

The impact of Relationship marketing on behavioral loyalty

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Abstract:

This paper aims to at investigating the impact of marketing relationship on 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 was 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.

Keywords: Relationship marketing, altitudinal loyalty

Paper type: research paper

Introduction:

Increasingly, marketing issues such as rapid customer turnover and the effects of discontinued customer relationships have become critical for many businesses. Growing competition, coupled with industry maturity and recessionary pressures, mean that organizations cannot totally depend on new customers to take the place of lost customers. Customer attraction but not customer retention is at the heart of transaction marketing exchanges which develop, sell and deliver products by means of short-term, discrete economic transactions. (Thao & Swierczek, Internet use, customer relationships and loyalty in the Vietnamese travel industry, 2008).

Business practitioners have mainly been advised to strengthen ties between their firms and the customers. More specifically, this relationship was encouraged in marketing perspectives. When relationship marketing first emerged, some people considered it as a new fad. Berry (1983) was a pioneer in defining the term “relationship. (Sharifi & Esfidani, 2014).

3 Literature Review and theoretical background Relationship marketing :

Relationship marketing RM emerged in the 1980s as an alternative to the prevailing view of marketing as a series of transactions, because it was recognised that many exchanges, particularly in the service industry, were relational by nature.

Rapp and Collins (1990) argued that the goals of relationship marketing are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides, while Blomqvist et al. (1993) offered the following key characteristics of relationship marketing: every customer is considered an individual Supplier customer relationship person or unit, activities of the firm are predominantly directed towards existing customers, it is based on interactions and dialogues, and the firm is trying to achieve profitability through the decrease of customer turnover and the strengthening of customer relationships.

Relationship marketing activities are critical in the insurance company sector; for instance: To continue to be successful in the corporate sector, small insurance company must invest in the long-term relationship marketing infrastructure to support a customer orientated approach. (Taleghani, Gilaninia, & Mousavian, The Role of Relationship Marketing in Customer Orientation Process in the Banking Industry with focus on Loyalty, 2011).

Kotler and Armstrong’s definition of Relationship Marketing is noteworthy: Scholars have listed key virtues that have been theorized in the relationship marketing literature, for example, trust, commitment, competence, empathy, conflict handling, and communication or sharing of secrets. Other scholars have docu-

mented the following constructs, namely, shared values, bonding, and reciprocity as the underpinnings of relationship marketing. Based on the literature we hypothesized that relationship marketing was a one-dimensional construct consisting of eight underpinnings (namely trust, commitment, communication, conflict handling, bonding, shared values, empathy, and reciprocity) and they have been linked in this study to customer loyalty. (Taleghani, Gilaninia, & Mousavian, *The Role of Relationship Marketing in Customer Orientation Process in the Banking Industry with focus on Loyalty*, 2011).

Trust: In term of business relationship, trust is a tool for buyer and seller to cooperate in the collaborative situation to overcome conflict and build power of each party. Crosby et al., (1990) explain trust emerge when buyer develop an attitude of understanding with seller and belief that they will take action on behalf of Buyer interests. Morgan and Hunt (1994) propose trust is implication of feeling belief and safe in a relationship with result strong commitment of a long term relationship.

Commitment: According to Allen and Meyer (1990) organizational commitment is individual feeling of obligation to stay with the organization as result of internalization process of normative value. Tellefsen and Thomas (2005) modify definition of commitment when it related with exchange relationship between two or more organizations. Commitment in a business relationship is organization feeling of obligation to stay with the business relationship resulting from perceived benefit of each party (Tellefsen and Thomas, 2005). (Setyawan1, Dharmmesta, Purwanto, & Nugroho, 2014).

Communication: as conceptualized by Mohr et al. (1996), comprises a combination of relationship building communication attributes. These include communication frequency, bi-directionality, formality, and influence activities. By highlighting shared interests and common goals, collaborative communication can generate volitional compliance between partners and thus bolster relationship performance. (Alrubaiee & Al-Nazer, 2010).

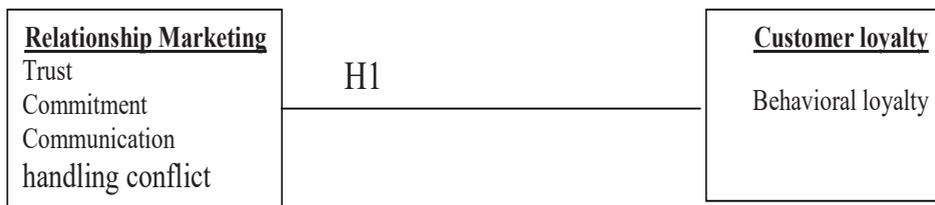
Conflict handling: Rusbult et al. (1988) concluded that the likelihood that an individual will engage in these behaviours depends on the degree of prior satisfaction with the relationship, the magnitude of the person's investment in the relationship and an evaluation of the alternatives one has. (Ndubisi & Wah, Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction, 2005).

Customer loyalty: Dick & Basu (1994) defined loyalty as "the potency of the relationship between an individual's comparative attitude and repeat clientele and supplemented the behavioral approach with the concept of comparative attitude which reflects the degree to which the consumer's assessment of one service dominates that of another. In addition Jones and Sasser (1995) state that customer loyalty is "a feeling of attachment to or affection for a company's people, products, or services" cited in (Rugter & Wetzels, 1997). besides, Loyalty is a behavioral or attitudinal phenomenon defining attitudinal and behavioral representations of loyalty; and discerning between supplementary dimensions of loyalty and sympathetic the interrelationships between them (Sharyn Rundle 2005). (Ndubisi, Marketing Intelligence & Planning, 2005)

Behavioral measures such as replicate buy incidence and re-purchase likelihood have been employed to evaluate loyalty. Nevertheless, such an approach has been criticized by scholars for its incompleteness. Day (1969) indicated that to minimally mirror on the purchasing behavior is not sufficient to define loyalty. In this regard, he advocated the adding of attitudinal variables to broaden the concept of brand loyalty and differentiate true and spurious loyalty. Oliver (1999), among others, argued that the behavioral approach ignores the mental meaning of loyalty and thus lacks of descriptive power. (Caceres, 2007)

4 Framework of study

Figure 4.1 Conceptual Framework



Source: prepared by researcher, (2017)

5 Hypotheses of study

Developed sub hypotheses from first hypotheses as follows:

5-1 Relationship between relationship marketing (trust, commitment, communication, handling conflict) and Behavioral loyalty

- There is a positive relationship between trust and Behavioral loyalty.
- There is a positive relationship between handling conflict and Behavioral loyalty.
- There is a positive relationship between commitment and Behavioral loyalty.
- There is a positive relationship between communication and Behavioral loyalty.

6 Research Methodology:

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).

7 Descriptive Statistics

Table (7-1) 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.
Behavioral Loyalty	303	4.1766	67886.

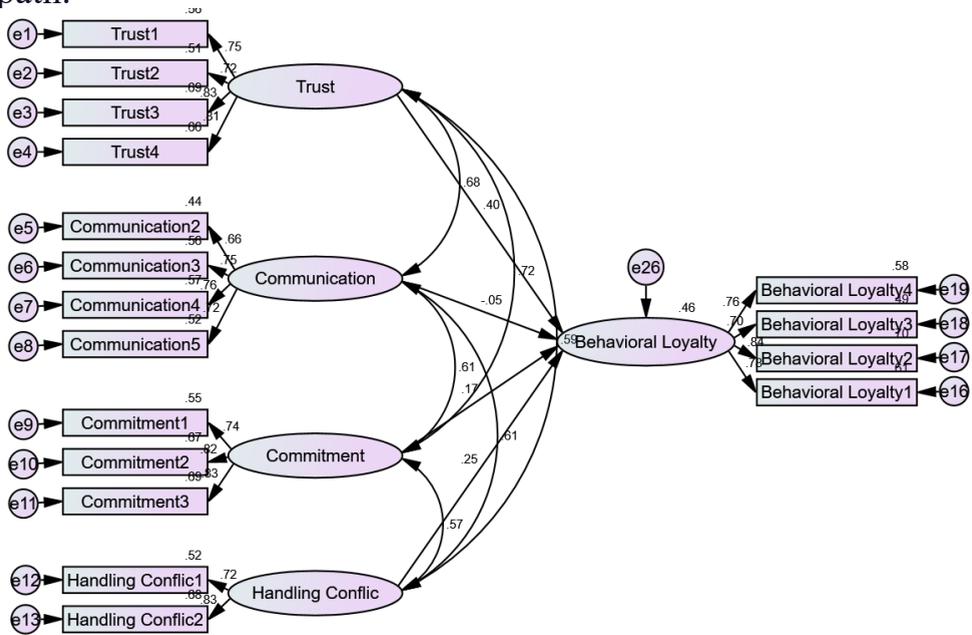
Table (7-1) shows the means and standard deviations of all variables in framework: Determinants Descriptive Statistics The table reveals that the Commitment is greater than 4.0 (mean=4.2860, standard deviation=.55820), followed by Trust equal (mean=4.2401, standard deviation=.58001).

Table (7-2) Psychometric Properties of Relationship Marketing

	CR	AVE	MSV	Max-(R(H	Trust	Communi- cation	Commit- ment	Han- dling Conflc
Trust	0.860	0.606	0.519	0.866	0.779			
Communi- cation	0.813	0.521	0.467	0.816	***0.683	0.722		
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
Behav- ioral Loyalty	0.854	0.596	0.864					

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. 7-1 Relationship between Marketing relationship (Multi-dimensional) and Customer Loyalty

To assess the impact of 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.



Figures 4-2 Structural model estimation for

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 (i.e. 0.46) justifies the underlying theoretical model.

Dividing the regression weight estimate by the estimate of its standard error gives $z = .462 / .123 = 3.754$. Therefore, the probability of getting a critical ratio as large as 3.754 in absolute value is less than 0.001. In other words, the regression weight for Trust in

the prediction of Behavioral Loyalty is significantly different from zero at the 0.001 level.

Dividing the regression weight estimate by the estimate of its standard error gives $z = -.067/.133 = -.506$. Hence, the probability of getting a critical ratio as large as 0.506 in absolute value is .613. In other words, the regression weight for Communication in the prediction of Behavioral Loyalty is not significantly different from zero at the 0.05 level.

Dividing the regression weight estimate by the estimate of its standard error gives $z = .205/.116 = 1.768$. So, the probability of getting a critical ratio as large as 1.768 in absolute value is .077. In other words, the regression weight for Commitment in the prediction of Behavioral Loyalty is not significantly different from zero at the 0.05 level.

Dividing the regression weight estimate by the estimate of its standard error gives $z = .308/.109 = 2.832$. Consequently, the probability of getting a critical ratio as large as 2.832 in absolute value is .005. In other words, the regression weight for Handling Conflict in the prediction of Behavioral Loyalty is significantly different from zero at the 0.01 level. All details are shown in the (Table 5.25).

Table (7-3) Model Fit Indices and Path Coefficients of Marketing relationship (Multi-dimensional) and behavioral Loyalty

Measure	Estimate	Threshold	Interpretation
CMIN	221.805	--	--
DF	98	--	--
CMIN/DF	2.263	Between 1 and 3	Excellent
CFI	0.945	0.95<	Acceptable
SRMR	0.051	0.08>	Excellent
RMSEA	0.062	0.06>	Acceptable
PClose	0.037	0.05<	Acceptable
			Estimate .S.E .C.R P

Measure	Estimate	Threshold	Interpretation			
Behavioral Loyalty	--->	Trust	462.	123.	3.754	***
Behavioral Loyalty	--->	Communication	067.-	133.	506.-	NS 613.
Behavioral Loyalty	--->	Commitment	205.	116.	1.768	NS 077.
Behavioral Loyalty	--->	Handling_Conflic	308.	109.	2.832	005.

*** Significant at .05 level, NS Not Significant

8 Recommendations and Discussion:

As for practical implications Building customer loyalty is increasingly a major goal for insurance companies (Day, 2000). Although, some managerial implications can be drawn first, this study provides further support to the evidence that customer satisfaction is a fundamental driver of customer loyalty in service markets. Hence, actively monitoring and managing customer loyalty should be a priority for service managers. Second, we found strong support for the notion that the customer's interpersonal relationships with front-line employees are a very important component of the overall offering of the service provider, not only because they positively affect customer loyalty towards the firm, but also because they can be a powerful tool for reducing the risk of customers' switching behaviors when other customers leave the service provider.

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