

The Effects of Relationship Marketing on Organizational Outcomes "An Applied Study in Jordanian Insurance Companies"

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Abstract

Purpose- This study will propound and examine the premise that relationship marketing when fully embraced, i.e. where there is a true balance between ‘giving and getting’ and where loyalty is based on trust and partnership, will prove to be one of the most significant policies to be pursued in the development and sustenance of competitive advantage.

Design/methodology/approach- Relationship marketing instrument was derived from systematic comparative analysis of the relevant relationship marketing literature, supplemented by additional criteria relating to concerns the importance of the relational benefits, internal marketing and relationship quality criteria and their influence on organizational commitment in Jordanian insurance companies as a key to relationship marketing success. The empirical research method was expert assessment, conducted by means of questionnaires. Correlation analysis was employed to test the validity of the procedure.

Findings- The empirical study findings confirmed positive relationships between relationship marketing, enterprises performance and increasing its market share in the target industry as an organizational Outcomes.

Research limitations/implications- One important contribution of this study is that relationship marketing leads to enterprise performance through some moderating variables. The commentary recommends that the Jordanian Government should ensure unstable prices to encourage competition and implement economic policies that will enhance existing enterprises development in the country to detect the impact of investment with the aim of learning how the enterprises work.

Practical implications- The proposed relationship marketing instrument can be used to solve the issues of relationship marketing development. An enterprise is expected to achieve better performance results by improving operations related to each criterion of the measuring instrument, and emphasizes value creation rather than value distribution under conditions of constant monitoring and learning.

Originality/value- The study advances the understanding of performance- increasing market share as an organizational outcomes based on relationship marketing research by investigating structural relationships among relational benefits, internal marketing, direct marketing and relationship quality criteria, and organizational outcomes.

Keywords: Relational benefits, internal marketing, direct marketing, relationship quality, and organizational outcomes.

Introduction

Since the term ‘relationship marketing’ was known, more than twenty years ago, it has increasingly attracted the attention of researchers and practitioners. Notwithstanding the existence of a large and growing body of literature on the subject, there continues to be ambiguity about the nature of marketing relationships and the benefits that accrue to organizations and their partners. In part this vagueness may reflect the variety of experience across different contexts and the difficulty of measuring some types of benefits. Where benefits have been evaluated, researchers have typically focused on either the organization, or the customer but rarely both. However, relationship marketing emphasizes that relationships are partnerships. The emphasis is on social bonding, co-operation, and joint problem solving, sharing resources and activities, and basing relationship on common goals. Moreover, relationship marketing emphasizes that long-term relationships are mutually beneficial. If we have genuine partnerships, as relationship marketing suggests, we might expect to see both sides of the dyad sharing similar views about the nature of a relationship. Being able to understand relationships from the perspectives of both parties is potentially of great value, not least because it provides a degree of triangulation in empirical findings. However, very little research has looked at dyads because of the difficulty of collecting data. Using a multiple case study of the relationships between Jordanian Insurance Companies and their corporate clients, this article examines the nature, management and performance of marketing relationships from the perspectives of both provider and customer. Particular attention is paid to the role of bonds in structuring relationships and their implications for its nature and outcomes.

The article begins with a conceptual overview that briefly introduces relationship marketing and reviews some concepts that provide the background to the research. Then, the research methodology is described. The next section reports on the results of the empirical analysis. The final section comprises a conclusion and identifies managerial implications.

Theoretical Background

Relationship quality can be regarded as a metaconstruct composed of several key components reflecting the overall nature of relationships between companies and consumers. Although there is not a common consensus regarding the conceptualization of relationship quality, there has been considerable speculation as to the central constructs comprising this overarching relational construct (Hennig - Thureau 2000). Components or dimensions of relationship quality proposed in past research include cooperative norms (Baker, Simpson, and Siguaw 1999), opportunism (Dorsch, Swanson, and Kelley 1998), customer orientation (Dorsch, Swanson, and Kelley 1998; Palmer and Bejou 1994), seller expertise (Palmer and Bejou 1994), and conflict, willingness to invest, and expectation to continue (Kumar, Scheer, and Steenkamp 1995). However, there is general agreement that customer satisfaction with the service provider’s performance, trust in the service provider, and commitment to the relationship with the service firm are key components of relationship quality (Baker, Simpson, and Siguaw 1999; Crosby, Evans, and Cowles 1990; Dorsch, Swanson, and Kelley 1998; Garbarino and Johnson 1999; Palmer and Bejou 1994; Smith 1998). In relationship quality research, the three core variables of satisfaction, trust, and commitment are treated as interrelated rather than independent.

The Relational Benefits approach assumes that both parties in a relationship must benefit for it to continue in the long run. For the customer, these benefits can be focused on either the core service or on the relationship itself (Hennig-Thureau, Gwinner, and Gremler 2000). The latter type of benefits are referred to as relational benefits (i.e., benefits customers likely receive as a result of having cultivated a long-term relationship with a service provider; Gutek et al. 1999; Gwinner, Gremler, and Bitner 1998; Reynolds and Beatty 1999a). The existing literature on relational benefits is predominantly of an exploratory kind.

Building on the early work of Barnes (1994), Bendapudi and Berry (1997), and Berry (1995), Gwinner, Gremler, and Bitner (1998) developed, and empirically supported, a typology of three

relational benefits. According to these researchers, relational benefits include confidence benefits, which refer to perceptions of reduced anxiety and comfort in knowing what to expect in the service encounter; social benefits, which pertain to the emotional part of the relationship and are characterized by personal recognition of customers by employees, the customer's own familiarity with employees, and the creation of friendships between customers and employees; and special treatment benefits, which take the form of relational consumers receiving price breaks, faster service, or individualized additional services. These relational benefits are benefits that exist above and beyond the core service provided.

Internal Marketing

Meager empirical research on internal marketing has focused on outcomes at the employee level. These include job satisfaction (e.g., Ahmed, Rafiq, and Saad 2003; Hwang and Chi 2005), work motivation (e.g., Bell, Menguc, and Stefani 2004), and organizational commitment (e.g., Caruana and Calleya 1998; Mukherjee and Malhotra 2006). Few studies have explicitly examined customer-related outcome of internal marketing, such as service quality (e.g., Bell and Menguc 2002; Bell, Menguc, and Stefani 2004). Previous research on internal marketing, both conceptual and empirical, concurs on three important themes. First, it is crucial that employees are "well-attuned to the mission, goals, strategies, and systems of the company" (Gummesson 1987, p. 24). Second, internal marketing builds on the formation of a corporate identity or collective mind (Ahmed and Rafiq 2002). Third, internal marketing must go beyond short-term marketing training programs and evolve into a management philosophy that requires multilevel management to continuously encourage and enhance employees' understanding of their roles and organizations (Berry, Hensel, and Burke 1976).

Relationship Marketing Outcomes

All relationship marketing activities are ultimately evaluated on the basis of the company's overall profitability. However, as a firm's profitability is influenced by a number of variables largely independent of relationship marketing activities, it seems appropriate to conceptualize relationship marketing outcomes on a more concrete level when investigating possible antecedents. Two constructs are referred to in the marketing literature as key relationship marketing outcomes: customer loyalty and (positive) customer word-of-mouth communication. Customer loyalty, as we conceptualize it, focuses on a customer's repeat purchase behavior that is triggered by a marketer's activities. Evolving out of, and contradictory to, early definitions that were solely behavioral, customer loyalty today is usually viewed as comprising both behavioral and attitudinal components (Day 1969; Jacoby and Kyner 1973). Loyalty is a primary goal of relationship marketing and sometimes even equated with the relationship marketing concept itself (Sheth, 1996). The connection between loyalty and profitability has been the focus of both theoretical and empirical studies (Oliver 1999; Payne and Rickard 1997; Reichheld and Sasser 1990). This body of research has found customer loyalty to positively influence profitability through cost reduction effects and increased revenues per customer (Berry, 1995). With regard to cost reduction effects, it is widely reported that retaining loyal customers is less cost intensive than gaining new ones and that expenses for customer care decrease during later phases of the relationship life cycle due to the growing expertise of experienced customers. Customer loyalty is also reported to contribute to increased revenues along the relationship life cycle because of cross-selling activities and increased customer penetration rates (Dwyer, Schurr, and Oh 1987). Positive word-of-mouth communication, defined as all informal communications between a customer and others.

Research Objectives

This study attempts to examine the extent to which the concept of relationship marketing clearly understood and adopted by Jordanian insurance companies.

This study is cause and effects in nature and seeks to answer the following research questions:

1. To what extent is the term of Relationship Quality (customer satisfaction, customer commitment). Adopted by top management and its affects on Relationship marketing Outcomes.
2. To what extent is the term of Relational Benefits (confidence benefits, social benefits, and special treatment benefits) adopted by top management and its affects on Relationship marketing Outcomes.
3. To what extent is the term of internal marketing adopted by top management and its affects on Relationship marketing Outcomes.
4. To what extent is the term of direct marketing adopted by top management and its affects on Relationship marketing Outcomes.

Significant of the Study

The importance of developing and maintaining enduring relationships with customers of service businesses is generally accepted in the marketing literature. A key challenge for researchers is to identify and understand how managerially controlled antecedent variables influence important relationship marketing outcomes. The study also expected to make recommendations to business managers on the critical role of marketing relationship in doing business, particularly in competitive markets.

Hypothesis of the Study

In order to investigate the effects of relationship marketing criteria on organizational outcomes (relationship marketing outcomes) and also the importance of these criteria, the following research question has been proposed: What are the effects of relationship marketing criteria on organizational outcomes?

Also related to this, a set of hypotheses have been formulated that link the criteria of relationship marketing to organizational outcomes as follows:

H1: Relationship quality has a positive effect on organizational outcomes.

H2: Relational Benefits has a positive effect on organizational outcomes.

H3: Internal marketing has a positive effect on organizational outcomes.

H4: Direct marketing has a positive effect on organizational outcomes.

Methodology

This study is cause and affect in nature and relies on a field survey to collect the required data.

Data Collection

All Jordanian insurance companies are included in the survey. The survey was directed to the top and middle management in each organization. Whose opinions reflect management practices in their organizations? A self-administered questionnaire was used to collect the required data.

A total of 25 Insurance companies were included in the survey. Using the drop and collect method, the researchers gave four questionnaires to the top and middle management in each company and then collected it within 30 days. The highly controlled data collection procedures ensured 85% response rate. To reduce non-response rate the questionnaire was accompanied with a letter to describe that what purpose the survey was conducted.

The Research Tool

The required data was collected by the means of a self-administered questionnaire, which was developed for this purpose.

The questionnaire was validated through a mini survey of academics and experts. Their opinions and comments were considered in the final version of the questionnaire.

Reliability Test

By using validity, reliability and pilot test, we further analyzed the data that respondents provided us in more accurate. In order to recognize the validity and reliability of the data, principal component factor analysis was performed and Cronbach's coefficient alpha for each criterion has been calculated. The reliability correlation was examined by Cronbach alpha and found 81%, which is considered acceptable for this research. Because it is more than accepted value (0.60). (Malhotra, K. 2007)

Multiple regressions allow the researcher to examine the effect of many different factors on some outcome at the same time. In this research in order to test the mentioned hypotheses, all of the items that make up each of the relationship marketing criterion, including relationship quality, relational benefits, internal marketing and direct marketing have been summed up and then a multiple regression has been run with these as independent variables and organizational outcomes as the dependent variable.

Results and Discussion

A total number of 85 fully completed and tested. The initial analysis using SPSS consisted of descriptive statistics in terms of means and standard deviation for each item.

The rotated component matrix has been appeared in Table (1). Regression analysis was conducted by using SPSS in order to examine the effect of relationship marketing criteria on organizational outcomes at the same time. The ANOVA; Analysis of variance in Table (2) has been used to check how well the model fits the data.

Table 1: Cronach's coefficient alpha of relationship marketing Criteria

Relationship Marketing Criteria	Cronbach's Coefficient Alpha
Relationship quality	0.79
Relational Benefits	0.81
Internal marketing	0.83
Direct marketing	0.81

Table 2: Rotated component matrix for relationship marketing criteria

Questions	Component				
	1	2	3	4	5
Direct marketing					
Direct Mail.	0.81				
Telemarketing (both inbound and outbound).		0.90	0.45		
Direct response advertising (coupon response or "phone now").				-0.42	
Catalogue marketing.				0.41	
Electronic media (internet, e-mail, interactive cable TV).			-0.33		
Inserts (leaflets in magazines).		0.81			
Door-to-door leafleting.					
Internal marketing.					
Job security	0.71				
Organizational commitment		0.81			
Marketing training programs			0.38		
Freedom in job.				0.35	
Clarity of tasks.			0.40		
Work motivation	0.31				
Rewards and incentives	0.81				
Decentralized communications			0.42		
Equity of salaries.	0.85				
Involving employees in decision making			-0.30		
Friendly contacts with personnel					0.31
Clarity of employee role			0.63		
Job satisfaction			0.33		
Relational Benefits					
Core service benefits for customers	0.90				
Supplementary service benefits for customers	0.81				
After sale service benefits for customers	0.86				
Benefits for employees.			-0.30		
Relationship quality					
Customer satisfaction with the service provider's performance	0.81				
Trust in the service provider	0.40				
Commitment to the relationship with the service firm		0.79			
After sale services	0.82				
Additional and more services than other customers.	0.81				

Table 3: Model summary and AOVA

Sig.	F	Mean Squares	DF	Sum of Squares	Model
0	324.7183	273.406	3	820.22	Reg. 1/ residual, Total
		0.841979	96	80.83	Reg. 2/residual, Total

1/: predictors (constant): internal marketing, relationship quality, Dependent variable organizational outcomes. 2/: predictors (constant): direct marketing, relational benefits, and Dependent variable organizational outcomes.

F ratio represent the ratio of improvement in prediction that results from fitting the model labeled regression in the table relative to the inaccuracy that still exist in the model labeled residual. Here the F ratio is highly significant. The Sig. column on the table (4) presents the statistical significance of all variable.

Table 4: Coefficient

Model	Unstandardized coefficient		Standardized coefficient	t	Sig.
	B	Std. Error	Beta		
Constant	4.9	3.1		1.59	0.012
Relational benefits	-0.6	0.64	-0.09	-1.85	0.039
Internal marketing	0.26	0.34	0.06	1.69	0.050
Relationship quality	-0.36	0.364	-0.10	-1.93	0.040
Direct marketing	-0.1	0.38	-0.03	-1.33	0.080

Sig column has been checked for values below approximately 0.05 levels. Three out of five construct including relational benefits, internal marketing and relationship quality meet this standard and they are significant predictors. The standardized coefficient in (B) Column has been used to assess the effect of each predictor. According to table 4 the findings provide support for the 1st, 2nd and the 3rd hypothesis. In significant level less than 0.05 we can state with 95% confidence that relational benefits, internal marketing and relationship quality have positive effects on organizational outcomes. Also the findings fail to support the 4th hypotheses including direct marketing. We fail to observe the effect proposed by the hypotheses in significance level less than 0.05.

The higher the absolute value of Beta, the more important variable in predicting the organizational outcomes. In this case the more important predictors are Relationship quality (Beta= -0.10), Relational benefits (Beta= -0.09) and Internal marketing (Beta= 0.06) among all other criteria.

The result revealed that top management and marketing managers believe that relationship quality has the first priority and the respectively relational benefits and internal marketing. For the enhancement of organizational performance and better service quality.

Table 5: One-Way ANOVA results for differences based on educational level and experience

Relationship marketing criteria	Educational level		Experience level	
	F	P	F	P
Relationship quality	1.17	0.33	2.82	0.03
Relational benefits	0.16	0.90	0.87	0.49
Internal marketing	1.23	0.30	2.2	0.07
Direct marketing	0.49	0.70	1.49	0.21

According to Table 5 the result of one-way ANOVA test indicated that there were no significant differences between managers attitudes and their educational level, instead there are significant differences between their attitudes and their experiences, regarding the effect of internal marketing criteria on organizational commitment of employees.

Conclusion

This study shows the importance of relational benefits, internal marketing and relationship quality criteria and their influence on organizational commitment in Jordanian insurance companies. The research highlighted the effect of inter-functional coordination and integration of relational benefits, internal marketing and relationship quality criteria on organizational commitment managers in Jordanian insurance companies by adopting proper policies, allocate their resources more efficiently and perform their strategies as well as proper marketing plans and more successfully.

This research focused on Jordanian insurance companies and generalization of the research findings to the other financial sector in Jordan.

Future Researcher

It is useful to replicate this research in other contexts. It is also suggested that future researchers investigate other factors on the basis of relationship marketing criteria that might have effect on enhancing organizational commitment of employees in Jordanian insurance companies and comparing it with other financial institutions.

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