The Impact of Relationship Marketing Tactics on Customer Loyalty: The Mediation Role of Relationship Quality

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Abstract

Concerning potential importance of retaining customers and establishing right relationship with them to create loyalty, previous studies have presented diverse results which can be related to lack of an appropriate relationship quality. Therefore, this study was conduced in Karafarin Insurance Representatives in Mashhad, Iran for identifying Relationship Marketing (RM) tactics impacts on loyalty due to Relationship Quality (RQ). The RM tactics under investigation were tangible reward, interpersonal communication, preferential treatment, and direct mail. Two kinds of questionnaires were utilized to reap data from managers and customers with 0.88% and 0.92% reliability, respectively. The census method has used to collect managers' viewpoint and there are 125 available customers for sampling. Data from these experiments indicate that, among used tactics, preferential treatment tactic had not significant influence on RQ, thereupon, it can be concluded that RQ variable don't perform a mediating role. Moreover, a refined understanding was provided for cognizing interplay between organization and customers due to implement the RM tactics.

Keywords: Loyalty, Relationship Marketing, Relationship Marketing Tactics, Relationship Quality

1. Introduction

Customer retention is very important because of business competitive environment. Thus, a marketing expert to give heed to RM and its tactics. Nowadays, salesman strives not only to provide high-quality goods and services but also to retain loyal customer due to long-time profitable (Day, 2000). Gruen (1997) notes that relationship marketing is a strategy that promises "the systematic development of ongoing, collaborative business relationships as a key source of sustainable competitive advantage. An organization must prizes to customer propensity for a valuable goods and services in order that attracting its loyalty and satisfaction. Therefore, RM can be considered as main point in planning marketing. Previous researchers play up to RM as one manner for developing and cultivating long-term beneficial relationship mutually (Barnes, 1997; Dwer et al. 1987; Ganesan, 1994; Garbarino and Johnson, 1999; Morgan and Hunt, 1994). For a company, it is important to establish a heartfelt relation with customer, worker, supplier, distributor, intermediate, and retailer. Thus, relationship capital of any company is having a complex of knowledge, experience, and place confidence on their customer, worker, supplier, and distributor. The value of this relationship is more worthwhile than physical assets and, thus, it will identify company value in the days of next (Kotler, 2001). The RM leads a vast change on marketing opinion from a competition to a mutual co-working because it to give heed to co-working among supplier, worker, distributor, intermediate, and retailer for presenting the best value to target customer. This study contributes two aspects of marketing strategy literature as it will be a guideline for a manager to accent to RQ in order

that beget sustainable and indissoluble trade. Firstly, it will provide theoretical and empirical insight by orienting to create a loyal customer. Secondly, despite the fact that RM may lead to promotion of long-term relation as it is acknowledged widely (Richheld, 1993; Fontenot and Hymon, 2004; Shelbay et al., 2006; Gummesson, 1994; Tseng, 2007), many firms don't know its role and result. Therefore, an organization always will doubt that whether relationship marketing tactics will cause loyalty or not? If yes, which method(s) can simplify and fortify loyalty? Therefore, one of the major objectives of this research was to investigate increase the information about the role and result of RM tactics on customer loyalty through RQ mediation. Literature was documented the importance of the marketing, research and development (R&D), sales, and manufacturing interface (Leenders and Wierenga, 2008).

2. Theory and Hypotheses Development

2.1 RM and RM Tactics

Different definitions have been discussed to explain RM that is: (*i*) to retain customers and extend relevancies and/or attempt for fortifying this relevancies with them (Fontenot and Hymon, 2004), (*ii*) understanding and managing relationships between a customer and a supplier (Shelbay et al., 2006), (*iii*) to identify, create, save, and improve relations with both customers and stockholders that it was created by trusting (Gummesson, 1994), and (*iv*) to try to attract a participation by customer, supplier, and stockholder in expensing activities of company such as marketing (Tseng, 2007). To perform and exert RM principles in real world, a manager ought to know better of factors such as market situation, equipment of informing, database, customer's ability to make use of informational systems, and other effective environmental factors to beget an amicable and warm relation with customer (Tseng, 2007) because the importance of any tactic is changed at time and place. Essential RM tactics are considered were as follows:

2.1.1 Tangible Rewards: is to make a present of visible benefits such as price discount, gift, or coupons (Peterson, 1995) in order to generate customer loyalty.

Tangible reward model the customer behavior by transforming their mind from "loving the service" to "getting a benefit from the service", and this new perception of customer makes the market more active and enhance the service more acceptable in introduction stage (Tseng, 2007).

2.1.2 Interpersonal Communication*:* is transfer and/or distribute information and sharing among persons (Fontenot and Wilson, 1997). When a communication is used timely and suitably, it solves and adjusts discussion and disputation (Etgar, 1979). Previous studies have shown that retailers can be more active both by having and expanding communication with customer necessaries and by presenting marketing activities messages to exhibit their supporting from customers. Communication can be helpful not only to retain, improve and establish a relation to in higher levels (Weitz and Jap, 1995) but also to beget amicable and warm forms from it.

2.1.3 Preferential treatment: is discriminatory treatment between regular and non- regular customer (Wulf et al., 2001). Thus, a customer was lionized during and after process of service receipts due to create loyalty (Gwinner et al., 1998). It is an unwritten law that any company don't to give heed to regular and non-regular customer similarly (Kotler, 2001). It seems that customer who has received a preferential treatment will adhere to company.

2.1.4 Membership: is a method to provide a long-time lovable communication both for regular and, especially, for non-regular customers. Marketers in service firms can provide long- term privileges or special services to frequent purchase customers. Membership system will improve and fortify long-time relevance because it will help to members to feel secure from amicable and warm relevance of company (Tseng, 2007).

2.1.5 Direct Mail: is including of letters or catalogues were mailed to a customer directly as it is a good method to communicate with the customer (Dwyer et al., 1990; Anderson and Narus, 1990; Morgan and Hunt, 1994).

2.2 RQ and its Dimensions

Relation permanency is impressed and measured by RQ between a seller and a buyer.

High RQ means that the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance. Gummesson (1994) stated that RQ between organization and customer can be interpreted as added value. Smith (1998) believed that RQ was demonstrated by a general assessment from dependency efforts and communication and the mixture of them with an understanding from necessaries and preferences on the basis of meetings or events. However, different dimensions and aspects are necessary to assess RQ. Naude and Buttle (2000) presented a viewpoint from primary structures for RQ in the literature (Table 1). They perused numerous factors and, ultimately, recognized that trust, relational satisfaction, and relational commitment are essential factors. They displayed explicitly that the factors of trust, relationship satisfaction, and relationship commitment could form three vertexes on a

RQ triangle, if RQ formed from three factors (Fig. 1). Moreover, marketing science literature agrees more or less on these three dimensions (Naude and Buttle, 2000; Tseng, 2007).

2.3 Customer Loyalty

Loyalty is an ancient word that explains having a deep commitment for a country, clan, yokefellow, and friend. Loyalty had penetrated to marketing science literature via "Brand Loyalty". However, in marketing literature, customer loyalty has been defined in this way: a customer deep commitment to purchase or to patronize for a product or a service frequently in future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999). From Kotler's (2003) point of view, a company need do discriminatory behavior between their customers (regular and non-regular) to create loyalty. These customers have earn most advantage from company suggests. Nonetheless, every company should goal setting to create loyal customer, but loyalty have never be so strength that customers do not accept those competitor suggestion that have more value (Kotler, 2003).

2.4 Conceptual Model

The conceptual framework of our research was presented by Figure 2. The framework includes to three main parts: the RM tactics, the RQ, and the customer loyalty. In first part, according to Tseng (2007) and manager's opinion of Central Department of Karafarin Insurance, were used four types tactics, including tangible rewards, interpersonal communication, preferential treatment, and direct mail because of lack of membership system in the said organization. Creating a competitive advantage via applying RM method has led many companies to reconfigure their resource, subsequently, customer loyalty program were considered as a core marketing strategy (Bolton, et al., 2000; Dowling and Uncles, 1997; Kivetz and Simonson, 2002; Obrien and Jones, 1995; Sheth and Paravatiyar, 1995). Thus, it shows that the RM is important to create loyalty. Therefore, we prejudice a proposal that the RM tactics impact to create customer's loyalty (H_1).

In second part, according to Naude and Buttle (2000), there are three components of RQ, including trust, relationship commitment, and relationship satisfaction. Crosby et al. (1990) defined RQ from the customer's perspective as being achieved through the salesperson's ability to reduce perceived uncertainty leading to an environment where "... the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance because the level of past performance has been consistently satisfactory". Hence, relationship's customers create mutual rewards (Rapp and Collins, 1990) which benefit both the firm and the customer. By building relationship with customer, an organization to be able to gain quality sources of intelligence marketing to plan a better marketing strategy and the RM measurement to be able to predict customer's loyalty (Ndubisi, 2007). Therefore, we prejudice a proposal that the RQ impact to generate customer's loyalty (H_2).

In third part, according to Olvier (1999) and Kotler (2003), customer loyalty was discussed. Previous researchers have shown that the RM that can impact on the RQ can increase the tendencies of a consumer toward establishing relation. Gwinner et al. (1998) believed that successful marketing strategy can be achieved by considering consumer's attitude toward the interaction relationship except utilize suitable general promotion tactics. Thus, a service marketer must be concerned about the consumer's preference so that able to allocate it effectively, subsequently, able to develop a successful RM model (Tseng, 2007). Therefore, we prejudice a proposal that RM tactics influence RQ (H_3). This process will influence other proposal that is; customer loyalty was impacted by RM tactics via RQ intermediation role (H_4).

3. Research method

The research was done in Karafarin Insurance representatives. This institute has been incorporated as the first private insurance according to framework of commercial law in Iran. The statistics society was formed from 25 top managers of Karafarin Insurance Representations and 125 customers that he/she had referred to representations in February and March 2008 as the research was being studied. The survey instrument was developed according to previous researches (Morgan and Hunt, 1994; Naude and Buttle, 2000; Tseng, 2007; Ndubisi, Nelson Oly, 2007). Two types of questionnaires were used to collect the data from managers and customers separately that its items were measured on five-point Likert scales with end points of strongly disagree (= 1) and strongly agree (= 5). In managers' questionnaire, manager was questioned about RM tactics that was presented by representatives and in customer's questionnaire; customer was questioned about both RQ items and customer loyalty. Before final study, a pretest with 30 customers was conducted as it had administered to validate and confirm the measures in terms of their face validity, clarity, and appropriateness with context of Iran. Measurement scales validity and reliability were checked empirically before administering the final study, and were revised accordingly. After distributing and collecting questionnaires, it was used from Cronbach's alpha method with a rate of 0.88% and 0.92% for managers and customers questionnaires, respectively

that it had revealed validity of questionnaire questions. Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. A "high" value of alpha is often used (along with substantive arguments and possibly other statistical measures) as evidence that the items measure an underlying (or latent) construct. Construct reliability is shown in Table 2. The questionnaires had administered by personal method to overcome low response rate and avoid high cost of survey research in Iran.

4. Analysis and Results

For analyzing the data from questionnaires, Pierson correlation was used to determine of variables of RM and RQ and loyalty. A correlation is a number between -1 and +1 that measures the degree of association between two variables (X and Y). A positive value for the correlation implies a positive association (large values of X tend to be associated with large values of Y and small values of X tend to be associated with small values of Y). A negative value for the correlation implies a negative or inverse association (large values of X tend to be associated with small values of Y and vice versa). For determining of intermediating role of RQ, affecting the RM tactics on customer loyalty was used path analysis. In this method, we will consider to relations among variables as distinct path to specify which one is more important and significant. Its concepts have shown via path graph that causal links unveil among variables. In path analysis, a non-basic path was displayed with dotted line, indicating an insignificant performance from intermediation role of RQ. On the contrary, a basic path was displayed with solid line, indicating significant performance from intermediation role of relationship quality.

4.1 RM Tactics Impacts on Customer Loyalty

The impacts of RM tactics on RQ are shown in Figure 3. All of the RM tactics p-values were significant in generating of loyal customer except preferential treatment (P<0.05). In detail, the direct mail (B_1= 0.558; Sig. = 0.004) and tangible rewards (B_1= 0.531; sig. = 0.006) and Interpersonal communication (B_1= 0.462; sig. = 0.001) had influenced remarkable in generating of loyal customer, unlike, preferential treatment (B_1=0.052; Sig. = 0.807) don't had. In other words, the direct mail and preferential treatment had the highest and the lowest effect in generating of customer loyalty, respectively (Table 2). It is possible to rank the relationship marketing tactics in order of their performance in increasing of customer loyalty to direct mail > tangible reward > interpersonal communication > preferential treatment. Thus, this indicates a positive influence on customer loyalty when the RM tactics were applied (B_1= 0.643; Sig. = 0.001), consequently, the H_1 hypothesis supported. Based on previous studies that have shown preferential treatment had a great influence, it seems that the representatives are unable for performing it and/or are probably unaware for applying it.

4.2 RQ Impacts on Customer Loyalty

The data from this study showed that, the RQ had a positive influence to create customer loyalty (Figure 4). The relationship commitment (B_1= 0.442; Sig. = 0.027) and relationship satisfaction (B_1= 0.481; Sig. = 0.015) had a significant influence, but trust (B_1=0.382; Sig. = 0.060) do not had. Although similar results was almost found, they can be ranked in order of their performance in enhancing of customer loyalty by the tested RQ tactics to relationship satisfaction > relationship commitment > trust. It showed that, the RQ give superior performance in increasing of customers' loyalty in Karafarin Insurance Representations (Table 2), confirming the H_2 hypothesis. The results of this study confirmed the previous results about both relational satisfaction (Lin et al., 2008) and relational commitment (Sanchez-Franco et al., 2009; Lin et al.; 2008) as well as trust (Sanchez-Franco et al., 2009).

4.3 RM Tactics Impacts on RQ

The influences of the RM tactics on each three RQ tactics were presented with Figures 5 and 6. In detail, Direct mail had a significant influence on all RQ tactics included of trust (B_1=0.01, sig. =0.03); relational commitment (B_2= 0.204, sig. =0.045) and relational satisfaction (B_3=0.192, sig. =0.794)). Only direct mail doesn't have significant influence on relationship satisfaction. Tangible rewards is completely significant (B_1=0.162, sig. = .000; B_2= 0.429, sig. = .000; B_3=0.468, sig. = .000, respectively).

Interpersonal communication are completely significant too (B_1=0.412, sig. = .000; B_2= 0.379, sig. = .000; B_3=0.134, sig. = .000, respectively). But Preferential treatment is completely insignificant (B_1=0.194, sig. =.845; B_2= 0.337, sig. =.545; B_3=0.138, sig. =.753, respectively). The RM tactics had consequently a positive influence on the RQ (B_1= 0.417; Sig. = 0.000) to create loyalty, confirming H_3 hypothesis.

Thus, a suitable and direct interaction is necessary tools to raise trust, relationship commitment, and relationship satisfaction, and subsequently RQ. The results about preferential behavior approved Tseng (2007). This result might be related to client tendency for presenting a service with a high speed; hence, it is a necessity attending to the loyal and experienced customers. Unlike preferential behavior, the results about direct mail disapproved Tseng (2007). It seems

that presenting information in written form reckon motivating factor and presenting of them cause improvement quality. The results about tangible reward approved Tseng (2007); hence, we can search in be private insurance and traits of clients.

4.4 RQ Intermediation Role, Affecting in RM Tactics on Customer loyalty

The outputs from statistic calculations to examine how the RM tactics influence on customer loyalty showed that, The RM tactics were been impressible by the RQ in generating of customer loyalty. Therefore, the H_4 hypothesis was utterly rejected (Fig. 7). The correlation rate between variables and their factors are presented in Table 2. Based on the coefficients and their significant level, there did not exist significant difference between preferential treatment and RQ (sig. =0.172) and its dimensions (sig. = 0.845, 0.545, 0.753, respectively).

Also, there are exist an insignificant difference between direct mail and relationship satisfaction (Sig. = 0.794), between trust and loyalty (Sig. = 0.06), and between preferential treatment and loyalty (Sig. = 0.807) (Table 2). These correlations are shown on conceptual model (Fig. 8). The dotted and solid lines are indicating insignificant and significant difference, respectively.

It exhibit that the RM tactics direct effect (without mediating role of RQ) had a greater influence on customer loyalty than that of its indirect ones (with role of mediating RQ); consequently, any requirement do not is for RQ to mediate in customer loyalty creation process ($0.497 \times 0.417 < 0.643$). We had tested such trait for all dimensions of RQ except for trust (because of its deficiency on customer loyalty) and had obtained a result that relationship commitment and relationship satisfaction ($0.786 \times 0.442 < 0.643$ and $0.565 \times 0.481 < 0.643$, respectively) did not have a mediating role.

In brief, tangible reward, interpersonal communication and direct mail (unlike preferential treatment) as the aspects of RM tactics had a supreme influence in creating of loyalty without RQ mediating role. Also, interpersonal communication is the most important used tactics in Karafarin Insurance representatives. Therefore, we may conclude that applying the RQ would not influence on the RM tactics as mediating implement.

5. Discussion

Our research results were briefly illustrated by Figure 8. The nature of relational system is sensible and obvious on management and customer attitudes and, moreover, a manager not only will not neglect but also will have positive viewpoint about relationship issue in marketing. The data from this research showed that, the RQ did not play essential role to create a loyal customer and the RM tactics have influence on loyalty several times as much as RQ does. It indicates that using the factors of motivating had a great effect in retaining a customer and creating a loyalty in competitive environments such as Insurance Institute. Because the RM tactics will be identified and presented rapidly by rivals, therefore, positive potential of this tactics do not is perpetual; thus, prospect is that this factor will convert to motivating factor after a while. A customer reacts to changeable factors such as price, service quality and quantity, advertisement, image and so on; thus, will be acquainted by communicating with one another and other representations. Therefore, the creating and optimizing of RQ concept rapidly and accurately is necessary. In other words, only by identifying valid factors to create and keep a loyal consumer, a company will impart from the RQ effects.

6. Theoretical contributions and managerial implications

Marketing strategy literature has suggested that organization is in need of aligning different strategies properly to increase organizational effectiveness and competitive advantage (Wei and Gima, 2009). Therefore, based on administering this study in Iran, this research attends to marketing in Iran not only to expand the limited knowledge but also to designs properly the RM tactics in order to enhance marketing strategy effectiveness. Moreover, it will contribute to marketing strategy literature in several following respects, consisting of:

(*i*) By theorizing and empirically testing to design a proper marketing strategy. There has been a regard that marketing strategy will have a salient effect in success of an organization. Thus, our findings on the positive direct and don't moderating effects of RQ on customer loyalty suggests managers proceed to cognition sound of key and loyal customers and with focus on links of structural and present different and need service and too condition of promotion status of RQ by customers will simplify. A practitioner has widely accepted this idea that a firm is in need of adjusting marketing strategy to keep customer and sustain a potential customer (Richheld, 1993). Herein, we discovered that manager is supposed to consider about having an electronic customer relationship management (E-CRM) in representatives. In E-CRM, the manager will be able to organize his/her relation with customer; consequently, it will provide electronic membership (as a RM tactic) in organization. So, person-oriented service is attentive and personalized in face-to-face relating and is found in less rationalized settings (family businesses, and so on), but less so as managers argue for economies of scale. Personal service requires experience, know-how, willingness, patience, and dedication to helping. This is skilled, time-consuming, and relatively expensive labor. Through the use of non-human technology, system-

oriented customers vice deskills and ultimately replaces workers with technology. Inter subjective personal service is replaced with instrumentally rational, standardized, 'cost-effective' processes (e.g. inquiries are fielded by computers and touch-tone telephones). Ultimately, our findings further indicate that marketing managers should acknowledge the importance of use of personal consult in content of presenting of adequate information for sound acquaintance and or suggestion to use of telephonic marketing by topic of one of the implements of absorption customer and relationship by topic of implement for promotion.

 (ii) By providing some insight about exist a link between RM tactics and loyalty. However, it have already documented in some previous literature (Tseng, 2007; Ndubisi, 2007). The significant interactions between RM tactics and loyalty suggest that relations and interactions by customers doing with support of marketing mix. For Example, price can appoint in base of relationship by customer and collection of attributes and ordered services. In presenting of services has been considered preferential of customers. Relational channels move to directing and has been inconspicuous role of intermediate (marketers). Thus organization proceed in direction of creating of value for customers and provide potential of create and keeping loyal customer by the more intensity.

Consequently, firms should thus consider setting meetings between marketing and organizational success as an important priority on the firm's routine checklist of collaboration.

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Table 1. Dimensions of RQ in previous researches

Construct	Crosby et al. (1990)	Mohr and Spekman (1994)	Storbacka, Strandvic and Gronroos (1996)	Wilson and Jantrania (1996)	Naudé and Buttle (2000)
Trust	X	X		X	X
Relational satisfaction	X		X	X	X
Relational commitment		X	X		
Coordination		X			X
Communication		X	X		
Joint Problem Solving		X			
Bonds			X	X	
Goal Congruence				X	
Investments				X	
Power					X
Profit					X

Table 2. Correlation among variables of research

	Trust	Relationship Commitment	Relationship Satisfaction	RQ	Loyalty
Tangible Reward	.162(**)	.429(**)	.468(**)	.317(**)	.531(**)
	.000	.000	.000	.000	.006
Interpersonal Communication	.412(**)	.379(**)	.134(**)	.297(**)	.642(**)
	.000	.000	.000	.000	.001
Preferential Treatment	.194	.337	.138	.172	.052
	.845	.545	.753	.733	.807
Direct mail	.01(*)	.204(*)	.192	.137	.558(**)
	.030	.045	.794	.218	.004
Trust	1	.502(*)	.546(**)	.781(**)	.382
		.011	.005	.000	.060
Relationship Commitment	.502(*)	1	.620(**)	.846(**)	.442(*)
	.011		.001	.000	.027
Relationship Satisfaction	.546(**)	.620(**)	1	.883(**)	.481(*)
	.005	.001		.000	.015
RM Tactics	.763(**)	.786(**)	.565(**)	.417(**)	.643(**)
	.000	.000	.003	.000	.001
RQ	.781(**)	.846(**)	.883(**)	1	.497(*)
	.000	.000	.000		.012

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 3. Cronbach's Alpha for items of research

Construct		Mean (On a 5- point Likert scale)	Standard deviation	Reliability (Cronbach's Alpha)	Based on
RM Tactics	Tangible Reward	4.0480	0.6690	0.8064	Peterson, 1995
	Interpersonal Communication	4.1920	0.3628	0.7940	Fonteont and Wilson, 1997; Etgar, 1979; Weitz and Jap, 1995
	Preferential treatment	4.0240	0.2403	0.8765	Wulf et al, 2001; Gwinner et al, 1998
	Direct Mail	4.1120	0.2774	0.8411	Dwyer et al,1990; Anderson and Narus 1990 Morgan and Hunt, 1994
RQ	Trust	4.4160	0.2398	0.8209	Naude and Buttle, 2000
	Relationship Commitment	4.5400	0.2784	0.8119	
	Relationship satisfaction	4.4187	0.3429	0.8235	
Customer Loyalty		3.6869	0.2859	0.8259	Oliver, 1999; Kotler, 2003
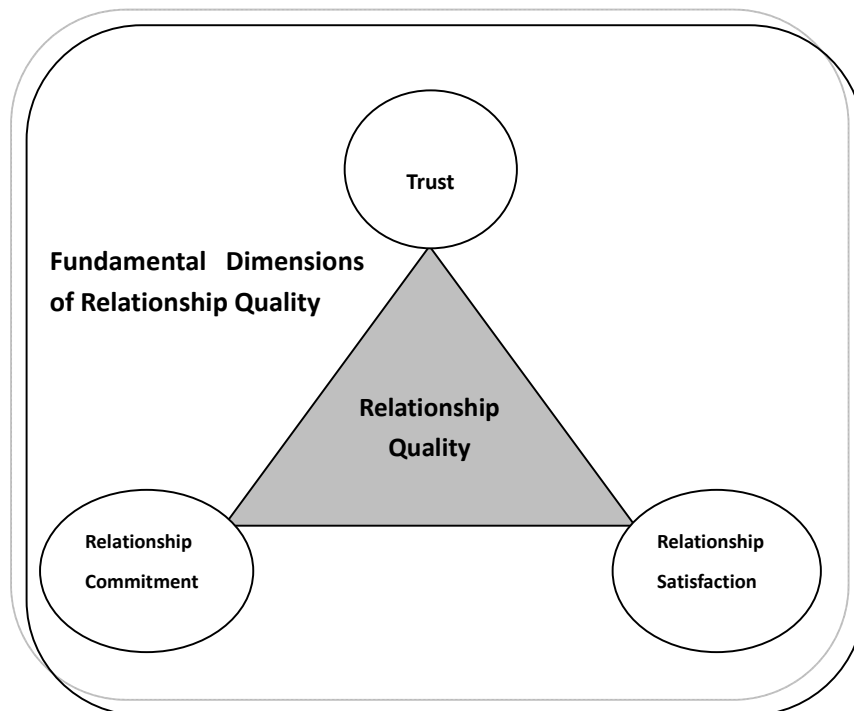
Figure 1. The dimensions of RQ
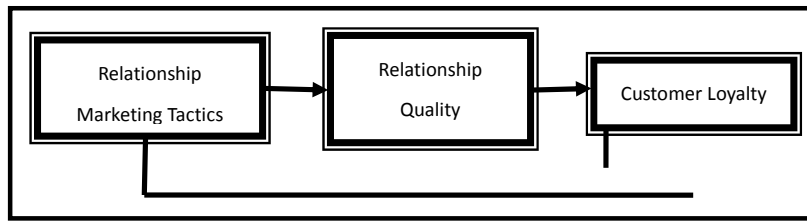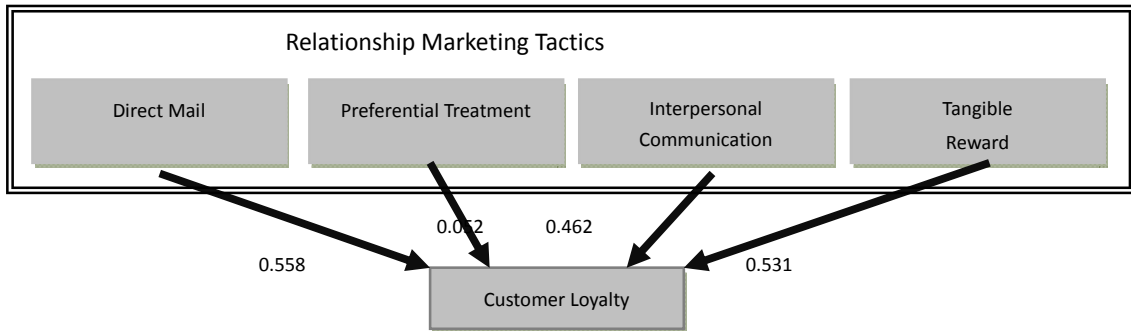
Figure2.   Conceptual Model

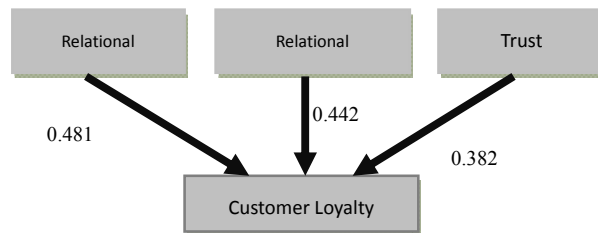Figure3. The impacts RM Tactics on Customer Loyalty

Figure4. The impacts RQ on Customer Loyalty
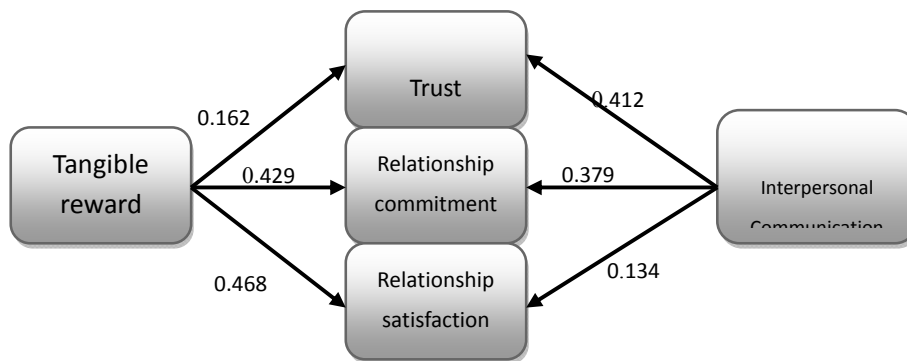

Figure5. The impact tangible reward and interpersonal communication on RQ
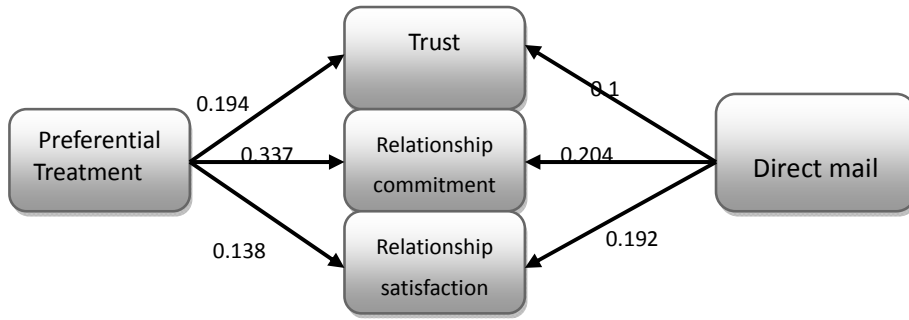
Figure6. The impact preferential treatment and direct mail on RQ

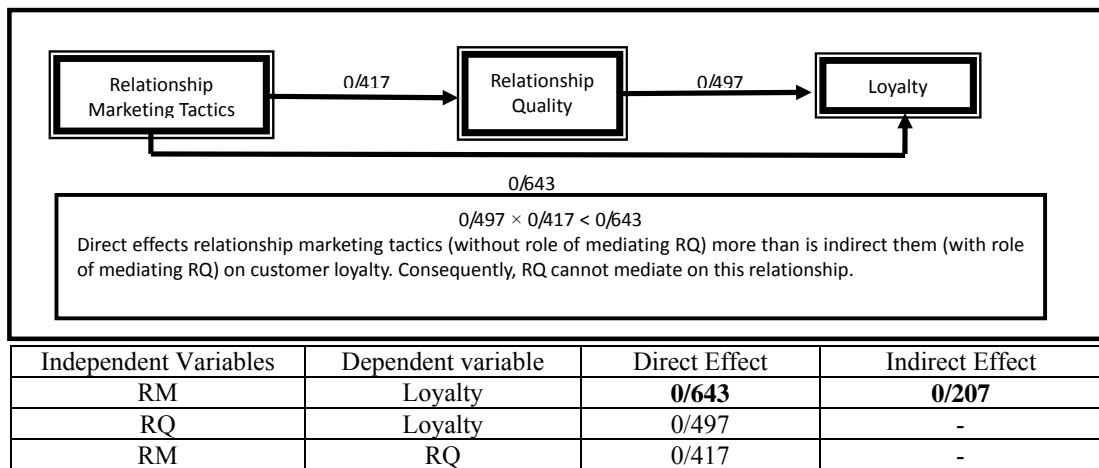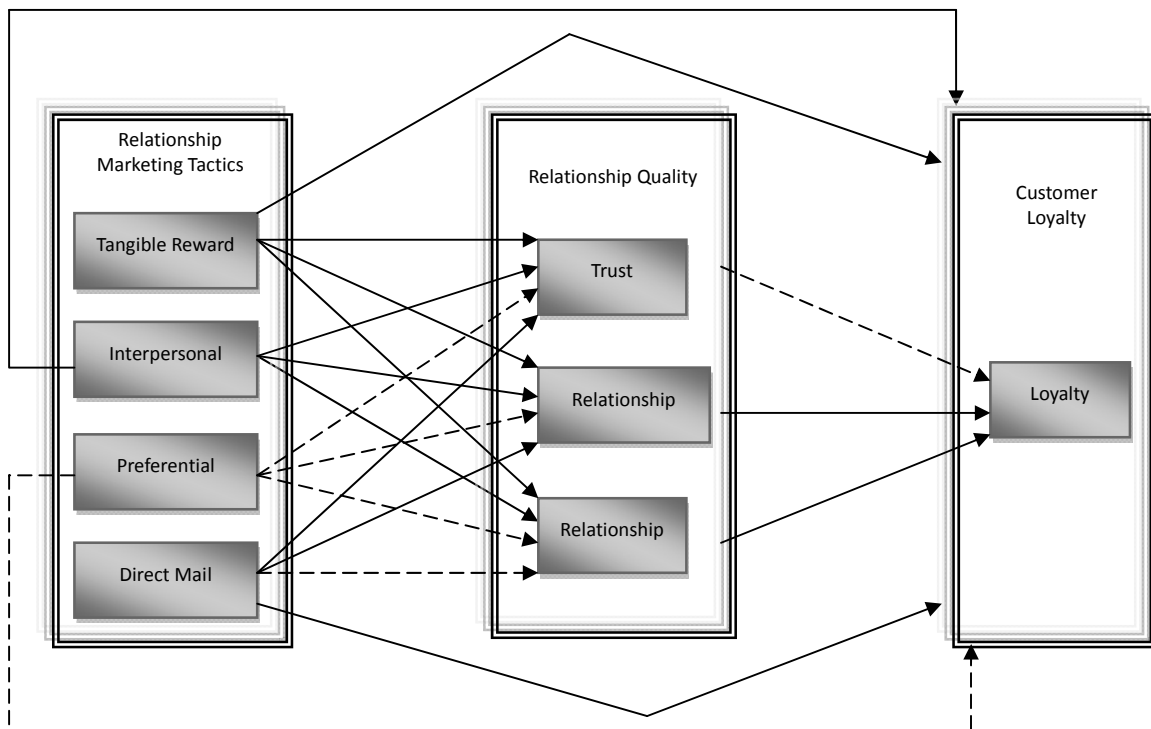| Independent Variables	Dependent variable	Direct Effect	Indirect Effect
RM	Loyalty	**0/643**	**0/207**
RQ	Loyalty	0/497	-
RM	RQ	0/417	-

Figure7. Intermediation Role of RQ in Impact of RM Tactics on Customer loyalty

Figure 8. Conceptual Model