Creating an Empirical Model of the Effect of Relationship Marketing Strategy on Customer Loyalty Case Study: Insurance Firms in Iran

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Abstract

To understand the mechanism of how loyalty programs can work effectively, this paper creating an empirical model of the effect of relationship marketing strategy on customer loyalty. The findings indicated that the relationship marketing positively related to the customer loyalty both toward the programs themselves and the stores. So, our population statistical is customer of insurance firm in Iran and the amount of sample according to Cochran formula is 140 person. For testing the data, we use from SPSS 19 with correlation and regression, according to finding all of the hypothesis are accepted.

1.Introduction

Loyalty has become important over the past few years because of increased competition within respective industries. Companies infer "loyalty" to have a similar meaning and have developed strategic marketing and advertising efforts around creating a connection between the company and its customers. Within the hospitality industry, the number of accommodation choices from which customers can choose cannot be any more apparent. In realizing the ongoing competitiveness that is to occur within the industry, many hotel corporations have shifted their focus to relationship marketing, particularly through the concept of loyalty. With the increased bargaining power consumers are obtaining, hotel corporations are realizing the key to their success will be to foster strategic relationship marketing efforts, particularly through the usage of loyalty measures. Customer retention is very important because of business competitive environment. Thus, a marketing expert to give heed to RM and its tactics. Nowadays, salesman strives not only to provide high-quality goods and services but also to retain loyal customer due to long-time profitable (Day, 2000). Gruen (1997) notes that relationship marketing is a strategy that promises "the systematic development of ongoing, collaborative business relationships as a key source of sustainable competitive advantage. An organization must prizes to customer propensity for a valuable goods and services in order that attracting its loyalty and satisfaction. Therefore, RM can be considered as main point in planning marketing. Previous researchers play up to RM as one manner for developing and cultivating long-term beneficial relationship mutually (Barnes, 1997; Dwer et al. 1987; Ganesan, 1994; Garbarino and Johnson, 1999; Morgan and Hunt, 1994). For a company, it is important to establish a heartfelt relation with customer, worker, supplier, distributor, intermediate, and retailer. Thus, relationship capital of any company is having a complex of knowledge, experience, and place confidence on their customer, worker, supplier, and distributor. The value of this relationship is more worthwhile than physical assets and, thus, it will identify company value in the days of next (Kotler, 2001).The RM leads a vast change on marketing opinion from a competition to a mutual co-working because it to give heed to co-working among supplier, worker, distributor, intermediate, and retailer for presenting the best value to target customer. This study contributes two aspects of marketing strategy literature as it will be a guideline for a manager to accent to RQ in orderthat beget sustainable and indissoluble trade. Firstly, it will provide theoretical and empirical insight by orienting to create a loyal customer. Secondly, despite the fact that RM may lead to promotion of long-term relation as it is acknowledged widely (Richheld, 1993; Fontenot and Hymon, 2004; Shelbay et al., 2006; Gummesson, 1994; Tseng, 2007), many firms don't know its role and result. Therefore, an organization always will doubt that whether relationship marketing tactics will cause loyalty or not? If yes, which method(s) can simplify and fortify loyalty? Therefore, one of the major objectives of this research was to investigate increase the information about the role and result of RM tactics on customer loyalty through RQ mediation. Literature was documented the importance of the marketing, research and development (R&D), sales, and manufacturing interface (Leenders and Wierenga, 2008).

1-2 Customer Loyalty

Loyalty is an ancient word that explains having a deep commitment for a country, clan, yokefellow, and friend. Loyalty had penetrated to marketing science literature via "Brand Loyalty". However, in marketing literature, customer loyalty has been defined in this way: a customer deep commitment to purchase or to patronize for a product or a service frequently in future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999). From Kotler's (2003) point of view, a company need do discriminatory behavior between their customers

(regular and non-regular) to create loyalty. These customers have earn most advantage from company suggests. Nonetheless, every company should goal setting to create loyal customer, but loyalty have never be so strength that customers do not accept those competitor suggestion that have more value (Kotler, 2003).

1-1-2 Impact of Satisfaction on Customer Loyalty
Satisfaction is a pursuit hoteliers must continually strive to meet with the guests of its property or company. Taylor, Celuch, & Goodwin (2004) show that satisfaction has a direct influence on customer loyalty. Mittal & Lassar (1998) discussed how satisfaction has been proven to directly affect loyalty. They further analyzed this impact by discussing the importance of looking at satisfaction and service quality together as they related to customer loyalty and likeliness to return. They stated "satisfaction" alone only tells whether the customer is satisfied or not. However, when measured with "quality", there is greater ability to determine what aspects of service are below par and need improvement as they relate to guest satisfaction. Karatepe (2005) took the same measurement approach as Taylor, Celuch, & Goodwin (2004), and other researchers just mentioned. Skogland & Siguaw (2004) measured the degree to which satisfaction influenced loyalty. These two particular researchers felt the degree to which the customer was involved in the purchase decision had a strong effect on the propensity to switch service providers. They measured this impact by using the confirmation-disconfirmation and comparison-level theories. The satisfaction antecedents used included service quality, product quality, price, and location

2-1-2 Impact of Perceived Quality on Customer Loyalty
Zeithaml (1988) defined perceived quality to be "The consumer's judgment about an entity's overall excellence or superiority." Antony, Antony, & Ghosh (2004) believed service quality to be so intangible that objective measurement is impossible. To improve service quality, increase relationship marketing and the overall loyalty of guest patronization, it will be important to narrow the gap between appearances and perceptions. In order to alleviate this deficiency, it is vital to consider both functional and technical quality as they both impact overall service quality. Several major developments over the past few decades will assist with performing this measurement. One particular development is (service quality) SERQUAL, a measurement tool covering the areas of tangibility, reliability, responsiveness, assurance, and empathy (Kang, Okamoto, Donovan, 2004). Through the usage of SERQUAL, it is believed that assessment of service quality and also customer-contact can increase expected value provided to the guest. Gold (2005) stated in "What Inspires Loyalty today?" that "…pleasant surprises… [with the] proactivity of service above and beyond… [will] stick in the mind of guests and drive loyalty" (p. 2). McCain, Jang, & Hu (2005) discussed how service quality plays an important role in the assessment of customer loyalty. Antony, Antony, & Ghosh (2004) also stated service quality as being linked to customer satisfaction and customer loyalty. The researchers measured this impact by looking at tangible and intangible elements of service through technical and functional quality.

3-1-2 Impact of Perceived Value on Customer Loyalty
In the realm of perceived value, an excerpt written by Brady & Cronin (2001, p. 243) stated, "Customers' value perceptions seem to drive their future behaviors such as repurchase intent and word-of-mouth referrals." They also proposed that consumers' affective responses were directly related to perceived value in highly experiential service settings. Zethaml (1988) defined perceived value as "the consumer's overall assessment of the utility of product based on perceptions of what is received and what is given. Oliver (1999) asserted that "value" is a unique construct stemming from both satisfaction and quality, also outcome variables such as loyalty. From a measurement standpoint, Bojanic (1996) asserted that a firm's value can change if the firm changes what it is doing. When it came to pricing, Danziger, Israeli, & Bekerman (2006, p. 2) stated, "Many firms establish prices based on internal costs." They further stated that this, what can be considered a "cost incurred vs. price offered measurement," does not assist hotels with being able to attract customers. A final pricing strategy should combine a supply side focus with the value customers place on its offerings. This is based on the evaluation of strategic assets (corporate affiliation, brand name, firm size). By conducting this evaluation, Danziger, Israeli, & Bekerman (2006) believed that firms may signal strategic assets to target audiences to justify a reason for paying a premium price, to generate above average returns, and to form the basis of sustained competitive advantage

4-1-2 Impact of Membership Programs on Customer Loyalty
From a non-theoretical perspective, hotels have given considerable focus to the impact customer loyalty programs have on guest retention within the company. Virtually every hotel corporation has developed and implemented a loyalty membership program to foster this connection with its guests. Various services, amenities, and other offerings are provided to meet the demands and preferences guests have in regards to their membership. Although loyalty programs provide benefit to hotel corporations through their offerings, a concern was raised as regard "true" loyal customers. Baloglu (2002) endeavored to separate "friends" from "well wishers." The

researcher focused on determining whether frequent guests were truly loyal by assessing both guests' attitudes and their actions. He classified the "dimensions of customer loyalty" as being low, latent, spurious, and true loyalty. In terms of effectiveness, Lal & Bell (2003) alluded to the fact that few studies shed light on the return obtained from loyalty programs. Dowling & Uncles (1997, p. 71) concluded that "given the popularity of loyalty programs, they are surprisingly ineffective." In the assessment of this study, it is very important to measure guests' perspective on the usage and their dependence on membership programs.

2-2 Relationship marketing
- **Trust :** trust is a phenomenon that strengthens organizational relation. Asuncion believes in that researches about marketing could be divided into four categories (upward trust, mutual trust, lack of trust and downward trust based on their orientation toward trust subject.(goran,2001)
- **-Commitment:** commitment is a helpful tool for measurement probability of customers' future purchases. Commitment is also known as sum of normal internalized stresses for doing activities so that to realize organizational goal and interests.
- **Communication**: communication comprises process of sending information from a person to another and comprehending it by receiving person that is to transfer and sharing in thought; ideas and realities so that the receiving person can find and comprehend it. is the delivering of a message or information, through various methods, from one individual or group to another (Bosch, Tait & Venter 2006: 543; Lages, Lages, Lages 2005; Joiner 1994: 124). Word of mouth (Kotler, Armstrong & Tait 2010: 431) and marketing communication (Elliott 2009: 274–277) are also regarded as methods of communication to and from clients. Communication is a tool in relationship marketing to present the information i.e. one that can be trusted on it and introducing updated information about the problems concerning to quality and doing commitments. according to above, we can create the below model:
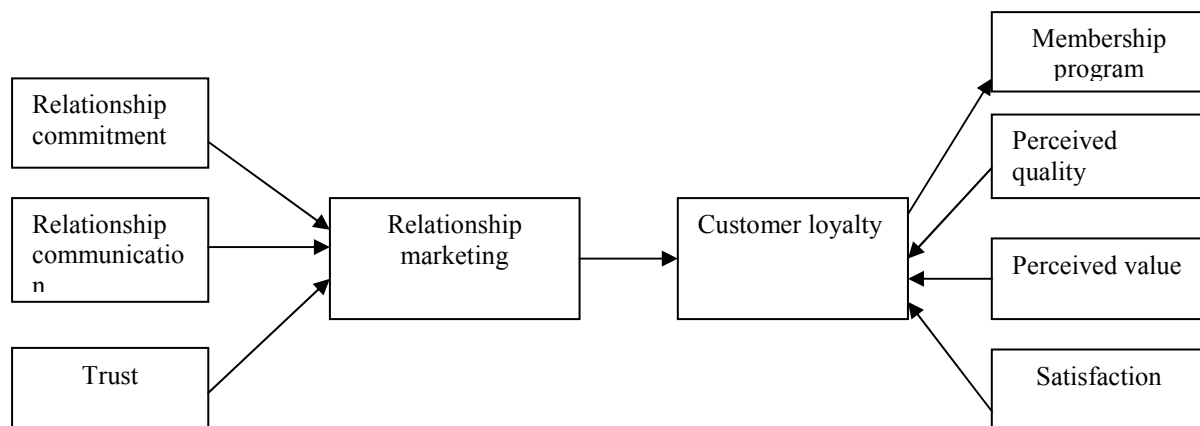

Figure 1: conceptual model

3.Research methodology
This study is descriptive-survey research that in the following stages to describe the effective factors that associated with loyalty programs. And for gathering data, we use five-item questionnaire whit likert scale. The reliability of the questionnaire is 0.886 in cronbach alpha.

Table 1:the reliability of the variables

Satisfaction	Perceived value	Perceived quality	Membership program	Trust	Communication	commitment	Variables
0.89	0.86	0.82	0.88	0.743	0.75	0.78	Cronbach alpha

3-1 Demographic characteristics
Table 2 gives information on the demographic characteristics of consumers. Majority of the respondents were females constituting 50%, and males constituted 50%. The table also shows that majority of the consumers were within the ages of 21 - 30 years (65%), while 25% representing 102 consumers were within the ages of31-40, and 8% under 20 years, and also just 2% between 41 to 50. Information on the education of consumers depicts that 49% had bachelor education, 6% had primary school education, 37 % had post-primary education, and 8%

had Phd education, while 6.8 had postgraduate qualifications.

Table 2: demographic characteristics of consumers

Demographic	category	percentage	Count(n)
Gender	Male	50%	60
	Female	50%	60
AGE	Under 20	8%	2
	21-30	65%	100
	31-40	25%	10
	41-50	2%	2
	Upper50	0%	0
Education	Bachelor	49%	90
	Primary	6%	4
	school education		20
	Post-primary education	37%	
	phd		
		8%	6

4. Research design and sample selection

The statistical population of this study is customer of insurance firms and factories in various classes of multiple areas of Tehran. Sample size is 140 clients.

Sample formula= $n = (z^2 * a/2 * s^2) / 4^2 = (1.96^2 * 0.131)/0.06^2 >= 140$

5.hypotheses

Table3: the measure component of our variables

Hypothesis number	Research construct	Measure component	x
H1	Membership program	Customer club and like that……	0.78
H2	Perceived quality	tangible and intangible elements of service through technical and functional quality.	0.55
H3	Perceived value	corporate affiliation, brand name, firm size	0.83
H4	satisfaction	service quality, product quality, price, and location	0.75
H5	trust	Mutal relationship	0.93
H6	communication	Coordination, the feel of importance , provide information	0.86
H7	commitment	tool for measurement probability of customers' future purchases and etc.	0.88

6. data analyses

Table4: the result of our hypothesis

hypotheses	Independent variables	Dependent variable	R	R²	F	Sig	result
H1	Relationship marketing	Loyalty program	0.631	0.398	81.394	0.000	**Accepted**
H2	Commitment	Loyalty program	0.744	0.553	152.092	0.000	**Accepted**
H3	Communication	Loyalty program	0.436	0.190	28.804	0.000	**Accepted**
H4	Trust	Loyalty program	0.529	0.280	47.800	0.000	**Accepted**

As mentioned before, based on a comprehensive survey of the literature, seven hypotheses were developed in this study. According to the statistical analysis of hypotheses examined the correlation between the variables in all of the hypotheses were confirmed. With the difference that the dependent variable intensity and the effect of independent variables on them. And as you can see the most important variable is trust and communication .

7.Conclusion

Our research results were briefly illustrated by Figure1 . The nature of relational system is sensible and obvious on management and customer attitudes and, moreover, a manager not only will not neglect but also will have positive viewpoint about relationship issue in marketing. The data from this research showed that, the RQ did not play essential role to create a loyal customer and the RM tactics have influence on loyalty several times as much as RQ does. show that using the factors of motivating had a great effect in retaining a customer and creating a loyalty in competitive environments such as Insurance Institute. Because the RM tactics will be identified and presented rapidly by rivals, therefore, positive potential of this tactics do not is perpetual; thus, prospect is that this factor will convert to motivating factor after a while. A customer reacts to changeable factors such as price, service quality and quantity, advertisement, image and so on; thus, will be acquainted by communicating with one another and other representations. Therefore, the creating and optimizing of RQ concept rapidly and accurately is necessary. In other words, only by identifying valid factors to create and keep a loyal consumer, a company will impart from the RQ effects. The results presented in this research provide empirical evidence for us to understand the mechanism of the loyalty scheme effectiveness. A well-designed structure of a loyalty program can have a positive impact on the customer loyalty, both in terms of program loyalty and retailing store loyalty.

However, it is also important in the stage of implementation and operation as well. As shown in the results, the customer satisfaction with the organization execution was positively related to both program loyalty and relationship marketing . Additionally, the mediating effects of program satisfaction can also explain the reason why and how the relationships between the program's perceived value and customer loyalty took place. We can conclude that if members are not satisfied with their loyalty programs, they will not be a loyal customer. In that case, the companies will waste their investments in the loyalty program adoption. As presented in the literature review, there are a number of relevant factors to be considered when we attempt to make a program fully effective. Future research may explore and examine several groups of factors simultaneously, as we have conducted only parts of them (i.e. Design- Implementation-Customer Loyalty) in this present research.

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