

## The Impact of Relationship Marketing on the Performance of Insurance Organisation

Festus M. Epetimehin

Joseph Ayo Babalola University, Ikeji-Arakeji  
Email: festusworldwide22@yahoo.com

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**Abstract** Marketing is the life wire of any insurance. Insurance without a good marketing team and strategies is bound to fail. In order to be relevant and be seen as being relevant to their customers, insurance have to innovate new strategies and install the art of technology that will make life easy for customers and themselves. Customer Relationship Management Service is a marketing strategy that ensures the acquisition and retention of most profitable customers using the most effective method. The aim of this paper is to examine if relationship marketing practices as a new philosophy has been rightly adopted in the insurance industry. The study is based on the information gathered and collected from both primary and secondary sources. The sample for the study is made from selected insurance companies and their customers in Lagos Metropolis. Data analysis for the study was done using frequencies, percentage, and Z-score. Findings of the study revealed that relationship marketing practices have been playing a dominant role in improving the performance of insurance and increasing customers' satisfaction through service quality. Therefore, the continued existence of any insurance will depend on its ability to maintain good relationship with customers and provision of quality service

**Keywords:** Customer Relationship Management, Marketing Strategy, Insurance

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### 1 Introduction

Every organization competing in an industry has a competitive strategy whether explicit or implicit. This strategy may have been originated explicitly or implicitly through a well articulated planning process or it may have been developed implicitly through the activities of the various functional arms of the organization (Achumba, 2000:18). The need for marketing in financial industry cannot be overemphasized. Insurance today is about marketing. The most critical role of marketing in financial institutions is to blend the element of the marketing mix optionally in coherent form in which it can be used to further the realization of the institution's marketing objectives this is in the form of marketing strategy. However, the crave for development and marketing in the financial industry has thrown up a basic problem of insurance companies trying to employ strategies in making their services get to the customers but It appears the insurance continuously use the selling concepts, which focuses on the services rather than the prospects. The effective communication of products or services benefits is also a weak area of marketing management in the financial industry. The end result therefore is the low level of awareness and poor attitude to the purchase of insurance services Marketing as applied to insurance is to identify present and future markets for service; select which markets to serve and identify customer's needs within them; setting long and short term goals for the progress of existing and new services and managing the profit, and controlling success in doing so. Achumba (2000:24) posits that the extent of success of an organization to a large extent depends upon how well it formulates its policy and strategy in the light of its changing environment. Nagasimha (2005:37) framed the significance of marketing strategy in his comment "business is like war in one respect, if its grand strategy is correct any number of tactical errors can be made and yet the enterprises prove successful". Relationship marketing is a strategy to identify and establish; maintain to enhance relationship with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. Relationship marketing is based on the idea that the happier a customer is with a relationship, the greater the likelihood that they will stay with an

organization. Further to the above, for an insurance to go beyond its advertised interest in satisfying the customers into building effective relationships, they must know and understand the customer so well that the service fits him and sells itself. Fundamentally, building a relationship is about understanding the customer, so well that selling becomes superfluous. There are sound financial reasons for the growth of popularity of relationship marketing: research has shown that the cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy (Jackson1985:23). The problem definition of this study is to examine whether the practice of relationship marketing influences performance of insurance organisation. The aim of this paper is to examine if relationship marketing practices as a new philosophy has been rightly adopted in the insurance industry. The study is based on the information gathered and collected from both primary and secondary sources. The sample for the study is made from selected insurance companies and their customers in Lagos Metropolis. Data analysis for the study was done using frequencies, percentage, and Z-score. Findings of the study revealed that relationship marketing practices have been playing a dominant role in improving the performance of insurance and increasing customers' satisfaction through service quality.

## 2. Literature Review

The current conceptualization of relationship marketing migrated from organizational behaviour and industrial marketing where interdependence between firms has been the foundation of successful business-to-business alliances. Relationship market has been a major shift in marketing theory and practice. Despite growing volume of literature in support of relationship buildings and espoused stories by its proponents, relationship marketing seem to mean different things to different writers and different practitioner (Duff, 1998:19 and Harker, 1999:12) Depending on the individual, building customer relationship can imply something about independencies or mutual interests, personalized treatment, interpersonal reports, targeted "one to one" communication, after sales services, customer satisfaction, works of month, or doing something in long term to name a few. Levitt (1997:28) succinctly explained relationship management in the following words: "relationship between a seller and a buyer seldom ends when the sales are made. In a great and increasing proportion of transactions, the relationship actually intensifies subsequent to the sales. This becomes critical factors in the buyer's choice of the seller next time around. The sale merely consummates the courtship. The marriage begins. How good the marriage is depends on how well the relationship is managed by the seller".

Gordon (1996:19) emphasized that relationship marketing entails the following:

- i. Focus on customer retention
- ii. Quality set by all
- iii. Oriented product benefits
- iv. Long time scale
- v. High customer service
- vi. High customer commitment
- vii. High customer contract

Garbarins and Johnson (1999:24) view relationship marketing practice as a relationship involvement where the customers use the truth and commitment as the mediator for determining future activities with selling firm. According to them, much organization perceived that the best initial approach toward relationship marketing is investing in compliant handling procedures to demonstrate customers' commitment resulting in customer loyalty. Geysken (1998:13) emphasized that the practices of relationship marketing are centered on nothing more than good communications which are simply taken in expanded form beyond the essential description of features and benefits to seeking out a greater understanding of each prospective customer. The resulting objective is to change customer behaviour so that loyalty replaces the

threat of detection of ever increasing hurdles of competitive products and service (Roa and Perry, 2002:24).

Despite the emergence of relationship marketing as a new marketing idea for many firms and insurance in the western countries, there is no general accepted position about its relevance on the practice of marketing. Authors like Davis (1997:10) argued that it is merely a new tactic added to marketing activities, or a strategic focus shift (Li et al, 1997:18), or even a paradigm shift or a view that overturn most previous marketing thinking (Gronroos, 1996:16; Sheth and Pravatya, (1995:7). Plamer (1997:21) further noted that the world of marketing used to be based on relationship before mass marketing made, different but recent advances in information technology may permit a return to a marketing world relationship. Wright, (1996:8) opined that for insurance to go beyond their advertised interest in satisfying the consumer into building effective relationship, they must know and understand the consumer so well that the service fits him and sells itself. Secondly, the insurance must be customer-oriented. Thirdly, corporate government in insurance must appreciate the place of coordinated marketing in the scheme of things. The fourth principle is that of profitability.

### **3. Conceptual Framework**

There are four competing concepts under which insurance conduct their relationship activities (Kotler, 2003:14).it includes production concept, product concept, selling concept and the marketing concept; we shall examine them in turn.

Production concept: first is the “production concept”. This holds that clients will favour financial services that are widely available and low in cost. Insurance with this philosophy concentrate on achieving operational efficiency and distribution network, assuming that customers are primarily interested in service availability and low rate.

Product concept: this holds that clients will favour high quality financial services insurance which favour this philosophy focus on high quality offering and try to improve them overtime. Selling concept: this argued that customers, if left alone would ordinary patronize insurance services. As such, insurance must undertake aggressive selling and promotion efforts. Characteristically insurance which apply this approach, concentrate on selling what they can offer, rather than offer what they can sell.

Marketing concept: this arose to challenge the previous concepts. It holds that the key achieving the insurance goals lie in determining the needs and wants of targets markets and delivering the desire satisfaction more effectively and efficiently than competitors. In essence, the marketing concept is aimed at generating customer satisfaction as the key to satisfying business.

### **4. Methodology**

A population is made up of all conceivable elements, subjects or observations relating to a particular phenomenon of interest to the researcher (Asika, 1991:34). The population of this research study is the licensed commercial insurance companies in operation in Lagos Metropolis of Nigeria therefore the research area portray a true representation of insurance in Nigeria. A convenient sample of ten (30) insurance companies were randomly selected; on the other hand, twenty insurance customers were randomly selected. The researchers administered One hundred and eighty (180) questionnaires to the selected insurance staff and customers’, but one hundred and fifty (150) were properly filled and returned representing 83.3% returned rate. The questionnaire used was divided into two sections; the first section is designed to gather information on the demographic characteristics of the respondents, while the second section is designed to tap information relating to the problem of the study. The second part contains structured questions.

#### 4.1 Analysis and Discussion

For the purpose of data analysis, simple descriptive analysis and percentages were used. Of the 150 respondents, 100 (66%) were insurance staff while 50 (33.3%) of them were insurance customers. Data analysis reveals that over 50% of the respondents are female compared to their male counterpart. In the same vein, 50% unveiled the fact that majority of insurance are strictly new generation insurance. The academic qualification shows that about 50% of the respondents have postgraduate qualification and about 30.6% are B.Sc/HND holders while about 19.4% are holders of Diploma and/ or equivalents. The research study also reveals that about 42.0% of the respondents have spent between 10-14 years in the insurance industry, while 25.7% have spent 5-9 years with their insurance, and about 42.3% have spent about five years and below. Among the customers, 80% have been purchasing insurance products for over 10 years. The researcher used significance level with a probability value setting the boundary between the acceptances and rejecting zones. The researcher used a common value that is 5%, which could also be stated as 95% confidence limit. In **Table 1**, it is obviously seen that 30% of the respondents unanimously agreed that there is a competition in the marketing of insurance service and that the market is very narrow and prone to difficulties whenever insurance adopted marketing strategies that are poor and inefficient. About 50% of the insurance staff agreed that they adopted relationship marketing philosophy. These were against 5%, 7% and 8% of others respectively.

**Table 1.** Insurance staff response to questions on marketing strategy philosophies

Response option	Frequency	Percentage
Marketing concept	23	23
Relationship marketing	40	40
Selling philosophy	22	22
Product philosophy	9	9
Production philosophy	6	6
Total	100	100

**Source:** Researchers' Survey, 2010

**Table 2** shows assessment of nature of competition going among insurance directed to insurance customers .

Respondents were asked to rate the nature on a scale of 1 to 3 where 1= very low,2= moderate and 3= very high.

The table indicates 56% of respondents were of the view that competition among insurance is very high 34% agreed it is moderate while 10% were of the view that competition among banks are very low.

**Table 2.** Customer response on nature of competition existing among Insurance.

Response option	Frequency	Percentage
Very high	28	56
Moderate	17	34
Very low	5	10
Total	50	100

**Source:** Field Survey, 2010.

The implication of this is that more aggressive and goal-seeking marketing officer should be employed while relationship marketing strategies are adopted at a minimum cost.

**Table 3** shows percentage responses concerning each of elements of insurance customer relationship.

Respondent were asked to rate the degree of importance of each of the elements that best reflects a good customer relationship of an insurance on a scale of 1 = least important and 5 = Most important. The data indicates that majority of the respondents rated relationship quality-35% as most important, followed by satisfaction (25%) insurance commitment (10%), trust (10%), conflict handling (5%) and communication (5%) respectively.

**Table 3.** Customers response on elements of Customer Relationship of Insurance

Response option	Percentage
Insurance commitment	10%
Trust	10%
Communication	5%
Competence	10%
Conflict handling	5%
Relationship quality	35%
Satisfaction	25%

**Source:** Researchers' Survey, 2010.

This implies that the insurance have maintained a good customer relationship with their customer even in turbulent business environment or during economic recession still put their customers on priority list (i.e. insurance commitment to needs).

**Table 4.** Group crosses tabulation and response to question on the impact of relationship marketing on the performance of insurance.

Group	Strongly Agreed	Agreed	Uncertain	Disagreed	Strongly Disagreed	Row Total
Insurance	40	32	8	10	10	100
Customer	30	28	5	5	7	50
Column total	70	60	13	15	17	175
Percentage	40	34.4	7.43	8.57	9.7	100

**Source:** Researchers' survey 2010

$$df = (m-1) (n-1) = (5-1) (2-1) = 4$$

The study revealed that about 40% of respondents strongly agreed that there is positive impact of the performance of insurance in the banking industry. 34% respondents also agreed with the assertion. However, 18.27% of the respondents was not in support of the position. The implication here is that since about 74.4% of the respondents interviewed are in support of the favorable impact of relationship marketing on the performance of insurance, it means that relationship marketing has been a great assistance to the insurance and highly relevant to their growth in terms of customer base and continuing existence. The result of Z-test at 5 percent level of significance with 4 degree of freedom is 0.798 while the critical value is 0.15. We therefore, reject the null hypothesis which specified that there is unfavorable impact of relationship marketing on the performance of insurance companies. This indicates performance

in the insurance industry is partially dependent on good insurance-customer relationship, and relationship management.

## 5. Conclusions

From the research conducted, it has been observed that relationship marketing has a place in the insurance industry especially in the area of customer satisfaction and retention. This will indirectly impact the performance of the organization and increase the financial bottom line. Relationship marketing is a concept that has been given international prominence, and forward looking organizations are at one stage or the other implementing several variants of the model with success. There is nothing bad in insurance companies adopting the other variants of marketing like selling, marketing, product and production philosophies, but to really grow their customer base and make good profit they should also adopt the relationship marketing philosophy.

It is also observed that there is always a feedback mechanism been used by customers to express their satisfaction or otherwise of the insurance services delivery, the insurance organization must explore this mechanism through their research and development department.

## 6. Recommendations

Considering some of the problems that confronted the Nigerian insurance prior to the conscious introduction of relationship management, the financial service industry should place adequate attention on reducing customers waiting time during claims... Robust frameworks for developing and nurturing new relationship should be designed with a view to reaching their customer. Furthermore, the current re-engineering efforts in the financial industry should be sustained and extended to cover all the critical strategic branches of the insurance to ensure global alignment of their services. The result of the Z-score test shows that relationship marketing has positive impact on the performance of insurance. There is therefore the need for insurance to leverage on their strengths in entering into strategic alliances, with a view to improving on performance.

It is also observed that there is always a feedback mechanism been used by customers to express their satisfaction or otherwise of the insurance services delivery, the insurance organization must explore this mechanism through their research and development department.

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