marketing orientation-23 items (adopted from Leo Y.M. Sin, et al (2002))

Reliability

For testing reliability, Cronbach coefficient alpha is used since it is the most common method used for assessing the reliability for a measurement scale with multi-point items (Robert A. Peterson, 1994). In this study the Cronbach alpha coefficient value is 0.85, so homogeneity is observed among the set of items selected

Relationship Marketing Orientation among the Agents

The variables related to the RMO among the agents in the life insurance industry are drawn from reviews (Crosby and Nancy, 1987 Sin et al. (2002). The identified variables are.

Table 1 Variables in Relationship Marketing Orientation

Sl. No.	The Variables in RMO
1.	The trust between me and my policy holders is mutual
2.	My policy holders are trustworthy
3.	According to our past business relationships, my company thinks that our customers are trustworthy persons
4.	My company always trusts customers
5.	Me and my customers always rely on each other
6.	I always work very hard to establish long term relationship
7.	I always work in close co-operation
8.	I keep in touch with my clients frequently
9.	I communicate with my clients frequently
10.	I think that discontent towards each other can be shown through communication
11.	I always communicate honestly with my clients
12.	I share the same world view with my clients
13.	I often share the same opinion about most things with my clients
14.	I often share the same feelings towards things around me and my clients
15.	I often share the same values with my clients
16.	I always see things from the client's point of view
17.	I know how my clients feels
18.	I understand my clients values and goals

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| 19. | I care for my client's feeling |
| 20. | My company regards "never forget a good run" as our business motto |
| 21. | I keep promises made to my clients in any situation |
| 22. | If a customer gives any assistance when my company is in difficulty, I would be responsible for returning the kindness |

The agents are asked to rate the above said twenty variables at five point scale according to their level of importance in their business i.e., from highly agree to highly disagree. The assigned scores are from 5 to 1 respectively.

Descriptive Statistics

The important annual turnover among the agents is above Rs.60 lakhs and Rs.30 to 60 lakhs. The higher annual turnover is achieved among the agents of public player than among the private players. **By their annual turnover of less than Rs.30 lakhs, Rs.31 to 60 lakhs and above Rs.60 lakhs, the agents are classified into Group A, Group B and Group C agents respectively.**

The important gender among the agents is male in all three groups of agents. The dominant age among the agents is 35 to 49 and 25 to 34 years. The most important age among the Group A agent is 25 to 34 years whereas among Group B and Group C it is 35 to 49 years.

The dominant marital status among the agents is 'married'. It is equally seen in all three groups of agents. The important level of education among the agents is under graduation and higher secondary school. The most important level of education among the Group A agents is college discontinued whereas among Group B and C agents, it is under graduation.

The dominant occupation among the agents is agriculture and private sector employment. The most important occupational background among the Group A agents is private employment whereas among the Group B and C agents, it is agriculture.

Majority of the agents are doing full time work in the present career. The important years of experience in the insurance company among the agents is above 10 years and 11 to 15 years. The most important years of experience is insurance company among the Group A agents is 6 to 10 years whereas in Group B agents, it is 2 to 5 years. Among the Group C agents, it is above 15 years.

Relationship Marketing as the Success Factors in Life Insurance Sector

The performance of the agents in the life insurance sector is mainly determined by the relationship maintained by the agents with their customers. In general, the relationship established and maintained by the agents has its own impact on the performance of the agents. The scores of twenty variables among the agents have been included for the exploratory factor analysis in order to identify the important RMO factors.

Initially, the data reliability was tested with the help of KMO measure of sampling adequacy and Bartlett's test of sphericity. The KMO measure of 0.7312 is greater than the standard minimum of 0.5, while chi-square value is significant even at zero per cent level. These results confirm the validity of the data for factor analysis. Factor analysis resulted in six important RMO factors namely trust, bonding, communication, shared value, empathy and reciprocity. The RMO variables in each factor, its reliability co-efficient, Eigen value and the percentage of variation are explained by these factors as shown in Table 2.

Table 2|Important Factors in Relationship Marketing Orientation

Sl. No.	Factors	Number of Statements involved in	Reliability co-efficient	Eigen value	Percentage of variation explained
1.	Trust	4	0.8182	4.1721	19.08
2.	Bonding	4	0.7368	3.3963	17.49
3.	Communication	4	0.7031	2.9089	15.39
4.	Shared value	4	0.7909	2.3141	13.01
5.	Empathy	4	0.6817	1.6308	12.36
6.	Reciprocity	3	0.6233	1.0861	10.11
KMO measures of sampling adequacy: 0.7312			Bartlett's test of sphericity: Chi-square: 114.24*		

*Significant at zero percentage level.

The narrated six RMO factors explain the RMO variables to the extent of 87.64 per cent. The most important factor is 'trust'. It consists of RMO variables with the reliability co-efficient of 0.8182. The Eigen value and the percentage of variation explained by this factor are 4.1721 and 19.08 per cent respectively. Trust is essentially the belief that an individual will provide what is promised Trust is viewed as a central construct in studies conducted by industrial marketing and purchasing group

The second important factor is 'bonding' since its Eigen value is 3.3963. It also consists of 4 RMO variables with the reliability co-efficient of 0.7368. It is defined as the dimension of a business relationship that results in two parties (Buyer and Seller) acting in a unified manner toward a desired goal found that personal bonding is an important variable in building international marketing relationships.

Communication is identified as the third important RMO factor. It consists of four RMO variables with the reliability co-efficient of 0.7031. The Eigen value and the percentage of variation explained by this factor are 2.9089 and 15.39 per cent respectively. Communication is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers. Anderson and Narus (1990) stress the crucial role communication plays in the formation of co-operation and trust in partnership.

The fourth RMO factor narrated by factor analysis is 'shared value'. It consists of four RMO variables with the reliability co-efficient of 0.7909. The Eigen value and the percentage of variation explained by this factor are 2.3141 and 13.01 per cent respectively. It is defined as the extent to which the agents and customers have beliefs in common about what behaviour, goals and policies are important or unimportant, appropriate or in appropriate, and right or wrong also stress the importance of shared value.

The next important factor identified by factor analysis is empathy. It consists of 4 RMO variables with the reliability co-efficient of 0.6817. The Eigen value and the percentage of variation explained by this factor are 1.6308 and 12.36 per cent respectively. Empathy is defined as seeking to understand somebody else's desires and goals. Berry et al. used the dimension of empathy in developing SERVQUAL test. Past studies indicate that empathy plays a major role in building and maintaining business relationship in the Chinese context

The last factor identified by factor analysis is reciprocity. It consists of three RMO variables with the reliability co-efficient of 0.6233. The Eigen value and the percentage of variation explained by this factor are 1.0861 and 10.11 per cent respectively. Links of reciprocity to relationship marketing have been indicated by Houston et al. as a basis for the interface between exchange transactions and marketing activities. Reciprocity can be summarized as three inter-related aspects of social interaction between two individuals; bilateral contingency, interdependence for mutual benefit and equality of exchanged values Factor analysis results in six important RMO factors for further analysis.

Relationship Marketing Orientation among the Agents

Relationship marketing orientation among the agents is examined with the help of the above-mentioned six RMO factors. The score on the six RMO factors is drawn from the mean score of the RMO variables in each RMO factor. It is calculated among the agents in public and private sectors separately. Regarding relationship marketing orientation, the significant difference between the three groups of agents is examined with the help of 'F' test.

Table 3 Relationship Marketing Orientation (RMO) among the Agents

Sl. No.	Factors in RMO	Mean score among the agents in			F-tests
		Group A	Group B	Group C	
1.	Trust	3.0614	3.8683	3.9291	3.3342*
2.	Bonding	2.9617	3.7412	3.7563	3.1749*
3.	Communication	2.8142	3.1673	4.0940	1.2331
4.	Shared value	3.0469	3.9441	4.0801	3.0686*
5.	Empathy	2.5684	2.7808	3.9089	3.4549
6.	Reciprocity	3.0149	3.8184	3.8064	3.8681*

* Significant at five per cent level.

The highly perceived RMO factors among the agents in Group-A is trust shared value and reciprocity since their mean scores is 3.0614, 3.0469 and 3.0149 respectively. Among the group B agents, these RMO factors are shared value and trust since their mean scores are 3.9441 and 3.8683 respectively. Among the group C agents, these factors are communication, shared value and trust since their respective mean scores are 4.0940, 4.0801 and 3.9291. In total the group C agents is better in five factors of RMO than their counterparts. Regarding the implementation of RMO, the significant difference among the three group of agents have been identified in the case of trust, bonding, shared value and reciprocity since the respective 'f' statistics are significant at five per cent level.

Association between the Profile of Agents and their Perception on RMO

The profile of the agents may be associated with the perception of RMO factors among them. In order to find out such association, a one way analysis of variance was executed. The included profile variables are gender, age, marital status, level of education, occupational background, and family income, nature of work, years of experience, independency in agency work, other business and personality index. The rate of implementation is examined at six different dimensions. The results are shown in Table 4

Table 4 Association between Profile of Agents and their RMO

Sl. No.	Profile	F-Statistics					
		Trust	Bonding	Communication	Shared Value	Empathy	Reciprocity
1.	Gender	2.9193	3.0114	2.2171	3.9697*	2.0891	3.1782
2.	Age	2.4568*	1.3842	2.6872*	1.5942	2.1442	2.6069*
3.	Marital status	2.0811	2.1433	2.8611*	2.3549	1.3396	2.6909*
4.	Level of education	2.3443*	2.0669	2.7332*	1.8684	2.1739	2.3994*
5.	Occupational background	2.2691*	1.8684	1.3342	2.7179*	2.4546*	1.3344
6.	Nature of work	3.9194*	4.2163*	2.9691	3.1144	3.8646*	2.3641
7.	Years of experience	2.4508*	2.8611*	2.7141*	2.0768	1.4546	2.1617

*Significant at five per cent level.

Regarding the perception of trust, the significantly associating profile variables are age, level of education, occupational background, nature of work and years of experience, since their respective 'F' statistics are significant at five per cent level. It means that the above said profile variables have a significant association with the implementation of RMO factor namely 'trust'.

The significantly associating profile variables in the perception on 'bonding' are family income, nature of work and years of experience. Regarding the implementation of

communication, significant difference among the agents are found when they are classified on the basis of their age, marital status, level of education, family income and years of experience.

Regarding the perception of shared value, the significantly associating profile variables are gender and occupational background since the respective 'F' statistics are significant at five per cent level. In the case of perception of empathy, significant differences among the agent are noticed when they are classified on the basis of occupational background and nature of work. Regarding the perception of reciprocity, the significantly associating profile variables are age, marital status and level of education.

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