



## IDENTIFICATION OF DIMENSIONS OF CUSTOMER RELATIONSHIP IN LIFE INSURANCE CORPORATION

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### ABSTRACT

*Definitions of customer relationship management emphasize a longer-term perspective focusing on retaining customers rather than acquiring customers. As competition becomes more and more intense in the insurance sector, customer relationship management has become a more effective strategy in promoting satisfaction and loyalty of customers. Although there still exists discussion on which dimensions influence relationship, prior conceptualizations mainly emphasize on a critical importance of trust, commitment and quality to be the indicators of higher order relationship.*

### KEYWORDS :

Relationship marketing as an emerging paradigm in marketing will remain undeveloped until the key dimensions of customer relationship have been identified and operationalised. The identification of the key dimensions of customer relationship is important. It is no longer sufficient to advise practitioners or researchers that the key to successful marketing is through relationship marketing, without providing information on what dimensions actually constitutes relationship. Thus, it is the aim of this chapter to address conceptual and measurement issues related to the study of the dimensions of customer relationship in insurance industry in India.

The objective of this study is to address both the explanatory and normative dimensions involved in customer relationships in doing so, to understand the dimensions important to the successful implementation of a relationship marketing strategy. The following ten dimensions have been conceptualized namely; trust, commitment, empathy, reciprocity, interaction, quality, attraction, emotional elements, customization and social responsibility as once which would influence relationships between customers and employees of LIC in the insurance industry. These dimensions were drawn from a number of existing literatures where several scholars have identified these under various contexts like service marketing, retail marketing, strategic alliance, industrial marketing and the like. The researcher also had discussions with the customers and employees of various levels in Life Insurance Corporation regarding these factors.

This chapter deals with the identification of ten dimensions influencing relationship inclusive of establishing validity and reliability for the scale developed to measure the dimensions.

### Dimensions of Customer Relationship Trust

In today's rapidly changing competitive business environment, concept of trust has gained considerable attention as it has shown to positively affect customer retention, commitment as well as customer value. Trust is also viewed as key element in establishing lasting relationship with customer and in maintaining a company market share (Urban et al., 2000). Customers are more likely to trust the seller if they are satisfied with the perceived value of the goods that they purchase.

Trust is defined as "one party's confidence in the other relationship member's reliability, durability and integrity and the belief i.e., actions are in the best interest of and will produce positive outcomes for the trusting party" (Britton & Rose 2004, p. 43)

Trust is defined as the consumer's belief in the reliability and integrity of a service provider (Crosby, Evans, and Cowles 1990; De Wulf, Odekerken-Schröder, and Iacobucci 2001; Morgan and Hunt 1994; Palmatier et al. 2006).

Trust is a prerequisite in services marketing for maintaining the relationship between customers and service providers because customers often have to make a purchase decision before they actually experience the service Berry and Parasuraman, (1991) Moorman,

Deshpande and Zaltman<sup>2</sup> (1993) define trust as "a willingness to rely on an exchange partner in whom one has confidence". In addition, most researchers agreed that trusting beliefs directly influenced loyalty (Chiou, 2004; Chaudhuri and Holbrook, 2001). Similarly, Jarvenpaa, Tractinsky and Vitale (2000) pointed out that trust is a critical factor in stimulating purchase.

An important aspect of this definition is the notion of trust as a belief, a sentiment, or an expectation about an exchange partner that results from the partner's expertise, reliability and intentionality. The definition of trust proposed here reflects two distinct components: (1) Credibility, which is based on the extent to which the customer believes that the supplier has the required expertise to perform the job effectively and reliably and (2) Benevolence, which is based on the extent to which the retailer believes that the vendor has intentions and motives beneficial to the retailer, when new conditions arise, conditions for which a commitment was not made. Credibility encompasses the consistency, stability and control over the pattern of behavior exhibited. Benevolence focuses on the qualities, intentions and characteristics attributed to the partner.

Trust is an essential ingredient in any successful society Alesina (2002). Trust is necessary for the exchange of knowledge, goods and services and any organization/team or community has to build and sustain a mutual level of trust in the other party's actions [Kugler, 2007]. Bhattacharjee<sup>3</sup> [2002] defines different dimensions of trust as the "ability [expertise, information, competence, expertness and dynamism], integrity [fairness in transaction, fairness in data usage, fairness in service, morality, credibility, reliability and dependability], and benevolence [empathy, resolving concerns, goodwill and responsiveness]".

Trust plays an important role in business relationships particularly in building loyal customers. Rauyruen and Miller<sup>4</sup> (2007) observe that customer trust influences positively customer loyalty. In contractual relationships, trust is shown to encourage contract self-enforcement (Gow, et al., 2000), to reduce opportunistic behaviour (Morgan & Hunt, 1994), to lower transaction costs (Sartorius & Kirsten, 2007) and most importantly, to improve business performance (Sako, 1997). Gow, et al. (2000) emphasise that the presence of trust in a relationship can change contract characteristics, arguing that trust eliminates the need for bureaucratic involvement in contract enforcement and at the same time reduces transaction costs such as legal fees.

Winning the customers' confidence is vital in any service organization, especially in Life Insurance Corporation. Life insurance corporation services are not accompanied by guarantees and both parties perceive greater risks during the interaction process. Consequently, a high level of trustworthiness will lead to a higher level of co-operation and lower level of risk. The ability of the life insurance corporation to establish trust greatly influences relationship between LIC employees and customers.

From an in depth study of the above literature, the researcher has

conceptualized trust to comprise nine attributes namely frankness, clarity, making reliable promises, integrity, knowledge, responsiveness, caring, providing extra favors and dependability.

### Commitment

Commitment is in marketing generally seen as the attitude and intention of one party towards acting and maintaining an enduring relationship with another (Liljander and Strandvik 1996, Fullerton, 2005). According to Bansal, Irving and Taylor (2004) commitment is negatively related to switching intention and has a positive relationship with service use.

*Commitment* is the consumer's voluntary willingness to remain in and make efforts towards maintaining a relationship (De Wulf, Odekerken-Schröder, and Iacobucci 2001; Morgan and Hunt 1994; Palmatier et al. 2006) and can be thought of as the foundation on which relationships are built (Berry and Parasuraman 1991). Committed customers experience relationship closeness (Geyskens, Steenkamp, and Kumar 1999; Verhoef, Franses, and Hoekstra 2002), which over time leads to confidence about the relationship (Gill, Swann, and Silvera 1998<sup>7</sup>).

Commitment is an essential ingredient for successful long-term channel relationships (e.g., Lehtonen, 2006; Tummala et al., 2006). It has been defined as "an implicit or explicit pledge of relational continuity between exchange partners" (Dwyer et al., 1987)<sup>6</sup>

Various researchers have elaborated upon the dependence of commitment on a successful relationship. Egan (2004) suggested that commitment is central construct to relationship marketing. Hocutt (1998) views commitment as an intention to continue a course of action or activity or the desire to maintain a relationship. This is often indicated by an ongoing investment into activities which are expected to maintain the relationship (Blois, 1998). Mukherjee and Nath<sup>7</sup> (2003) proposed that the degree and length of association and sense of belonging are the dimensions of commitment.

In marketing-practice and research it is agreed that mutual commitment among partners in business relationships produces significant benefits for companies (Wetzls et al., 1998; Farrelly & Quester, 2003). Commitment is important to the study of relationships because it is not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationships at the operational and empirical level Farrelly & Quester<sup>8</sup> 2003).

Commitment is also one of the most important variables for marketing relationship. It is useful for measuring the likelihood of customer loyalty and for predicting future purchase frequency (Wong and Sohal, 2002)<sup>9</sup>. Recently scholars have conceptualized commitment to be an attachment between two parties that leads to a desire to maintain a relationship that is sometimes characterized as a "pledge of continuity" between customer and firms (Lee et al, 2007).

Commitment is a state of binding of the customer to the life insurance corporation. High levels of commitment between customer and employee of LIC places a high value on the alliance and believes in the importance of the alliance. Strong commitment to an alliance increases the LIC employees / customers' willingness to apply maximum efforts to maintain the relationship. From the literature, it is known that commitment comprises six items, which are termed as commitment variables. They are willingness to dedicate people and resources, willingness to sacrifice for retaining customers, unwillingness to quit in spite of low switching cost, experiencing genuine enjoyment in relationship and knowing the importance of maintaining long-term relationship.

### Empathy

In the services marketing literature, the dimension of empathy is used by Berry et al (1990) in developing the SERVQUAL test instrument for service quality. Empathy is the capacity to understand another person's experience from within that person's frame of reference. Empathy is an important variable to make customers feel that the firm understands their feelings and is on their side Zeithaml et al (1990). An affective response stems from the apprehension or comprehension of another's emotional state or condition, which is similar to what the other person is feeling or would be expected to feel (Eisenberg,

2002). Wong and Sohal<sup>10</sup> (2003) identified empathy as a determinant of service quality in retailing trade. They state that empathy is the approachability, ease of access and effort made to understand customer's needs. Empathy creates a sense of belongingness and builds up a good personal relationship between customer and seller. Bejou et al. (1996) conclude that customer-salesperson's empathetic behavior is a prerequisite to a successful long-term relationship.

Empathy is the dimension of a business relationship that enables the two parties to see the situation from the other person's perspective. Empathy is defined as seeking to understand somebody else's desires and goals.

Delivering the services to LIC up to or above customer expectations is the key to winning customers. It places greater emphasis on understanding needs or expectations and tracking the changing preferences and evolving needs. Hence, LIC should be able to look out through the eyes of the customers, their needs and wants, to make customers satisfied and be loyal to them. The researcher has included friendliness, giving priority to others' interests, flexibility, understanding and acting as per the others' convenience, to be the items comprising empathy.

### 5.1.4 Reciprocity

Gratitude, the emotional appreciation for benefits received, accompanied by a desire to reciprocate, is an important construct for understanding RM effectiveness (Emmons and Mc Cullough 2004; Morales 2005). Relationship marketing investments generate customer feelings of gratitude, which lead to gratitude-based reciprocal behaviors, resulting in enhanced seller performance. Many disciplines have recognized that after receiving a benefit, people feel an ingrained psychological pressure to reciprocate, such that the act of reciprocating can generate pleasure, whereas the failure to repay obligations can lead to guilt Becker (1986); Buck (2004); Dahl, Honea and Manchanda (2005).

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