

# Does customer satisfaction Mediated the Relationship between Relationship marketing and altitudinal loyalty

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## Abstract:

This paper aims to at investigating the impact of marketing relationship on customer satisfaction and loyalty towards the Sheikan Insurance Company - Branches in Khartoum State., the design of this research is descriptive and quantitative in nature. The target population for the study is the customer of Company were used as the sampling frame. A total of 450 questionnaires were distributed. 441 questionnaires were returned. Statistical analysis revealed that there is significant relationship between Relationship marketing and altitudinal loyalty. Future research can investigate relationships identified in this work, as well as test out mediating relationships. This study will provide better information as input to government policy makers, who responsible for services development, to encourage the insurance companies' use of relationship marketing to benefit key stakeholder interests.

**Keywords:** Relationship marketing, altitudinal loyalty, satisfaction

المستخلص:

تهدف هذه الورقة العلمية لدراسة أثر التسويق بالعلاقات على رضا العملاء وولائهم بشركات التأمين بالسودان . طبيعة تصميم هذه الدراسة وصفية وكمية. أستخدمت هذه الدراسة عملاء شركة شيكان للتأمين مجتمعاً للدراسة. تم توزيع ما مجموعه 450 استبيان و تم جمع 441

منها بعد تعبئتها. أظهر التحليل الإحصائي أن هناك علاقة واضحة جدا بين التسويق بالعلاقات والولاء وفقا لمواقف العملاء. يمكن أن تدرس البحوث المستقبلية العلاقات التي توصلت لها هذه الدراسة كما يمكن أن تختبر العلاقة الوسيطة. تقدم هذه الدراسة معلومات أفضل كمدخلات لواعي السياسات الحكومية المسئولون عن خدمات التنمية لتشجيع شركات التأمين على استخدام التسويق بالعلاقات كمدخل تسويقي من أجل الشركاء الرئيسيين .

### كلمات مفتاحية:

التسويق بالعلاقات، التسويق الموقفي ، رضا العملاء .نوع الورقة: ورقة بحثية .

**Paper type:** research paper

## 2 Introduction:

Relationship marketing, with its ability to build loyal customers (through better understanding and serving of customers' needs), can lead to cost reduction. Since the cost of serving one loyal customer is less than the cost of attracting and serving one new customer a firm can reduce marketing, distribution and logistics costs and thereby gain low-cost competitive advantage and low cost service differentiation. Although there is a long list of benefits associated with relationship marketing, little is understood about the actual direct and indirect influences of the underpinnings of relationship marketing on customer loyalty from empirical evidence especially in Sudan.

Therefore, the objectives of this research include: to understand the impact of the underpinnings of relationship marketing on customer trust and relationship quality; to evaluate the relationship between trust, relationship quality and customer loyalty; and to examine the indirect influence of the underpinnings of relational marketing on customer loyalty through trust and relationship quality. (Ndubisi, Wah, & Ndubisi, Supplier-customer relationship management and customer loyalty The banking industry perspective, 2007).

## 3 Literature Review and theoretical background Relationship marketing

The concept of relational marketing has emerged within the field of service marketing and industrial marketing. The phenomenon described by this concept is strongly supported by on-going trends in modern business (Webster, 1992). Berry (1983) viewed

relationship marketing as a strategy to attract, maintain and enhance customer relationships.(Ndubisi, Wah, & Ndubisi, Supplier-customer relationship management and customer loyalty The banking industry perspective, 2007).

Relationship marketing involves creating, maintaining, and enhancing strong relationships with customers and other stakeholders. Relationship marketing is orientated to the long term. The goal is to deliver long-term value to customers, and the measure of success is long-term customer satisfaction. Thereby relationship marketing is about retaining customers by improving communications, customer data collection. In other words, a key objective is to foster customer loyalty, which Oliver (1999) defined as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior. (Caceres & G. Paparoidamis , 2007)

**Trust:** Moorman et al. (1992) define trust as a firm's willingness to rely on an exchange partner in whom one has confidence. Trust in the business relationship involves belief that partners will fulfill their promises and also they will perform positive outcomes. Trust represent perception of credibility and kindness of an organization or person.(Ndubisi, Wah, & . Ndubisi, Supplier-customer relationship management and customer loyalty The banking industry perspective, 2007)

### **Commitment:**

Relationship commitment is also an important component of relational exchanges. It is defined as an enduring desire to maintain a valued relationship, Research suggests that relationship commitment is at the core of all successful working relationships and that it is an essential ingredient in successful long-term relationships, including supplier-buyer relationships (Anderson and Narus, 1998). In the relationship marketing literature, the concept of commitment plays a central role, as it is a major characteristic of relationship marketing models. Commitment refers to an implicit or explicit pledge of the continuity of a relationship between

exchange partners (Dwyer et al. 1987). As Scanzoni (1979) stated commitment is the most advanced phase of partners' interdependence.(Alrubaiee & Al-Nazer, 2010).

### **Communication:**

Communication is also considered an important aspect of successful relationships (Morgan and Hunt, 1994). Anderson and Narus (1990) describe communication as formal as well as informal sharing of meaningful and timely information between firms". Empirical evidence suggests that communication increases the level of trust between partners. In general, communication helps build trust by providing partners with a mechanism that can be used to resolve disputes. In addition, it improves partners' ability to align their expectations and perceptions. Communication is an indispensable attribute in successful alliances and has thus been described as a core competence in alliance building noted that communication among boundary-spanning personnel produces a shared interpretation of expectations and goals, and a common understanding of the processes and responsibilities necessary to achieve those goals.(Alrubaiee & Al-Nazer, 2010).

### **Conflict handling:**

refers to the supplier's ability to minimize the negative consequences of manifest and potential conflicts, Conflict handling includes the supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems and the ability to discuss openly, solutions when problems arise. How conflicts are handled will ensure loyalty, exit or voice..(Ndubisi & Wah, Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction, 2005).

### **Customer loyalty**

The first concept of loyalty appeared in 1940s. In its first day's loyalty was proposed as a uni-dimensional construct, which was connected to the measurement perspective taken by the re-



searcher two split loyalty concepts evolved. That is to say, “brand preference” (Guest, 1944, 1955) which was later referred to as attitudinal loyalty and “share of market” (Cunningham, 1956), which was afterward referred to as behavioral loyalty. In the 1960s and 1970s, customer loyalty was approached mainly from a behavioral standpoint. In (1978) Jacoby and Chestnut focus on interpreting patterns of repeat purchasing in mainly board data as a demonstration of loyalty. (Seni’c & Marinkovi’c, 2014). Loyalty is usually defined as a customer’s intention to provide exclusive benefaction to a particular product or service above a continued period of time. Initially, more attention was given to the behavioral component,(Miguel Moliner 2009). Moreover, Loyalty is usually puzzled with repeat purchase behaviour. Nevertheless, from the conceptual point of view, repurchase is no more than a demonstration of loyalty, jointly with word-of-mouth communication (Oliver, 1999). (Ehigie & Taylor, 2009)

The attitudinal constituent of loyalty can be viewed as the level of unremitting favorable temperament to some value connected with the brand or the company (Dick & Basu, 1994; Han & Back, 2008). While the behavioral constituent exists when customers repeatedly purchase the same brand or from the same company (Sonmez & Graefe, 1998) cited in (Seni’c & Marinkovi’c, 2014). (Bowen & McCain, 2014)

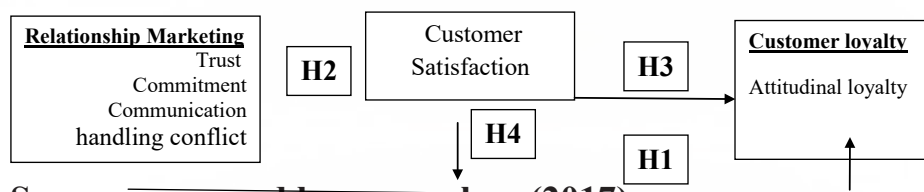
### **Customer satisfaction**

Satisfaction is “a person’s feelings of pleasure or disappointment resulting from comparing perceived products’ performance (or outcome) in relation to his or her expectations”. Authors elaborate that customer is dissatisfied if expectations are not fulfilled by the performance; satisfied in case the performance matches customer’s expectations; and delighted or highly satisfied if his expectations are exceeded by the performance (Kotler and Keller, 2012).(Keller, 2012)

Satisfaction leads to attitudinal loyalty. Defined as the intention to make future purchases, it is assumed that attitudinal loyalty is a necessary implication of satisfaction. Satisfaction is defined as an emotional post-consumption response that may occur as the result of comparing expected and actual performance or it can be an outcome that occurs without comparing expectations (Oliver 1996). Therefore, satisfaction as a result of the disconfirmation of expectations can be labelled evaluative satisfaction whereas satisfaction as an outcome of nonrational processes can be labelled emotion-laden (Cronin, Brady and Hult 2000). (Bennett & Thiele, 2004).

### Frame work of study:

**Figure 4.1 Conceptual Framework**



Source: prepared by researcher, (2017)

### 4 Hypotheses of study

Developed sub hypotheses from first hypotheses as follows:

#### 4-1 Relationship between relationship marketing (trust, commitment, communication, handling conflict) and attitudinal loyalty

- H1.1 There is a positive relationship between trust and attitudinal loyalty.
- H1.2 There is a positive relationship between commitment and Attitudinal loyalty.
- H1.3 There is a positive relationship between communication and Attitudinal loyalty.
- H1.4 There is a positive relationship between handling con-

fictand Attitudinalloyalty.

#### **4-2 relationship between relationship marketing (trust, commitment, communication, handling conflict) and Satisfaction**

Hypothesis 2: There is a positive relationship between relationship marketing (trust, commitment, communication handling conflict) and Satisfaction.

- H2.1 There is a positive relationship between trust and Satisfaction
- H2.2 There is a positive relationship between commitment and Satisfaction.
- H2.3 There is a positive relationship between communication and Satisfaction.
- H2.4 There is a positive relationship between handling conflict and Satisfaction.

#### **4-3 relationship between Satisfaction and attitudinal loyalty**

Hypothesis 3: relationshipbetweenSatisfaction and attitudinal Loyalty

- H3.1 There is a positive relationship between Satisfaction andattitudinal loyalty.

#### **4-4 Satisfaction Mediating the Relation between Relationship-Marketing and Loyalty**

Hypothesis 4 Satisfaction mediating relationship between Relationship marketing and attitudinal Loyalty

- H 4.1 Satisfaction mediating the relationship between trust and attitudinalloyalty
- H4.2 Satisfaction mediating the relationship between commitment and attitudinal loyalty.
- H4.3 Satisfaction mediating the relationship between communication and attitudinal loyalty
- H4.4 Satisfaction mediating the relationship between handling

conflict and attitudinal loyalty.

## 5- Research Methodology

### 5-1 Sample and data collection

This study collect data for testing the hypotheses via questionnaire survey of the unit of analysis in this study was insurance clients, where quota sampling and self-administrated survey was used to distribute 450 questionnaires. A professional translation to questionnaire was firstly conducted from English into Arabic and back to English. Subsequently, a number of researchers in the same field assessed the correctness and the clearance of questions and measurement items. Several alterations to question wording, modification of items, as well as the format and esthetics of the questionnaire were made for clarity. (Sekaran, 1992).

### 5-2 Descriptive Statistics

Table (6-1) Descriptive Statistics

	N	Mean	Std. Deviation
Trust	303	4.2401	.58001.
Communication	303	4.2079	.54712.
Commitment	303	4.2860	.55820.
Handling Conflict	303	4.2360	.60044.
Attitudinal Loyalty	303	4.0198	.78454.
Customer satisfaction	303	4.2099	.60530.

**Note:** All variables used a 5-point likert scale (1= strongly disagree, 5= strongly agree)

**Determinants of Descriptive Statistics** The table reveals that the Commitment is greater than 4.0 (mean=4.2860, standard deviation=.55820), followed by Trust equal (mean=4.2401, standard deviation=.58001).



**Table (5-2) Psychometric Properties of Relationship Marketing**

	CR	AVE	MSV	Max-(R(H	Trust	Communica- tion	Commit- ment	Han- dling Conflc
Trust	0.860	0.606	0.519	0.866	<b>0.779</b>			
Communica- tion	0.813	0.521	0.467	0.816	***0.683	<b>0.722</b>		
Commit- ment	0.839	0.636	0.519	0.844	***0.720	***0.614	0.797	
Handling Conflc	0.752	0.603	0.374	0.767	***0.593	***0.612	***0.570	0.777
Attitudinal Loyalty	0.856	0.751	0.930	0.357				
Customer satisfaction	0.866	0.567	0.882					

**Significance of Correlations:** †  $p < 0.100$  \*  $p < 0.050$  \*\*  $p < 0.010$   
\*\*\*  $p < 0.001$

The convergent validity of the construct of relationship marketing has been assessed through standardized factor loadings, AVE and CR. Table 4.6 reveals that standardized factor loadings for all items were above the suggested cut-off of 0.50 (Hatcher, 1994), with a minimum of 0.51, and were all significant at 1% level of significance. The AVE meets the criterion of .50. High score of CR (i.e.0.7) confirms the internal consistency of the scale items.

### **Mediation of customer satisfaction on the Relationship between Marketing relationship (Multi-dimensional) and Customer Loyalty**

To assess the mediate of **customer satisfaction** in relationship between **Marketing relationship (Multi-dimensional) and Customer Loyalty**, structural equation modeling has been employed and a measurement model of these constructs has been assessed. Figure .... Reveals that reflective indicators have been used for the measurement of latent constructs and non-causal relationship has been studied among different constructs, by drawing path.

**Table (5-3) Model Fit Indices and Path Coefficients of Marketing relationship (Multi-dimensional) and Customer satisfaction**

Measure	Estimate	Threshold	Interpretation			
CMIN	318.204	--	--			
DF	125	--	--			
CMIN/DF	2.546	Between 1 and 3	Excellent			
CFI	0.931	0.95<	Acceptable			
SRMR	0.053	0.08>	Excellent			
RMSEA	0.072	0.06>	Acceptable			
PClose	0.000	0.05<	Terrible			
			Estimate	.S.E	.C.R	P
Customer satisfaction	--->	Trust	273.	088.	3.093	002.
Customer_satisfaction	--->	Communi- cation	266.	101.	2.623	009.
Customer_satisfaction	--->	Commit- ment	018.	083.	212.	832. NS
Customer_satisfaction	--->	Handling_ Conflic	206.	079.	2.626	009.

### 5-3 Mediation of customer satisfaction on the Relationship between Marketing relationship (Multi-dimensional) and Customer Loyalty

To assess the mediate of customer satisfaction in relationship between Marketing relationship (Multi-dimensional) and Customer Loyalty, structural equation modeling has been employed and a measurement model of these constructs has been assessed. Figure .... Reveals that reflective indicators have been used for the measurement of latent constructs and non-causal relationship has been studied among different constructs, by drawing path.

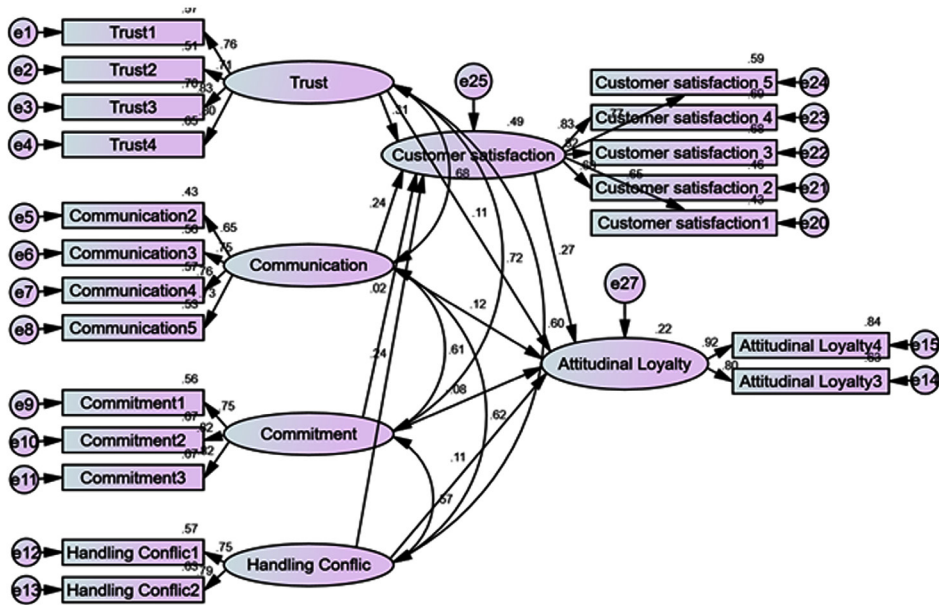


Figure 5-1: The Standardized Path Coefficient for mediations

The structural model reveals the same value of model fit shown in Table ...., all the model fit indices for the structural model were not only significant but remain same as in the measurement model. The low index of R square in model one just equal (.49) and middle in model two equal (i.e. 0.22) justifies the underlying theoretical model.

**Table (5-4): The model fit estimates for structural model with the mediator**

Measure	Estimate	Threshold	Interpretation
CMIN	379.650	--	--
DF	155	--	--
CMIN/DF	2.449	Between 1 and 3	Excellent
CFI	0.928	0.95<	Acceptable
SRMR	0.052	0.08>	Excellent
RMSEA	0.069	0.06>	Acceptable
PClose	0.000	0.05<	Terrible

### 5-4 The results for direct effects without mediator

Table (6-5) shows the estimates to be extracted to check for direct effects without mediator after establishing model fit. The process is done by observing standardized regression weights and regressions weights in Table. The significant relationships (i.e. based on p-values and the estimates) are extracted to explain the direct effects without mediator as shown in Table: These are compared with direct effect results when the mediator is added on.

**Table (5-5) the standardized regression weights for path model without mediator**

			Esti- mate	.S.E	.C.R	P
Customer_satisfac- tion	--->	Trust	272.	088.	3.085	002.
Customer_satisfac- tion	--->	Communi- cation	264.	101.	2.602	009.
Customer_satisfac- tion	--->	Commit- ment	017.	083.	204.	838.
Customer_satisfac- tion	--->	Handling_ Conflic	210.	078.	2.687	007.
Attitudinal_Loyalty	--->	Trust	146.	158.	925.	355.
Attitudinal_Loyalty	--->	Communi- cation	194.	180.	1.078	281.
Attitudinal_Loyalty	--->	Commit- ment	118.-	148.	799.-	424.
Attitudinal_Loyalty	--->	Handling_ Conflic	151.	140.	1.075	282.
Attitudinal_Loyalty	--->	Customer_ satisfaction	412.	147.	2.809	005.

\*\*\* Significant at .05 level \*\* Significant at .01 level NS Not Significant

### The mediation tests: indirect effects using the bootstrap approach

The indirect effects using the bootstrap approach (Bollen and Stine, 1990, Preacher and Hayes, 2004, Shrout and Bolger, 2002)

it's different from Baron-Kenny (1986) approach. The evidence is shows in the next Table.

**Table (5-6): The standardized indirect effects-two tailed significance**

	Handling_Conflic	Commitment	Communication	Trust
Customer satisfaction	...	...	...	...
Attitudinal Loyalty	053.	814.	027.	020.
Result of mediation	No mediation	No mediation	Partially Mediation	Partially Mediation

## 6- Recommendations and Discussion

There are some implications for practitioners in relation to customer relationship marketing. First, insurance companies which desire to have a good quality relationship with customers should insist that their managers and staff act trustworthily, show strong commitment to service, show signs of competence, communicate efficiently and reliably, and handle conflicts satisfactorily. These qualities must be measured in the customers' eyes, not with insurance companies' yardstick. Second, management should establish effective commitment, communication, trust, competence, and conflict handling strategies based on the list of items that constitute these variables. By applying these dimensions, which have been rated highly and lowly by customers with high and low perceptions of quality relationship respectively, an effective intervention can be designed to maintain the perceptions of the former group of customers and to enhance the perceptions of the latter. The results of the second stepwise discriminant analysis for customer satisfaction show that six dimensions discriminate between



high and low levels of customer satisfaction. The four dimensions include the three underpinnings of relationship marketing. The results show that all the dimensions have high structure correlations with significant results and trust discriminating most. The mean values for all predictor variables are significantly higher for satisfied customers compared to those who are not. Consequently, the variables, communication, commitment, conflict handling and trust, all show significant results indicating that these variables are strong discriminants. This leads to the conclusion that insurance companies have high trust with customers will end up with more satisfied customers. Insurance companies that are committed, and trustworthy, insurance companies that communicate timely and accurately and those that are skilled in conflict handling will create greater satisfaction among customers.

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