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Importance of relationship marketing management in the insurance business in Albania

Evelina Bazini^{a*}, Liljana Elmazi^b, Shkelqim Sinanaj^c

^a*Faculty of Economy, University of Vlora “Ismail Qemali”, Albania*

^b*Faculty of Ecoomy, University of Tirana, Albania*

^c*Faculty of Economy, University of Vlora “Ismail Qemali”, Albania*

Abstract

In recent times, managers have started understanding the relevance of retaining active customers with companies as a key component guarantying their survival in the market. Moreover, the benefits associated with companies counting on loyal customers have been highlighted. This loyalty emerges from the relationship “customer-organization”, the longer and more intense the relationship is, the higher the benefits. The aim of this paper is to emphasize the importance of relationship marketing management in Albanian insurance businesses.

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*Evelina Bazini, Tel: +355 33 202 907

E-mail: ebazini2001@yahoo.com

1. Introduction

Insurance market activity, both as a financial intermediary and as a provider of risk transfer and indemnification, promotes economic growth by allowing different risks to be managed more efficiently. This activity would encourage the accumulation of new capital and mobilize domestic savings into

productive investments. Arena (2008), found that a robust causal relationship exists between insurance market activities and economic growth. The marketing concept emerged in the mid-1950s. Instead of a product-centered, ‘make-and-sell’ philosophy the business shifted to a customer-centered, “sense-and-respond” philosophy. The job is not to find the right customers for your products, but to find the right products for the customers (Kotler and Keller, 2008).

The American Marketing Association, defined marketing as “An organizational function and set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders”. Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers by creating, delivering, and communicating superior customer value.

Marketing is a societal process by which individuals and groups obtain what they need and through creating, offering, and freely exchanging products and services of value with others. Holistic marketing approach recognizes that ‘everything matters’ in marketing. It has four components i.e., Relationship marketing, Integrated marketing, Internal marketing and Performance marketing (Kotler and Keller 2008). McCarthy (2002) classified marketing activities as marketing mix tools of four broad kinds which he called four Ps of marketing: viz., product, price, place and promotion usually applied to marketing of tangible goods.

However to capture the distinctive nature of service performances three more elements associated with service delivery are considered physical environment, process, and people (Lovelock and Wirtz 2004). Thus, for effective marketing strategies of services all the seven P’s (product, price, place, promotion, physical environment, process and people) play an important role.

2. Literature review

2.1. Financial markets

During the last decades competition has intensified in the financial markets and companies have encountered difficulties in selling their goods or services, and thus also, in keeping their market share. As a result, a phrase that has been commonly used in recent times and is appropriate for all business activities is to keep the “customer in focus”. This represents a change in the way business leaders think about the company’s relationship with the market. It can be said to represent a change from a product oriented to a market oriented way of thinking. The processes of deregulation and technological development have altered the traditional barriers between different institutional groups, and there has been a redefinition of the marketplace: we tend to speak of financial services as a whole rather than banking or insurance specifically. This represents a threat and, at the same time, an opportunity to financial providers, as it opens up the possibilities of offering customers a more integrated range of financial services. Many financial institutions have expanded into new, but still closely related, markets and the number and variety of competitors has increased. The search for competitive advantage has increasingly tended to focus on the process of service delivery rather than the service itself, which consequently has turned attention to the concept of “relationship marketing”.

2.2. Insurance services

According to the Encyclopedia Britannica, insurance is “a contract for reducing losses from accident incurred by an individual party through a distribution of the risk of such losses among a number of parties.” The definition goes on to say: “In return for a specified consideration, the insurer undertakes to pay the insured or his beneficiary some specified amount in the event that the insured suffers loss through

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