

**THE INFLUENCE OF RELATIONSHIP MARKETING ON
CUSTOMER LOYALTY: A STUDY OF PRUDENTIAL BSN
TAKAFUL'S CUSTOMERS IN KEDAH**

By

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Master of Science Management**

DECLARATION

I declare that thesis work described in this research paper is my own work (unless otherwise acknowledged in the text) and that there is no previous work which has been previously submitted for any academic Master's program. All sources quoted have been acknowledged by reference.

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ABSTRACT

The Malaysian Takaful industry is considered a growing industry with significant progress and continues to play an important socioeconomic role within the economy. In the new global economy, service providers are competing to develop and retain customers through increased loyalty. Thus, this research was carried out to determine the relationship marketing elements which is trust, commitment, conflict handling and communication that influence customer loyalty toward Prudential BSN Takaful in Kedah. A total of 100 customers of Prudential BSN Takaful in Kedah was selected as respondents of the survey questionnaire which was randomly distributed. The obtained data were analyzed using Pearson's Correlation and Multiple Regressions. The finding shows that trust, commitment, conflict handling and communication are positively correlated with customer loyalty. Element trust was the strongest predictor of customer loyalty. Based from this research, if Prudential wants to maintain and develop loyal customers they should be trustworthy and committed to their service ethic and should resolve the conflict that a raised in a conduct that will disqualify significant losses and inconvenience to the customer.

Keywords : Takaful, relationship marketing, customer loyalty.

ABSTRAK

Industri Takaful di Malaysia adalah industri yang semakin membangun dan dianggap membawa kemajuan yang ketara sekaligus memainkan peranan penting di dalam sosioekonomi negara. Dalam keadaan ekonomi global sekarang, syarikat takaful bersaing untuk membangun dan mengekalkan pelanggan dengan menjaga hubungan baik dengan pelanggan. Oleh itu, penyelidikan ini dijalankan untuk menentukan unsur-unsur hubungan pemasaran seperti kepercayaan, komitmen, pengurusan konflik dan komunikasi dalam menentukan kesetiaan pelanggan terhadap Prudential BSN Takaful di Kedah. Seramai 100 pelanggan Prudential BSN Takaful di Kedah telah dipilih sebagai responden dalam kajian soal selidik ini yang telah diedarkan secara rawak. Kaedah analisis data yang digunakan adalah korelasi Pearson dan regresi berganda. Hasil kajian menunjukkan bahawa kepercayaan, komitmen, pengurusan konflik dan komunikasi secara positif mempengaruhi kesetiaan pelanggan. Unsur kepercayaan adalah unsur yang paling kuat mempengaruhi kesetiaan pelanggan. Berdasarkan kajian ini, jika Prudential mahu mengekalkan pelanggan, mereka harus lebih telus dan komited dalam perkhidmatan mereka dan menyelesaikan konflik yang timbul dengan cepat bagi mengurangkan kerugian dan kesusahan yang dialami pelanggan.

Kata Kunci : Takaful, hubungan pemasaran, kesetiaan pelanggan.

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LIST OF ABBREVIATIONS

Abbreviation		Meaning
μ	=	Error term
B	=	Unstandardized beta coefficient
BHD	=	Berhad
BSN	=	Bank Simpanan Nasional
DV	=	Dependent Variable
IMP	=	Industrial Marketing and Purchasing Group
IV	=	Independent Variable
KMC	=	Kedah Medical Centre
PLC	=	Private Limited Company
PMR	=	Penilaian Menengah Rendah
SDN	=	Sendirian
SPM	=	Sijil Penilaian Menengah
SPSS	=	Statistical Package for Social Science
SRP	=	Sijil Rendah Pelajaran
STPM	=	Sijil Tinggi Pelajaran Malaysia
UPSR	=	Ujian Penilaian Sekolah Rendah
α	=	Intercepts (constant value)

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The Takaful industry in Malaysia today is poised for greater dynamism and growth, within the expanded domestic and international frontier of the Islamic financial system. From the Takaful industry development point of view, the role of agents as intermediaries between customer and company is getting more and more important today while they maintaining a strong relationship with the customer.

Strong competition featured as today's business environment has led to the construction of a stronger relationship between firm-client (Ndubisi, 2007). Ndubisi (2007) noted that more firms take advantage of the strong relationship on firm-customer to get valuable information about how best to serve and take care of them from changing to competing brands. Therefore, customer relationships have built mutual rewards that benefit both the company and the customer (Rapp & Collins, 1990). Customer loyalty is considered to be an important link to the success of the organization, profit and business performance (Oliver, 1997; Reichheld, 1993; Sheth & Parvatiyar, 1995). Moreover, loyal customers not only increase the business value, but also allows the business to reduce the cost of attracting new customers (Barroso & Martin, 1999). In addition, loyalty rather than satisfaction is the number one strategic goals in a competitive business environment today (Oliver, 1999).

With regards to Prudential BSN Takaful, they not only involves with intangible services but complicated products and contracts that are mostly in a long-term

commitment, maintaining the customer relationship is one of the necessity. Basically the customer requires more service from the company in case they have difficulties due to the nature of Takaful products is to help the customer during their difficult time. In this context, the needs of all customers must be achieve and company shall offer an excellent service to them. In other words, Prudential BSN Takaful must ensure that their relationships with customers are strong to ensure that they stay with them for a long term of period.

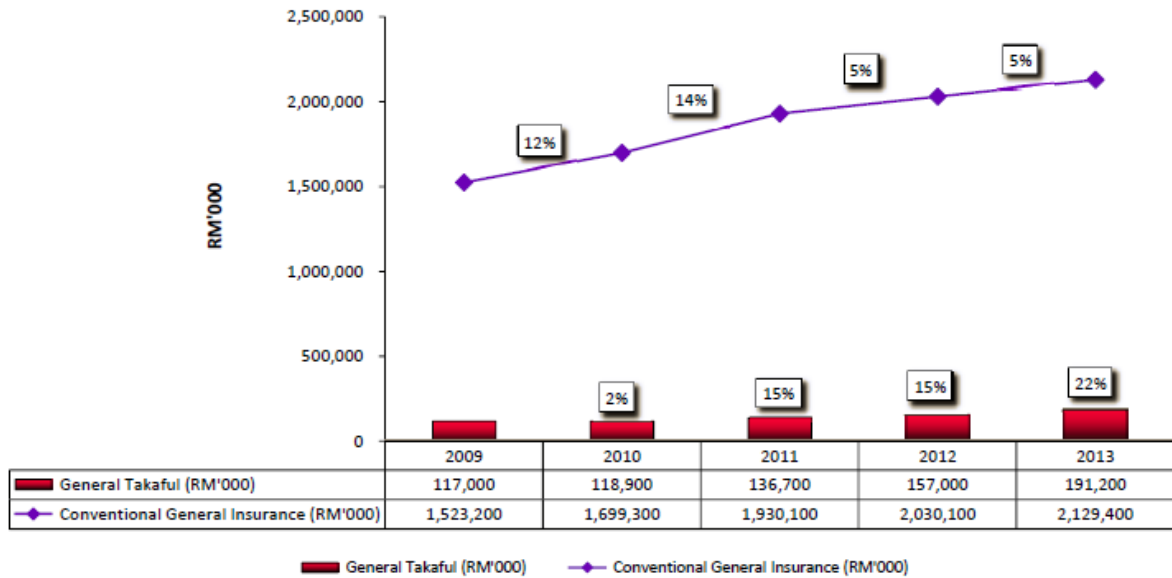
The focus in this study is to determine the elements in relationship marketing that influence customer loyalty in Prudential BSN Takaful. Relationship marketing focuses more on cooperate with customer for a long term, rather than just trying to make a quick sale. An organization must exceed the expectations of their customers so that they can satisfy, develop and maintaining a healthy relationship with them.

1.2 Problem Statement

The role of Takaful as a substitute insurance product for the Muslims in Malaysia is viewed as successful. Nevertheless, many Takaful operators has failed to keep their existing customers specifically the Family Takaful plan (Marhanum & Riwan, 2012). It is recorded that the number of customers who terminated their Family Takaful plan have been increasing since 2006. Based on data from Bank Negara Malaysia (2010), in the five years, the highest was observed in 2010 in which approximately 139,021 surrendered their plan. There is an 81.5% increase from 2009.

Nowadays, insurance industry environment facing a new challenge like the increased competition among conventional and Takaful.

Figure 1.1
Customer Growth of Takaful and Conventional Insurance



(Retrieved from Bank Negara 2013)

As a consequences, Takaful operator will lose their customer loyalty on their product if they don't use the elements in relationship marketing strategy that will assist them to win customers hearts and minds in maintaining long-term relationship. Customer loyalty is very crucial to the Takaful industry as it has serious reaction on the practice of relationship marketing to accomplish future customer retention (Alrubaiee & Al-Nazer, 2010).

Based on the challenges faced by Prudential BSN Takaful, this studies are important to know the element that can become a strategy and formula how to make a strong long term relationship between Prudential BSN Takaful and their customer. Researcher choose to test the theory of relationship marketing as the independent

variable and the theory of consumer loyalty as dependent variable. This combination of two theories can become a mirrored and evaluation in marketing strategy.

This relationship marketing was identify through the five element. There are trust (Churchill & Surprenant, 1982), commitment, conflict handling, communication (Morgan & Hunt 1994), and customer loyalty (Beerli, Martin & Quintana, 2004). It is important to conducted this research to know which element that been identify is significance and lead a positive implication for Prudential BSN Takaful marketing strategy.

1.3 Research Questions

Based on the issues and problems above, several questions have arisen which is become the basis for this study. This study will try to identify and find the answers for the questions as follows:

- i) What is the relationship between factors consisting trust, commitment, conflict handling and communication with customer loyalty?
- ii) What is the most significant factors consisting trust, commitment, conflict handling and communication that influence customer loyalty?

1.4 Research Objectives

This study examines the relationship of four dimensions of the relationship with the dimension of customer loyalty of Prudential BSN Takaful. This research is aimed at achieving the following the specific objectives:

- i) To determine the relationship between factors consisting trust, commitment, conflict handling and communication with customer loyalty.
- ii) To determine the most significant factors consisting trust, commitment, conflict handling and communication that influence customer loyalty.

1.5 Significance of Study

The researcher had studied the relationship between the various dimensions that effect on customer loyalty. The outcome of this study will give new empirical evidence of relationship marketing with customer loyalty in the Takaful industry. Moreover, this study can improve service activities of Prudential BSN Takaful to satisfy their customer.

1.6 Scope of Study

The scope of this study only emphasizes on dimensions relating to customer loyalty, particularly among customers of Prudential BSN Takaful at Kedah. The respondent was chosen from among the users of Prudential BSN Takaful. This study will investigate some of the factors related to relationship marketing on customer loyalty. Therefore, the purpose of this study is to determine the relationship between the customer loyalty and relationship marketing dimensions that will be test according to the current situation of Prudential BSN Takaful services.

1.7 Organization of the Thesis

This thesis is well-organized by the researcher and divided into five chapters. Chapter 1 is an introduction for this study which describes the direction of this study by presenting a statement of the problem that has led to the concepts, research objectives and research questions, significance of the study and the research scope. This chapter is crucial in providing an understanding to the reader about the roadmap of the study.

Chapter 2 contains of literature review related to the area of study. Review presented in this chapter includes a discussion of customer loyalty. In this chapter also discusses some research that been done by the previous scholars particularly on the factors that affect customer loyalty in Takaful services. Finally, this chapter discusses the independent variables that were selected.

Chapter 3 will explain the research methodology for the study. The researcher will describes regarding the theoretical framework, research hypotheses, research design, operational definition, research sample and population, data collection method and procedures, and the data analysis techniques.

Chapter 4 focuses to study the findings. Profile of respondents, analyzes descriptive and reliability of the variables and the results of the hypotheses presented. At the end of this chapter, a conclusion of the results is presented.

Chapter 5 will focus on conclusion and recommendations that would be the end of this study. The researcher would highlight the implications of the study in two dimensions which are including managerial implications and practical implications.

Furthermore, the researcher will provide a recommendation for this study and give a suggestion for future research. Eventually, the researcher will conclude and summarize the study based on the analysis results.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will use as the main platform and valuable literature to support objective and also the researcher will describe the crucial matters relating to the several definitions and concepts based on analysis of the studies that have been made by previous researchers whether local or foreign researcher on the subject that is very similar to the study. In this chapter, the researcher will review on Takaful industry, background of Prudential BSN Takaful, dimensions of relationship marketing which is the independent variables consists of trust, commitment, conflict handling and communication. The focus on this section is to discuss on how each of independent variables related to dependent variables which is customer loyalty.

2.2 Overview of Study

2.2.1 The Concept of Takaful

In the Arabic context, the term “Takaful” is derived from the word “Kafala” which means to guarantee, guard and protect. Takaful means “guaranteeing each other”. In the Islamic interpretation, Takaful is a pact among a group of members or participants that agree to always give mutual assistance to one another (Billah, 1998). It works more like a joint guarantee in which all participants contribute their own shares of premiums into a pool and mutually agree to compensate those participants who suffer from an insured peril. Muslim jurists generally agree that Takaful insurance is accordant with the Shariah, as halal concepts of *tabarru* (meaning donation or

contribution) and Takaful (meaning joint venture or shared responsibility) are deeply embedded in it ((Maysami & Kwon, 1999). Hence, both the Takaful operator and the participant are mutually helping each other for a financial protection.

2.2.1.1 Differences between Takaful and Conventional Insurance

Takaful, the Islamic alternative to conventional insurance is based on the idea of social solidarity, cooperation and joint indemnification of losses of the members. It is an agreement among a group of persons who agree to jointly share responsibility of loss or damage that may inflict upon any of them; out of the fund they donate collectively but in conventional setup loss is indemnified by the insurance company according to the terms and condition of the policy (Maysami & Kwon, 1999). It is an Islamic model of insurance policy which is based on the fundamental principle of mutual cooperation and solidarity, as ordained by Allah (SWT) mentioned to this effect in the Holy Quran (Maysami & Kwon, 1999).

On the other hand, insurance is a device for the reduction of risk of one party, called the insured, through the transfer of particular risks to another party, called the insurer, who offers a restoration, at least in part, of economic losses suffered by the insured (Pfeffer, 1956). There is no religious boundary under conventional insurance. The main purpose of insurance is just for commercial in the sense of protecting risk-averse from suffering the full cost of those actions on the part of nature which affect them unfavorably. Billah (1998) asserts that, Takaful is differs from conventional insurance in the sense that the company is not the insurer insuring the participants. The persons participating in the scheme mutually insure one another and this is the very essence of

the word Takaful in Arabic. The operational framework of conventional insurance is based on “risk assumption” but Takaful operate under mutual co-operation basis. It means that, Takaful is a scheme or a social program for the collection of funds for the aid of participants in contingent future.

According to Siddiqi (1985), there are three elements present in conventional insurance that do not conform to the requirements of the Shariah law:

i) Al-Gharar

This refers to 'unknown' or 'uncertain' factors in a conventional insurance contract. In conventional insurance policyholders are not informed on how profits are distributed and in what the funds are invested in. In a Takaful operation, this is based on the Mudharabah concept, the distribution of profits to the operators and the participants are clearly outlined in the contract.

ii) Al-Maisir

This is the 'gambling' element and is said to derive from the 'Gharar' element. In conventional insurance the policyholder stands to lose all the premiums paid if the risk does not occur. On the other hand, he stands to get more should a misfortune happen whilst paying a small amount premium. In Takaful, even though the risk does not occur, the participant is entitled to get back the contributions that he has paid. Should the risk occur, he will be paid from his premium fund plus the pool of funds from the 'donation' of other participants.

iii) Riba

This refers to the interest factor present in the investment activities of conventional insurance companies. The policy loan in conventional life insurance is in fact a Riba based transaction. Islam prohibits any investment activities which are interest based in alcoholic beverages and non-Halal products.

2.2.1.2 Takaful Models

There are various models adopted in different Muslim countries, the one model is *Mudarabah Model* which describes that all policyholders must agree to share profits (or losses) from the undertaking (Maysami, Golriz, & Hedayati, 1997). Under this model, the operators do not have to pay a commission but will receive a salary which will be paid from share of profits made by the company. These same conditions apply to the management (Billah, 1996). The sharing of profit and loss between the participant and operator is determined in advance and judged on the basis of company's developmental stage and earnings. The sharing ratio is approved by the Shariah committee on advance basis. Normally total expenses are charged to shareholder under *Mudarabah*.

The second model is *Wakalah Model*. This model describes that the surplus of policyholders' fund investments – net of the management fee or expenses go to the policyholders. The participant pays the *Wakalah* fee from contributions that cover the total operator expenses of the business and operator salaries. The *Wakalah* fee is determined by the Shariah Advisory Board of the company one year advance basis.

To give incentive to operator for good governance, management fee is paid as per the level of performance.

The third model is *Wakalah Waqf Model*. According to this model, a *Waqf* fund is created as separate legal entity with the contribution of the participant's amount and the amount deposited to this fund is considered as a "*tabarru*" donation. The aim of this fund is to provide relief to participants against defined losses according to the terms and condition of the *Waqf* fund (Wahab, 2006).

2.2.2 The Development of Malaysian Takaful Industry

The original concept to announce Takaful in Malaysia come from Malaysia's national Fatwa Committee meeting on 15 June 1972, where having a conventional insurance practices were discussed. Conventional insurance have been practiced for such a long time and the committee considered the contract is invalid because it involves components that were illegal in Islam such as maisir (gambling), gharar (uncertainty), riba (interest), (Hendon, Sharifah Zuriah & Sakinah, 2009). In this regard, the panel noted that in line to accommodate demand for insurance products that have been increasing toward muslims in Malaysia, a Shariah compliant insurance plan should be announced immediately.

As a reaction to this proposal, the Malaysian Government set up a special committee in 1982 to determine the elements that are not acceptable to Islam religion in the existing insurance practices, and the possibility of creating a new alternative Shariah compliant (Lim, Muhammad Fahmi & Carissa, 2010). In the same year, the task force have introduced the new proposed product, Takaful (Hendon et al., 2009). In 1984,

the first Takaful operator was operated using the name Syarikat Takaful Malaysia Berhad and the Takaful act was enacted in the same year (Lim et al., 2010; Bank Negara Malaysia, 2012). All important events mentioned above are significant occasion in the first phase of progress of the Takaful industry, where the major establishment is to expand the infrastructure of the industry.

The second operator of Takaful was introduced that have been given name Takaful Nasional Sdn. Bhd as a part of the second phase that was brought into in the early 1990s. Takaful Nasional was the first company to implement the system of an agency with the role to develop the marketing channel of the Takaful industry. The ASEAN ReTakaful International Ltd and Asean Takaful Group also formed at the same time. The industry grew significantly during the growing phase in 2000, there were 124 branches that sell Takaful and over 4,000 agents throughout the country (Bank Negara Malaysia, 2012) and in year 2001, Bank Negara continued to strengthen the Takaful industry with a solid Financial Sector Master Plan, where the objective is to maximize the size and capacity of the Takaful operator through the legal framework, Shariah compliant, and industry regulations.

During the third phase of industrial development between year 2001 and year 2010 the number of Takaful operators to increase dramatically. According to Mohd Tarmidzi (2010), there were eight Takaful operators in industry that have been developed in 2010. Surprisingly, the industry growth to 27% in net Takaful contribution between the year of 2005 and 2010 (Mohd Razif, 2011). Malaysian Takaful industry have proved year by year to emerge as one the major player in Asia,

and have become great competitor toward conventional insurance products in Malaysia.

Surprisingly, the success accomplished by the Takaful operator in Malaysia have make conventional insurance companies from international and local interested to applied Takaful license from the Bank Negara Malaysia. Until the year 2013, there were 12 Takaful operators where from nine of them local and three coming from the international company (Bank Negara Malaysia, 2013). Operators carry out their Takaful business according different operating standards.

2.2.3 The development of Prudential BSN Takaful

Prudential BSN Takaful Berhad (PruBsn) is a joint venture between Prudential plc and Bank Simpanan Nasional (BSN), two financially strong companies in their respective fields of expertise. Founded in 1848 in the United Kingdom, Prudential has grown to become one of the world's largest financial services group and a regional powerhouse operating in 18 countries. Prudential has been in Malaysia for over 80 years whilst BSN, launched in 1974, has a customer base of over 7 million people and a network of nearly 400 branches nationwide. It is also a statutory body under the Ministry of Finance (BSN, 2015).

PruBSN has grown since its founding in 2006 to achieve great market share in the Takaful industry locally with the presence of geographically expanded across the country. Since PruBSN's inception, they have grown to serve close to a half million customers, offering innovative first-to-market products that meet financial, lifestyle and spiritual needs. In their efforts to reach support an even larger section of the

society, they have engaged in fruitful partnerships with Affin Islamic Bank, Affin Bank, Bank Kerjasama Rakyat Malaysia Berhad, Kuwait Finance House (Malaysia) Berhad, Standard Chartered Saadiq Berhad, Amanah Raya, and Bahagian Pinjaman Perumahan Perbendaharaan Malaysia, a division of the Ministry of Finance (BSN, 2015).

Prudential BSN Takaful Berhad known in the industry as Malaysia's leading family Takaful operator whose customer centric approach, multi-distribution channel strategy, innovative solutions and technological leadership have propelled it to the forefront of the industry. Driving on their 'Takaful For All. For Life' proposition, PruBSN strive to build a strong and lasting impact to help develop Malaysia through protection of wealth and investment in capital markets, while realizing their vision of being a world-class Shariah-compliant financial solutions provider.

2.2.4 The Importance of relationship marketing practices in Prudential BSN Takaful

While most business focused on maintaining a good relationship with their clients, not all customers tend to build relationships with business participants. This contradict from financial services such as insurance or the Takaful operators that offer services and products that need complicated business intermediaries or consultants to describe their products and services. Difficult conditions emphasizes the responsibilities of a sales agent as a consultant. As for Prudential BSN Takaful, the relationship between agents and their clients must be well maintained because the role of the agents is to market their products along with the knowledge they need to cooperate and connect with customers at the end of which can create good relations or poor.

Researchers before this have study the financial industry described there have been significant relationship marketing that showing how to generate customer relationship marketing elements such as trust, loyalty, commitment, retention, and other positive outcomes. A study in the Malaysian banking industry by Shamsudin, Kassim, Hassan and Johari (2010) shows that marketing relationships can improve customer satisfaction and brand loyalty. Apart from that, Maznah and Mohd Noor (2010) also stressed that the relationship marketing is not only to customers but to retain existing customers. In addition, Bugel, Buunk, and Verhoef (2010), which reviewed five different sectors of the banking industry, health insurance, supermarkets, mobile telecom provider and the automotive industry has revealed that the increase of customer satisfaction and build a close relationship with them will create their commitment attitude and loyalty to the provider.

Based on current researches, the researchers have made extra attempts to contrast Takaful with existing conventional insurance. Throughout the years, marketing practices that have been applied in the Takaful industry reflects the practice of conventional insurance companies. Rather than promoting the objectives of Takaful, Takaful agents aim to focus in selling their products and services and ignored the relationship with customers. A study recently carried out by Mohamed, Syed Othman and Kamaruddin (2013) show that relationship marketing has become the utmost crucial factor in the Takaful industry and it give a great encounter such as the entrance rate of the industry. In addition, the method used to market a Takaful product should be according the norms of Islam where the purpose of marketers is to help other peoples by offering a range of Takaful products (Marhanum, 2012).

2.2.5 The Development of the Relationship Marketing Theory

In the last twenty years the concept of relationship marketing has been a major theme of discussion in the marketing theory and practice. This is the reason why prestigious economic journals (e.g. Journal of Marketing, Journal of Business and Industrial Marketing, Journal of the Academy of Marketing Science, International Journal of Bank Marketing, Journal of Strategic Marketing) and international conferences have regularly presented the benefits of this new business perspective.

The appearance and rapid growth of interest for relationship marketing were due to the many changes which have occurred in the international business environment from the beginning of the 1970's until the present period of time. These changes known also as key drivers in the development of the relationship marketing concept can be resumed as: the maturing of many markets, especially in the United States, European Union countries and other advanced economies, the decrease in population growth rate, a greater consumer power and sophistication in the decision buying process, the technological developments and the increased competition in many business areas. Therefore, a great number of markets were saturated which means that consumers, faced with a surplus of products were becoming more demanding and less easily persuaded by seller's promotional messages. This has affected brands positioning leading to a decline in market share and implicitly in the manufacturers' economic profitability, because consumers perceived little difference between competitors' goods and services. In this new business context, marketers realized that the methods, techniques and instruments of traditional marketing (named also classic

or transactional marketing) were no longer adequate for helping companies to plan their activities and predict their future market position.

According to Christopher, Payne and Ballantyne (1991) during the 20th century there had been a number of major developments that can be associated with differences in research emphasis. From the beginning the marketing science was dominated by the consumer's goods area. During the development of business to business and services marketing, there have been identified many and significant differences between these economic sectors and consumers marketing, which generate the need to find new strategically and tactically methods for adapting to this specific environment. The main particularities were referring to the nature of the product offered, the consumers' buying behavior and the type of business relationships established between the manufacturer or the services supplier and its customers.

In the initial development of business to business marketing (named in the first phase industrial marketing) the emphasis was on defining and classifying industrial goods, the mechanism of price setting and rational buying models where marketing played only a marginal role. However, this approach wasn't appropriate for revealing the complexity of how industrial markets operated; fact which resulted from the work of Industrial Marketing and Purchasing Group (IMP). The empirical research realized by these specialists had get to the conclusion that many inter-firm transactions are conducted within enduring business relationships where mutual trust and adaptation are essential for both partners. In the same time it appears that business to business marketing involved not just managing exchanges between organizations but much more complex human interactions. On the basis of IMP's research activity it was

developed the theory of network interaction marketing defined by Christopher as all activities undertaken by the firm to build, maintain and develop customer relations (Egan, 2004).

The services marketing literature, was similar to the business to business sector, one of the first area for the development of relationship marketing research. The spectacular growth of the services economy in many countries of the world (which accounts, in present, 56.6 percent of worldwide gross national product and, in the same time, it absorbs a large part of the labor force shed by traditional industries) has favorable influenced the review of some marketing instruments in domains like: banks, assurance, tourism. These main differences that can be identified between goods and services are: the intangible elements that dominate value creation, the fact that service product cannot be inventoried, the variability in the operational inputs or outputs and the inseparability of services consumption from the contact personnel, which means that customers may be involved in the production process. Services characteristics and typology determines a specific way in which the marketing-mix tools will be defined and there become a favorite domain for the applicability of relationship marketing theory. This is the reason why many researchers (Berry, 1983; Grinroos, 1990; Gummenson, 1994) sustain the point of view that in services marketing, buyer-seller interaction must be considered as part of marketing's task. Consequently, the origins of relationship marketing approach are in the business to business and services industries. Although relationship marketing had been a subject of great interest in recent years and there is a wide agreement that relationship marketing is different from traditional approaches to managing exchanges, there is no

“general theory” in this sense (in the relationship marketing literature there have been mentioned more than fifty definition of the term). Besides, other terms have been frequently used either as substitutes for relationship marketing, or to describe similar concepts; these include: customer relationship management, database marketing, loyalty-based marketing, integrated marketing, direct marketing, frequency marketing and dialogue marketing.

The concept of relationship marketing was first mentioned by Berry (1983), in a conference paper on service marketing, as “attracting, maintaining and, in multi-service organizations, enhancing customer relationships”. While recognizing that customer acquisition was and would remain part of marketer’s responsibilities, this viewpoint emphasized that a relationship view of marketing implied that retention and development were of equal or even greater importance to the organization in the long term, than customer acquisition. After a period of time, the same author (Berry, 1995) described relationship marketing as a “new-old concept” continuing that “the idea of a business earning the customers’ favor and loyalty by satisfying their wants and needs was not unknown to the earliest of merchant”. At the centre of the relationship marketing perspective is the idea that customers have continuing value over the period they stay in business with a specific company. The focus is, therefore, on the relationships rather than transactions.

The duration of the exchange is a core element in distinguishing the two terms. A transactional exchange involves a single, short time exchange with a distinct beginning and ending. In contrast a relational exchange involves multiple linked exchanges extending over time and usually involves both economic and social bonds.

Another definition of relationship marketing was proposed by Grunroos (1990), who affirms that: “The role of relationship marketing is to identify, establish, maintain and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all other parties involved are met; and that this is done by a mutual exchange and fulfilment of promises”. Gummesson (1994) defines relationship marketing as “marketing seen as interactions, relationships and networks”.

As most definitions imply, relationship marketing is first and foremost a process. Thus, the relationship marketing approach is multifunctional and integrative because it “views marketing as an integrative activity involving functions across the organization, with emphasis and facilitating, building and maintaining relationship over time” (Coviello, Brodie & Munro, 1997). Relationship marketing has developed even more; at a micro level, the concept is concerned with the nature of the relationship between the firm and customers that emphasizes a long-term relationship that takes into account the customer’s needs and value. At a macro level, the term describes the relationship within which the organization engages with all stakeholders, thus the strategic issue is to establish the mix or portfolio of the relationship that is essential for the firm (Rao & Perry, 2002).

2.2.6 The “underpinnings” of Relationship Marketing

The marketing literature has theorized key virtues that underpin relationship marketing, such as trust (Morgan and Hunt, 1994; Veloutsou et al., 2002), commitment (Grossman, 1998; Chan and Ndubisi, 2004), conflict handling (Dwyer et al., 1987; Ndubisi and Chan, 2005), and communication or sharing of secrets (Ndubisi

and Chan, 2005; Morgan and Hunt, 1994; Crosby et al., 1990). These have been linked in this study to customer loyalty. Ndubisi (2004) has suggested that companies should make sacrifices and worthwhile investments in building relationships with loyal, or at least potentially loyal customers. It is argued here that the four identified underpinnings of relationship marketing are directly linked to and are capable of predicting customer loyalty.

Trust has been defined as “a willingness to rely on an exchange partner in whom one has confidence” (Moorman, Deshpande & Zaltman, 1993). A betrayal of this trust by the supplier or service provider could lead to defection. Schurr and Ozanne (1985) defined the term as the belief that a partner's word or promise is reliable and a party will fulfil his/her obligations in the relationship. Other authors have defined trust in terms of opportunistic behaviour (Dwyer et al., 1987), shared values (Morgan & Hunt, 1994), mutual goals (Wilson, 1995), uncertainty (Crosby et al., 1990), actions with positive outcomes (Anderson & Narus, 1984) and making and keeping promises (Bitner, 1995).

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan & Hunt, 1994; Dwyer et al., 1987). Wilson (1995) observed that commitment was the most common dependent variable used in buyer-seller relationship studies.

Communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the

company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson & Narus, 1990). It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision (Ndubisi & Chan, 2005).

Dwyer et al. (1987) defined conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. How well this is done will determine whether the outcome is loyalty, “exit” or “voice”. Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality.

2.3 Conceptual of Definition

2.3.1 Relationship Marketing

Relationship marketing based on researchers whose previous researches, is known as ‘zero defection’ and ‘retention’ (Reichheld & Sasser, 1990; Crosby et al., 1990; Maznah & Mohd Noor, 2010). Apart from that, relationship marketing target to reduce the loss of beneficial customers by securing customer retention (Alrubaiee & Al-Nazer, 2010). Therefore, the future profits of the company and achievement can be secured by using relationship marketing techniques (Reichheld & Kenny, 1990; Ndubishi, 2007). Effectiveness of relationship marketing not only supports by researchers, at the same time by industry participants. Because of this the achievement and life in the ongoing competitive environment of the market rely on not only on

sales of quality product but also providing services to customers. Apart from that, the company must maintain a long term and profitable relationship with its customers (Alrubaiee & Al-Nazer, 2010).

Meanwhile, Berry (2002) describes the relationship marketing as a "process attract, retain and enhance relationships with key people". It can be explained that the purpose of marketing relationship in the circumstances of a business is to develop and improve relations with other parties including stakeholders, suppliers and customers. Therefore, it can be viewed on the three core which are quality, marketing and customer service (Eiriz & Wilson, 2006). In terms of time period, the effects and advantages of relationship marketing will make the current period of partnership between the parties last long (Boone & Kurtz, 2004). Therefore, ensuring the preservation of the future customer (Shamsudin et al., 2010). This have been proved alongside with many marketing researchers that they acknowledged that the main target of relationship marketing is to guarantee customer retention (Hennig-Thurau & Klee, 1997; Thomas, Blattberg, & Fox, 2004; Shamsudin et al 2010).

Relationship marketing refers to the various field 'relationship type strategies ' that have been established over the last few decades in product and also service market for consumer and supplier services business to business sectors. The background of relationship marketing go to the industrial marketing and service marketing. Relationship marketing was well received in the world of marketing when it becomes competitive advantages of clear strategic planning when traditional marketing strategies can no longer be delivered on the basis of the product characteristics where profit and corporate are associated with existing customer satisfaction (Egan, 2004).

Relationships marketing as distinct to involving change in the transaction detects a previous agreement related in marketing strategies. There is a four types of buyer-seller relationships-bilateral relationship, seller-maintained relationships, buyer-maintained relationships, discrete exchange (Dwyer, Schurr & Oh, 1987). For a firm relational exchange can happen with a good supplier relations, service providers, business unit, employees, functional department, interim customers, clients, key competitors, a non-profit organization, government (Morgan & Hunt, 1994). For example, according to (Berry, 1983) ' Relationship marketing is attracting, maintaining and – in multi service organizations – enhancing customer relationships '.

2.3.2 Trust

Majority of researchers in agreement that trusts as a belief in the promise of the counterparty in an exchange that is, customers have confidence in the trustworthiness, credibility, benevolence, reliability and integrity of the seller (Schurr & Ozanne, 1985; Swan & Nolan, 1985; Swan & Oliver, 1989; Crosby et al., 1990; Moorman et al., 1992; Gronroos, 1994; Morgan & Hunt, 1994; Cannon & Perreault, 1999). Morgan and Hunt (1994) proposed that trust and commitment directly may impose cooperative behaviors, therefore, they help to ensure the success of marketing relationships. This study defines trust as a sense of confidence and reliance on sales person in terms of promises, his word, and credibility to the customer.

According to (Liang & Wang, 2006) state trust as "perceived level of confidence in transactions partner reliability and honesty". As stated by (Schurr and Ozanne, 1985), trust is “the belief that that a partner’s word or promise is reliable and a party will

meet his/her obligations in the relationship”. Trust is important in relationship marketing construct as is characterized the relationship of trust are so highly valued that the parties involved will desire to commit themselves to such relationship (Hreinian, 1974). To acknowledge this impression, trust-was presented as the main determinant of relationship commitment (Morgan & Hunt, 1994). Pursuant to (Ball et al., 2004), creating trust interest in the mind of customers is important to the companies as from the previous studies trust together with the commitment is a crucial antecedent of loyalty. In an effort to increase the level of trust, companies must set on fulfilling promises to their customers and they consistently bring their best interest at heart (Hocutt, 1998).

Trust plays as a role in building the “firm-customer relationship” quality and customer loyalty have been studied. In agreement with Abratt and Russel (1999) says that the partners in a relationship must have the trust and good faith between themselves. Trust becomes one of the key elements in forming a good relationship between the customers and agents (Dwyer et al, 1987; Swan et al, 1985; Morgan & Hunt, 1994). The initial definition of the trust given by Rotter (1967) is the common anticipation that the word from another people can be trusted. In the meantime a definition more recently offered by Ennew et al. (2011) where trust “involves highlighting and emphasizing to another party the reason why an organization or individual is worth trusting”. In general this study considers trust as customer confidence and reliance on sales agents in terms of his/her promise, words, or credibility in maintaining future relationship. Trust is considered to be one of the elements of ethic in the relationship because it does not involve any sense of enforcement (Murphy et al., 2007). Trust in

the partner's honesty, which is one firm's belief that its partner is reliable, stands by its word, fulfils its promises and is sincere (Geyskens et al. 1998).

This study see that this element as an important aspect to improve the relationship between agents and their clients. According to relationship marketing researcher Ndubisi (2007), trust has been explained as the level of customer confidence in Takaful against their company provider based on services received during the join.

2.3.3 Commitment

There are various definitions used in the literature on marketing, organizational behavior and psychology about commitment. In the study of marketing, one of the earliest definitions given by (Dwyer, Schurr, & Oh 1987), which described commitment as a pledge implied or apparent continuity of the relationship between exchange partners. Moorman et al. (1993) share the same view, commitment, described as "the desire to permanently maintain a valuable relationship". Similarly, Morgan and Hunt (1994) stated that commitment as an exchange partner believing that constant contact with the other is so important to secure the long term agreement between them and the party committed to believe the relationship is worth working on to ensure that it remains forever. Modern researchers, including Liang and Chen (2009) and Huang (2008), also in agreement that customer commitment is a willingness of the customer to make an effort to maintain relationship with the service provider.

Surprisingly, how commitment is seen and reflected in marketing research initially huge impact by the literature on organizational behavior and psychology (Jones,

Taylor & Bansal, 2008). Obviously this can be seen in the definition given by Jones et al. (2008), who has been described commitment as the power of individual psychological tie to the maintenance of relationship with the specific target. Apart from that, and the desire to continue the relationship that is control by psychological factors such as familiarity, friendship, personal confidence, reciprocity, and trust (Fullerton, 2005; Sharma & Jyoti, 2009; Menon & O'Connor, 2007). According to (Jones et al 2008), basically there are three aspects of commitment in service marketing: a commitment to the company, commitment to an individual as a service provider, as well as a commitment to an individual to make personal friendship with the service provider. In this matter, the previous researchers have given great consideration to the commitment of the customer to the company because it can affect the company's profitability and performance (Jones & Taylor 2007; Reichheld 2003). This study, however, focused on the commitment to the customer by the service provider as they conduct may reflect their future: as repurchase intention, loyalty, and positive word-of-mouth (Zeithaml & Bitner, 2000; Fullerton, 2005; Huang, 2008). Basically, this appears as the logical orientation of relationships (Jones et al, 2008).

Moreover, the measurement of customer commitment in this study explains the role services suppliers as an employee (economic/finance) and also as friends (social) to the customers. In this matter, customer commitment are factors that bind social and financial indicators for future customers conduct. Overall, the majority of researchers agree that customer commitment is the main ingredient for a successful long term relationship (Dwyer et al., 1987; Morgan & Hunt, 1994; Parasuraman & Zeithaml, 1988).

2.3.4 Conflict Handling

In interpersonal communication, conflict occurs when the incompatibility between the individual considers each individual needs, goals, desires and others. In agreement with Dwyer et al. (1987) determined conflict handling as the ability to handle conflict and to avoid any potential conflict, resolve the conflict before they create problems and the ability to discuss openly solution of the problems that arises. Handling of conflicts requires the conduct of cooperation from the exchange partner. In a negotiation, cooperation against competitive intentions have been found to be related to the problem-solving satisfaction (Evans & Beltramini, 1987). Briefly, conflict resolution will cause the quality of the relationship positively. Handling of conflicts is an important element in relationship builders. Although it is very hard to service industries specifically in the banking industry to achieve zero service failure of banks to provide effective conflict solving.

When a main issue that have been solved efficiently it will result to a happy and loyal customers, but if the small problem is left behind not handled with care, it will result in failure. A better method, for example, energetic in planning and fulfillment including, identify potential conflicts, conflict resolution before they clear, avoid the potential conflicts and block them. This efforts is to bring a better relationship and loyalty to particular industry especially the service industry (Ndubisi, 2007). In agreement with Ndubisi & Chan (2005) found that a significant relationship between the handling of conflicts and customer loyalty, can be seen through trust and indirectly through a quality relationships.

2.3.5 Communication

Anderson and Narus (1984), defined communications as important and participating in the relationship from formal as well as casual is very crucial in giving information to the customer. According to Anderson and Narus (1990) communication is seen as an interactive conversation and dialogue between the customer and the company during the pre-sales, selling, consuming and after sale levels. Morgan and Hunt (1994); Lusch and Brown (1996); Johanson and Mattsson (1997) emphasised the importance of communication in developing and maintaining relationships. Mohr and Sohi (1995); Siguaw, Baker and Simpson (2003) disagree that it assists the relationships in time. Pursuant to Claycomb and Martin (2002), stressing the importance of regular communication with clients while suggesting that period of time whereby customers not be contacted for a long time should be avoided because interactions regulate and reduce the risks associated with the customer resistance. According to Ndubisi and Chan (2005) suggests the framework of relationship marketing, communications involve providing reliable information, fulfill and notify if it deliver any problems related to it. The quality of the relationship is likely to be improved if the client feel communicate and involve in the process of contact information (Jayachandran et al. 2005).

2.3.6 Customer Loyalty

Caruana (2002) described loyalty as purely at repeat purchase behavior with no implications of a cognitive state. He also stated that perspective of loyalty has changed, with the realization that loyalty is a complex process that includes a range of mountains of behavioral, cognitive and the cognitive look of behavior.

There is considerable generic literature on consumer loyalty, and some researchers have settled commitment in behavioral terms based on the production of buy for a particular brand name (Tranberg & Hansen, 1986). The author defines loyalty as knowledge, with loyalty being defined in terms of preferences or intentions (Jacoby & Kyner, 1973). There is consensus that there is a distinction between repeat purchase behaviors, even if derived from customer indemnity, and genuine loyalty. Behavioral loyalty is more important to an organization as actual purchase behavior is more relevant than attitudinal. Oliver, (1999) found that behavioral loyalty derives from many sources, including attitudinal loyalty as well as other understanding, such as convenience and lack choice and that an attitudinal loyal consumer may be behaviorally disloyal for interchangeable reason.

Ganesh, Arnold, and E. Reynolds, (2000) in their study state that the example of the main behaviors are repeat support and share of purchase, and active while the example of passive secondary behaviors such as expansion of service utilization, price insensitive, and resistance to counter-persuasion, customer referrals and spreading positive information-of-mouth.

So, it can be concluded the loyalty is the degree to which a client exhibits replicate purchase behavior from a tennis stroke benefactor, possesses a plus cognition disposition toward the provider, and considers using only this provider when a need for this service arises (Gremmler & Brown, 1996). The previous study showed that

customer loyalty gave a main benefactor by numerous factors such as commitment (Baldinger & Robinson, 1996; Oliver 1980), and trust (Reichheld & Scheffer, 2000).

2.4 Summary

This review of the related literature presented a discussion on the independent variables (relationship marketing elements) and dependent variable that is customer loyalty. The review also discusses on Prudential BSN Takaful services that affects customer loyalty. The reviewed literature works as a good basis for developing a model to measure the factors that influence customer loyalty.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will explained more details in how the research is implemented and conducted by the researcher. In this study, the research methodology is an essential factor to ensure that the results have a high reliability. Thus, the approach to analyzing data and sampling data method should be identified for hypothesis testing in order to ensure whether it is compatible with the research objectives that have been described. Inaccurate information, blurred or vague, and information overload could occur if the researcher fails to use the methods of data collection or research methodology properly and effectively.

Afterwards, this chapter will explain the research method or approach used to measure and analyzed data which are include theoretical framework, research hypotheses, research design, operational definition, research sample and population, instrumentation methods, measurements of variables, data collection methods and procedures, reliability test and pilot test, as well as data analysis techniques.

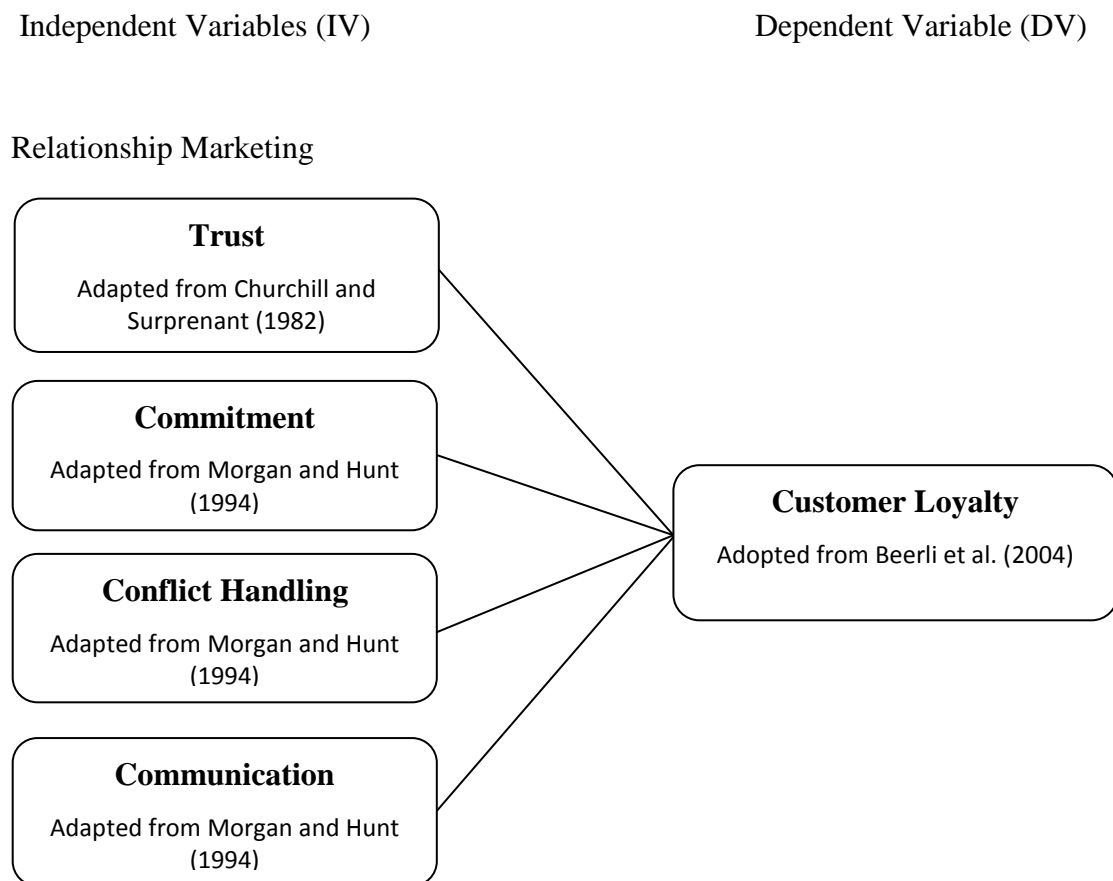
3.2 Theoretical Framework

As shown in figure 3.1, the main purpose of this study to recognize the relationship between trust, commitment, conflict handling and communication as the independent variables toward dependent variable which is customer loyalty at Prudential BSN

Takaful. Based on approach of literature review, the schematic diagram for the theoretical framework as follows:

Figure 3.1

Theoretical framework of the relationship marketing with customer loyalty



This study would focus on the dimension of relationship marketing as independent variable and customer loyalty as the dependent variable. In relationship marketing, dimension as trust, commitment, conflict handling and communication will be highlight in this research area. The independent variables was adapted from Churchill

and Surprenant (1982) for trust, Morgan and Hunt (1994) for commitment, conflict handling and communication. As for dependent variable was adopted from Beerli et al. (2004).

3.3 Research Hypotheses

In this study, hypotheses are important for the evaluation in the whole process of research effort and they keep the research on the main line of the study. The following hypotheses are developed to test the theoretical framework of this study:

Ho1: There is no relationship between trust and customer loyalty.

H1: There is a relationship between trust and customer loyalty.

Ho2: There is no relationship between commitment and customer loyalty.

H2: There is a relationship between commitment and customer loyalty.

Ho3: There is no relationship between conflict handling and customer loyalty.

H3: There is a relationship between conflict handling and customer loyalty.

Ho4: There is no relationship between communication and customer loyalty.

H4: There is a relationship between communication and customer loyalty.

3.4 Operational Definition

Takaful Operator: The Takaful operator is the administrator of the fund and manages the fund in trust on behalf of the participants, and the contract between participants and the operator is governed under the contract of Mudharabah or Wakalah.

Takaful Agent: The responsibility to sell the Takaful products is transferred to the Takaful agents. In this instance, the agents must have excellent product knowledge together with good skills to market the Takaful products. Takaful agents are required to be vigilant and are responsible for losses arising from carelessness (Frenz & Soualhi, 2010).

Relationship Marketing: Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions (Ndubisi, 2007)

Trust: Trust in marketing define as a sense of confidence and reliance on sales person in terms of promises, his word, and credibility to the customer. Trust is the confidence both parties in the relationship have that the other party won't do something harmful or risky (Liang & Wang, 2006).

Commitment: Commitment been described as a pledge implied or apparent continuity of the relationship between exchange partners. Commitment involves a long-term desire to maintain a valued partnership. That desire causes the business to continually invest in developing and maintaining relationships with its customers (Morgan & Hunt, 1994).

Conflict Handling: Conflict handling is the ability to handle conflict and to avoid any potential conflict, resolve the conflict before they create problems and the ability to discuss openly solution of the problems that arises. Conflict handling, is identifying

and managing conflicts in a reasonable, fairly and efficient manner. Conflict can be managed with skills like effective communication, problem solving and negotiation (Dwyer et al. 1987)

Communication: Communication refers to the ability to provide timely and trustworthy information. Communication is seen as an interactive conversation and dialogue between the customer and the company during the pre-sales, selling, consuming and after sale levels (Anderson & Narus, 1990).

Customer Loyalty: The result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services. A deeply held commitment to re-buy or re-patronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing (Ganesh et al. 2000).

3.5 Research Design

Research design is a structure and a strategy to investigate research question. This study used empirical study which focusing on the quantitative type of research methodology. Jaguli (2001) have identified the main reason of choosing quantitative method is because the questionnaire will helps respondents to easily understand and answers directly about this study. Apart from that, compared to interview and observational survey, this kind of method will helps greatly in measuring and analyzing data.

This study is using descriptive analysis to reveal the frequencies or the percentage for general information instrument and it also describes mean and standard deviation for each type of items in every instrument. The study design is cross-sectional as the data will be gathered just once, perhaps over a period of days or weeks or months, in order to answer research questions. Questionnaire will be distributed to all respondent and collect after complete answer the measurement. Data will distributed and collect just for once. The benefit use cross-sectional study it does not take long time and very economical.

There are five types of unit analysis such as individual, dyads, groups, organization and culture based on Sekaran and Bougie (2009). Unit of analysis practiced through the study is individuals. Based on problem statement and research question, individuals are chosen as unit analysis because this study are focusing to measure the customer loyalty toward an organization, so individuals is suitable as a unit analysis.

The surveys will be conducted via face-to-face customer survey simply due to reasons that it is less expensive in term of manpower as well as time needed. The questionnaires were distribute at Prudential BSN Takaful branches and panel hospital in Kedah. The complete questionnaire will return by hand.

3.6 Sampling Design

The sampling technique that have been in this study is simple random sampling. This kind of sampling had been implement in this study since researcher found a number of population which were retrieved from Health Indicator (2012) provided by Ministry of Health Malaysia. Thus, the number of patients admitted into private hospitals

specifically in Kedah were 42,420. Pursuant to Yamane (1967), the number of sample size needed for study is 100. However, in this study, researcher distributed more than 150 sets of questionnaires so the researcher can avoid from any problems such as unreturned form, invalid answers and blank responses.

There is some difficulty to obtain the specific sample sizes of the Prudential BSN Takaful customers due to the company secrecy policies which controlled by Bank Negara Malaysia.

3.7 Questionnaire Design

A questionnaire type of survey is use in this study which consists of 27 questions. This questionnaire was divided into two sections which are Section A and Section B. In Section A, the question involved general information about personal information. This section comprises 5 items that mainly about personal information. The next part of the questionnaire is Section B which is about the dimensions of relationship marketing. This section involved 22 questions which consists of independent variables and dependent variables at the same time. The Appendix A will shows the completed questionnaire for this study. The summary of all items in questionnaire shown in Table 3.1.

Table 3.1
Summary of the questionnaires

Category	Instrument	Coding	Item
<u>Section A</u>			
Demographic Profile	Self-Construct (Age, gender, level of education, type of job and monthly income)		5 items
<u>Section 2.</u> Relationship Marketing and Customer Loyalty			
A.Trust	Adapted from Churchill and Surprenant (1982)	A1-A6	6 items
B.Commitment	Adapted from Morgan and Hunt (1994)	B7-B10	4 items
C.Conflict Handling	Adapted from Morgan and Hunt (1994)	B11-B13	3 items
D.Communication	Adapted from Morgan and Hunt (1994)	B14-B17	4 items
E.Customer Loyalty	Adopted from Beerli et al. (2004)	B18-B22	5 items

3.8 Measurement of Variable

Five-point Likert type of scale was used in this study to measure the items. Based on Sekaran and Bougie (2009), Likert scale is importantly considered as interval scales. The arithmetical operation using interval scale has been implemented using the data that have been collected by the researcher in this study. Likert scale also known in other word as a summated scale. In addition, the scale were used to determine

measurement scales from strongly disagree into strongly agree with the items or statements on a five point of scales” said by Sekaran and Bougie (2009).

One of the advantages of Likert scale is the variables will be analyzed item by item and ease to understand by the respondents. The second sections of the questionnaire, Likert Scales with rating of 1 to 5 were used. The respondents are requested to indicate the extent to which they agree or disagree to the questionnaire surveys using the five point Likert Scales which coded as “1= strongly disagree, 2 = disagree, 3 = neither agree or disagree, 4 = agree, and 5 = strongly agree”.

3.9 Data Collection Method

Zikmund (2002) explained “various data collection techniques have been developed and applied across different disciplines, but market survey has been identified as the most popular means of collecting primary data in business research”. Apart from that, Ranchhod & Zhou (2001) said that the self-administered questionnaire survey is crucial and suitable instrument for marketing researchers.

To achieve the objectives, the researcher used direct approach to the respondents. The researcher introduced and explain the purpose of the study to the respondents. Then, the respondents were gave set of questionnaires to answers the whole questions. The researcher give a private time around 10 minutes to answer properly. This method is considered to be the most popular method used given the time and budget limitation of this study. In addition to that, since the questionnaire was highly structured and relatively straightforward, respondents will be able to complete the survey on their own without much help from the researcher. More importantly, the use of a self-

administered questionnaire will help to increase convenience for the respondents to participate in the survey.

To complete this research, questionnaires were distributed at Prudential BSN Takaful customer. All customer of Prudential BSN Takaful are qualified to answer the questionnaire. The distribution process is started on 2nd March 2015 after getting approval from Othman Yeop Abdullah (OYA) for data collection. The period time to collect data is 2 months. Questionnaire was distributed by hand to customers that came to the branches and panel hospitals with the help of agents there. Time provided to answer the entire question was very reasonable and suitable. The researcher also should to inform respondents on how to answer.

The total questionnaire that have been distributed was 150 questionnaires. Questionnaires were distributed at Prudential's branch at Alor Setar and Sungai Petani, Kedah Medical Centre (KMC), Metro Specialist Hospital. This questionnaire focused on customers that have used Takaful product of Prudential BSN Takaful. Nevertheless, at the end of data collection period, researcher was only able to attain 100 questionnaires of complete questionnaires to develop the analysis in this research.

3.10 Pilot Test

Pilot test for this study was carried out at the end of February 2015 before committing to data collection. The pilot test was carried out by researchers to test the reliability of instruments in this research. The purpose of this test to see if the questionnaire has weaknesses or not. According to Cooper and Schindler (2006), through pilot study, flaws in the design and instrumentation can be recognized because pilot test can

create proxy data for the selection of a sample probability. These tests are required to determine the level of understanding of the respondents against the instructions and words included in the questionnaire and the tests should be utilized using reasonable samples that represent the target population.

Therefore, the questionnaire was tested and carried out on 50 respondents which include the customers and Takaful agents in order to determine the reliability of each item to measure the influence of independent variables towards dependent variables. A sample for pilot test around 30 -50 respondents is usually enough to identify any weakness or mistakes in the study according to Bullen (2014). The feedback about the clarity of works and direction of the questionnaire after collecting back the questionnaires in three days is positive. More importantly, the respondents gave a good cooperation and feedback toward researcher and can answer the question given to them properly.

3.11 Data Analysis Techniques

In this study, data will check the reliability and normality analysis using Statistical Package for the Social Science (SPSS) version 21. SPSS will use to analyze all the data from survey. The several methods are used in data analysis included:

1. Descriptive analysis
2. Reliability test
3. Normality test
4. Pearson Correlation analysis
5. Multiple regression analysis

3.11.1 Descriptive Analysis

Descriptive analysis is used to perform frequency analysis and mean test before carrying out any statistical analysis like correlation or multiple regressions. To avoid any test from being violated, the use of descriptive analysis is important. According to Pallant (2001) descriptive analysis includes mean, range of the scores, standard deviation, kurtosis and skewness. Researchers using frequency analysis to analyze such as gender, age, level of education, type of job and monthly income and also question related relationship marketing and the means test is used to examine level of relationship marketing influences on Prudential BSN Takaful. According to Healey (2005) descriptive analysis as a better instrument to balance accurately and because of that means test is used to separate between lower level and upper level of implementation as a midpoint.

3.11.2 Reliability Test

Reliability analysis is important to the researcher to measure the data consistency. Reliability is measurement technique to ensure consistency on the repeated application (Weiner, 2007). Cronbach's Alpha procedure is used to test the reliability of the questionnaires. Sekaran and Bugie (2013) emphasized that alpha value which is close to 1 means that the research data has high level of reliability (Cronbach's Alpha ≥ 0.90). Then, if the alpha value is lower than 0.6, it is assumed that the instrument used in this study is low reliability (Cronbach's Alpha < 0.60). The good reliability can be proved if the value alpha is more than 0.7 (Cronbach's Alpha = 0.7 to < 0.90).

3.11.3 Normality Test

Normality test is prerequisite for analysis and it conducted to ensure the survey is normal distributed (Hair, Babin, Anderson, & Tatham, 2007). Normality test have several steps to be followed such as histogram, stem-and-leaf plot, and boxplot to ensure the normality of distribution. Appendix D indicates, Normal Q-Q Plot. In order to determine the data normality Hair et al. (2007) suggested that the skewness and kurtosis value must be near to zero.

3.11.4 Pearson's Correlation analysis

The Pearson's correlation is used to determine the relationship between variable in this study and identified the direction of linear relation between of two variables. In this study, the hypotheses were tested using Pearson correlation to describe the strength and direction of the relationship between two variables on an interval measurement of scale.

A perfect correlation of 1 or -1 indicates that the value of variable can be identified by recognize the value of the other variable. Besides, a correlation of 0 indicates no relationship between the two variables. The size of the absolute value (ignoring the sign) provides an indication of the strength of the relationship. In this study examines the correlation between relationship marketing factors and customer loyalty.

According to Coakes and Steed (2007) correlation analysis has a number of underlying assumptions consist of relates pairs, scale of measurement, normality, linearity, and homoscedasticity. According to the first assumption, the data must be collected from related pairs. For this study positive relationship exists between these

two variables (relationship marketing elements and customer loyalty) and wishes to test this directional hypothesis. Meanwhile, for the second and third assumption, the data should be interval or ratio in nature and the scores for each variable should be normally distributed (see appendix E). Next assumption is linearity; the relationship between the two variables must be linear.

Furthermore, for the last assumption, the variability in scores for one variable should be roughly the same at all values of the other variable. That is, it is concerned with how the score cluster uniformly about the regression line. Given that the scores cluster uniformly around the regression line, the assumption of homoscedasticity was not violated.

3.11.5 Multiple Regression Analysis

Multiple regression analysis was used because it fits well in the hypothesis analyzing and testing in order to predict the most influence factors between independent variables and dependent variable. The regression analysis is a flexible and powerful procedure to evaluate the relationship between a dependent variable and one or more independent variables (Malhotra, 2006).

To identify the influence or significant between independent and dependent variables, it can be view based on significant value and t value. If the significant value is bellow than $p < 0.05$ and t value is more than $t > 1.645$, it means that there are relationship and have significant relation (Gliner, Morgan, & Leech, 2009). Furthermore based on Gliner, Morgan, and Leech (2009), R square is used to interpret data in term of variance. For the sake of this study, multiple regression analysis was applied to

answer all of the hypotheses in this study. Model 3.1 shows the model for multiple regression in this analysis.

Model 3.1

Formula for multiple regression

$$CL = \alpha + \beta TR + \beta CM + \beta CF + \beta CC + \mu$$

*Regression at 5% significant expected all variables positive significant.

Where:

CL = Customer loyalty
TR = Trust
CM = Commitment
CF = Conflict Handling
CC = Communication
 α = Intercepts (constant value)
 β = Unstandardized beta coefficient
 μ = Error term

3.12 Summary

In this chapter, the researcher discussed about the research methodology. The researcher have also explains about conceptual framework, research hypotheses, research design, operational definition, research sample and population, instrumentation method, measurement of variables, data collection method and procedure, pilot test, reliability test, and data analysis techniques. The discussion about questionnaires also has been elaborated by the researcher based on the research objectives and literature review. This chapter also discussed about reliability and pilot test which was conducted. In the next chapter, the researcher will clarify about findings of this study.

CHAPTER FOUR

RESEARCH FINDING

4.1 Introduction

This chapter contains the discussion of the result from the data analysis. The result outcomes were done through inferential and descriptive method by using Statistical Package for Social Science (SPSS) programs. It explain about the result from pilot study, reliability and normality. After that, this chapter also discussed and demonstrated about the full result, and the interpretation of the results is being presented in this chapter. The data was analyzed using *Statistical Package for the Social Science (SPSS)* version 21.

4.2 Descriptive Analysis

According to Coakes and Steed (2007), descriptive analysis is applied by the researcher to review, explore, and describe all the data collected when a study was undertaken. Before continue the analysis further, the researcher elaborated the frequency analysis. A total of 150 questionnaires were distributed to respondents who are currently using Prudential BSN Takaful medical card using simple random sampling method. After finished distributed all the questionnaires, researcher only gained back a total of 100 ($N = 100$) or 67% of completed questionnaires from the respondent. Descriptive analysis is very useful in general observation of the demographic questions. The demographic factors that used in this research are gender, age, level of education, type of job and monthly income.

Based on 100 samples that successfully collected by the researcher, questionnaires were evenly distributed between the two major gender categories. The gender composition shows that 65% are male and 35% are female. It shows that male respondents are the largest contributors in this study. The gender composition shown in Table 4.1.

Table 4.1
Composition of Respondent by Gender

Gender	Frequency	Percentage (%)
Male	65	65
Female	35	35

The next part in demographic factors is respondent age. Based on this study, composition of respondent age of 21 years and below are 4%, followed by respondent at the age between 22 to 30 years with 31%, 31-40 years with 27% and lastly 41 years and above with 38%. It shows that respondents aged of 41 years and above are the main contributor in this study. Table 4.2 shows the composition of respondent age.

Table 4.2
Composition of Respondent Age

Age of Respondents	Frequency	Percentage (%)
21 years and below	4	4
22 – 30 years	31	31
31 - 40 years	27	27
41 years and above	38	38

Afterwards, majority of the respondent level of education is the degree level which shows that 43%. Next, followed by SPM and diploma level with 35% and 13%. After

that followed by postgraduate level with 7% and lastly UPSR and PMR level with the same percentage which is 1%. It can be summarized that respondents with a degree represent as the major contributor in this study. Table 4.3 shows the composition by level of education.

Table 4.3
Composition by Level of Education

Education	Frequency	Percentage (%)
UPSR	1	1
PMR	1	1
SPM	35	35
STPM/Diploma	13	13
Degree	43	43
Postgraduate	7	7

In relation to type of job of the respondents, most of the respondents are from the private sector with 36%. Followed by the respondents that have own business with 32%. Respondents who works with the government with 27%. And lastly retiree with 5%. Respondents involved in private sector are the most contributor in this study. Table 4.4 shows the type of job of the respondents.

Table 4.4
Composition by Type of Job

Type of Job	Frequency	Percentage (%)
Government	27	27
Private	36	36
Own Business	32	32
Retiree	5	5

Next, this part is discussed about the monthly income of the respondents. Respondents with income below than RM 2000 is 11%. After that followed with the largest number of respondents with income between RM 2000 to RM 3999 is 64%. Afterwards, respondents with income RM 4000 to RM 6000 is 17%. Lastly, income above RM 6000 is 8% of the respondents. As can be seen, the respondents' income around RM2000-RM3999 are the highest contributor in this study. Table 4.5 shows the composition of the respondent monthly income.

Table 4.5
Composition of Respondent Monthly Income

Monthly Income	Frequency	Percentage (%)
Below RM 2000	11	11
RM 2000 – RM 3999	64	64
RM 4000 – RM 6000	17	17
Above RM 6000	8	8

4.3 Reliability Test

Reliability analysis is important to the researcher to measure the data consistency. Reliability is measurement technique to ensure consistency on the repeated application (Weiner, 2007).

Table 4.6
Cronbach's Alpha for each Variables

Variables	Cronbach's Alpha
Trust	0.601
Commitment	0.681
Conflict Handling	0.547
Communication	0.563
Customer Loyalty	0.700

Table 4.7 indicated the Cronbach's Alpha for each variables in this study. As a result, customer loyalty stated the highest rate which is 0.700. Followed by commitment (0.681) and trust (0.601). Communication (0.563) and conflict handling (0.547), both of this items considered as poor but still acceptable (Henson, 2001). Overall, those variables showed are significant and there is relationship between the variables involved.

4.4 Normality Test

After applying the reliability test, the data must undergo the screening process which known as normality test. It shows that in this study the data were normally distributed. As in indicated in Appendix D clarify the Normal Q-Q Plot.

Table 4.7
Normality Test

Items	Mean	Skewness	Kurtosis
<u>Independent Variables</u>			
Trust	4.08	-.244	-.519
Commitment	3.92	-.342	-.190
Conflict Handling	3.93	-.229	-.466
Communication	3.86	-.134	-.281
<u>Dependent Variable</u>			
Customer Loyalty	3.90	-.373	-.150

Table 4.6 illustrates the normality test. The mean for trust is 4.08, skewness (-0.244) and kurtosis (-0.519). Followed by the mean for commitment is 3.92, skewness (-0.342) and kurtosis (-0.190). For conflict handling, the mean value is 3.93, skewness

(-0.229) and kurtosis (-0.466). Besides, the mean for communication for 3.86, skewness (-0.134) and kurtosis (-0.281). Lastly, the value mean for customer loyalty is 3.90, skewness (-0.373), and kurtosis (-0.150). It can be summarized that the data is normal which is skewness and kurtosis value is near to zero as mentioned by Hair et al. (2010)

4.5 The Correlation between Customer Loyalty and Relationship Marketing Elements.

In the first objective, the determination of the correlation was done by assessing between two variables in which lower scale is based on an interval scale. In other words, it will discuss the correlation between customer loyalties with all independent variables. Table 4.8 shown the results of correlation between customer loyalty and relationship marketing elements.

Table 4.8

The Correlation between Customer Loyalty and Relationship Marketing Elements.

Variables	Pearson Correlation
Trust	0.499**
Commitment	0.497**
Conflict	0.501**
Communication	0.220*

*** Correlation is significant at the 0.01 level (1-tailed).*

**Correlation is significant at the 0.05 level (1-tailed).*

As indicated above, the Pearson correlation for trust is equal to 0.499 which is significant at 0.01 levels. The result for trust verified there is moderate positive relationship between trust and loyalty. As a conclusion, there is a relationship between both variables. As well as commitment and conflict showed there is

moderate positive relationship which is equal to 0.497 and 0.501. Whereas, both variables indicated at significant level 0.01. Meanwhile, Table 4.1 also shown the correlation value for communication where the values is 0.220 and significant at 0.05 levels. Thus, this variable is positively correlated.

4.6 Multiple Regression Result

Last but not least, the second objective in this study is to determine the most influence independent variable towards dependent variable. As mentioned in chapter 3, the determination of influences those variable (trust, commitment, conflict handling, and communication) were analyzed by using multiple regression analysis so that researcher can achieve the outcome of the study. Thus, table 4.9 illustrates the outcome gathered from multiple regression analysis.

Table 4.9

The Correlation between Customer Loyalty and Relationship Marketing Element.

Determinant	Standardize Coefficients Beta	T	Sig
(Constant)		0.773	0.442
Trust	0.281	3.212	0.002
Commitment	0.281	3.071	0.003
Conflict Handling	0.229	2.470	0.015
Communication	0.157	1.988	0.050

Dependent variable : Customer Loyalty

R Square : 0.429

F value : 17.877

Significant : 0.00

As a result, the researcher found F value is 17.877 which is significant at 0.000. Hence, it enabled to reject the null hypothesis. While the R^2 score were 42.9 percent which indicated the variance in customer loyalty explained by trust, commitment, conflict handling and communication. While, the rest of 57.1 percent might be clarified by the exclude factors.

For the next analysis, it can determine that all the variables was significant less than 0.05. In precise, trust became as the most influence factor towards customer loyalty which the value of t is 3.212, Beta is 0.281 and significant at 0.002. Followed by commitment in value of t is 3.212, Beta is 0.281 and significant at 0.003. Then, conflict handling showed the significant result which is at 0.015. The value of t and Beta is 2.470 and 0.229. Last but not least, communication also revealed the significant value due to 0.005. And the value of Beta and t is 0.157 and 1.988.

The outcome showed that the changing of trust and commitment by one standard deviation would change customer loyalty by 0.281. As well as the changing of conflict handling by one standard deviation would change customer loyalty by 0.229. Lastly, the changing of communication would change customer loyalty by 0.157.

It can be summarize, all the variables involved lead to a significant result which lesser than 0.05. In precise, trust suited as the most influence variable towards the customer loyalty.

4.7 Conclusion

This chapter deliberates on the findings congregated from the data analyses. The validation of instruments was conducted through factor analysis. After testing the reliability and normality of data, descriptive test was prepared. Finally, correlation test and multiple regression test were done to answer the research questions and to achieve the research objectives. Most of the findings under Pearson's correlation were as expected and in concurrent with previous findings. More discussion and conclusion in the next chapter elaborates further on the result and their implication to the theory and management.

CHAPTER FIVE

CONCLUSION

5.1 Introduction

This chapter discusses the results of this research. Some recommendations for the future research are also suggested. For the purpose of this discussion, this chapter will be divided into three parts namely; discussion, limitation of research and recommendation for future research. The discussion of the research findings will be elaborating about the impact of the results as well as explaining the reasons of the output.

This study was carried out to examine the factors that influence customer loyalty at Prudential BSN Takaful. A total of 100 Prudential BSN Takaful customer in Kedah were selected as respondents. Four variables that were analyzed in this study was trust, commitment, conflict handling and communication.

In first objective, all independent variables (trust, commitment, conflict handling and communication) are positively correlated with customer loyalty based on the Pearson's correlation results. Thus the hypotheses in this study are accepted.

While for second objective, all the variables (trust, commitment, conflict handling and communication) were significant which, the p-value were below than 0.05. In achieving second objective of the study, the regression analysis results indicated that trust was the strongest predictor of customer loyalty.

Table 5.1

Summary of the Findings

Research Questions	Research Objectives	Statistical Analysis	Research Findings
What is the relationship between factors consisting trust, commitment, conflict handling and communication with customer loyalty?	To determine the relationship between factors consisting trust, commitment, conflict handling and communication with customer loyalty.	Pearson's Correlation	Independent variables (trust, commitment, conflict handling and communication) are positively correlated with customer loyalty
What is the most significant factors consisting trust, commitment, conflict handling and communication that influence customer loyalty?	To determine the most significant factors consisting trust, commitment, conflict handling and communication that influence customer loyalty.	Multiple Regression	Trust are the strongest predictors of customer loyalty.

5.2 Recommendation

There should be recommendations and suggestions for future research based on previous research. The first recommendation is that if Prudential wants to maintain and develop loyal customers they should be trustworthy and committed to their service ethic and should resolve the conflict that a raised in a conduct that will disqualify significant losses and inconvenience to the customer. In addition, more and more Takaful operator in these countries led to an increase in competition in the insurance sector accommodation.

Therefore, Prudential should be aware of the wants and needs of the customers. Nowadays, customers are more demanding, not only based on the product but they

demand the way they are treated. Once they are satisfied with the services provided by the Takaful operator, they will talk and recommend the Takaful operator's products to other customers. At the same time it will attract new customers to the company and may even increase their sales, revenues and profits. Loyal customers can also serve as a useful source of new product or service ideas.

Thus, for future researcher, the research should be improved by seeking for new variables that can improve the capacity of gaining more accurate factors that influence customer's loyalty towards Takaful services provider especially in Malaysia. Such additional variables should be considered to be relevant to apply in relationship marketing context where they may include variables for example, Islamic ethical behavior. Based on previous studies, researchers have strongly proved that Islamic ethical behavior strengthen the relationship marketing practices to gain customer loyalty. Some them are and Roman (2003), Hassan, Chachi, and Salma (2008), Shamsudin et al. (2010). According to Rosenblatt, Laroche, Hochstein, Mctavish, and Sheahan (1988), another variable that can be apply is product knowledge because most of customers tend to compromise only with a specific representative who has the better knowledge when conducting business with them. It will be an interesting challenge for the future researchers and offers them new and exciting research opportunities to work in the time to come if they follows the recommendation.

5.3 Limitation of the study

One of the difficulties that researcher faced in completing this research was getting the information. Researcher had a problem in obtaining the number of sample sizes of

Prudential BSN Takaful customer in Kedah because of the company secrecy policies which controlled by Bank Negara Malaysia. Because of that, researcher decided to use the data of number of patients admitted into private hospitals in Kedah. Based on this situation the data were retrieved from Health Indicator (2012) provided by Ministry of Health Malaysia.

Lastly, the limitation of this study is time constraint. The researcher only been provided 5 month to complete this task and submit this research paper. The progress of research paper requires a longer time to ensure quality of the research.

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