

## The Practice of Islamic Relationship Marketing Among *Takāful* Agents and Its Effect on Customer Trust and Commitment

During the last three decades 'relationship marketing' has become more popular in the field of marketing. This marketing approach highlights the need of a company or business entity to maintain long-term relationships with customers. In the 1980s, the relationship marketing strategy was widely accepted as a new marketing paradigm as many companies began to shift their marketing strategy to one focused on maintaining existing customers (customer retention) rather than on acquiring new ones (Sheth, 2002). This strategy remains popular today as more companies continue to organise marketing campaigns geared towards establishing strong relationships with customers.

Scholars like McKenna (1991) opined that the focus of relationship marketing is to provide customers with enough information and not to manipulate them in order to sell products or services. This view is supported by Gummesson (1991; 1994), who further advocated that relationship marketing is contrary to traditional marketing because it involves three main aspects: relationships, networks and interaction, and all three are to be practiced in a buyer-seller relationship. Within the same decade, Morgan and Hunt (1994) popularized their definition of relationship marketing, which is "establishing, developing and maintaining successful relational exchanges" (p. 20).

Discussion on relationship marketing has been gaining popularity in Asian literature in recent years. However, research conducted on the subject, particularly on the Islamic insurance industry, is very limited. The need to engage and build strong relationships with customers is obvious in this industry. This is due to its nature; an industry that offers intangible financial services and products tailored to the customers' needs would require the operators or their representatives (*takāful* agents) to cultivate direct relationships with customers. It is crucial to the industry in another way since its objectives include promotion of mutual benefits and a sense of brotherhood in the society based on the principles of *tabarru'* and *ta'āwun*. This marketing strategy is complementary to traditional marketing approaches such the 'marketing 4Ps'

(product, price, place, and promotion), the end result being to build long-term relationships with customers. This will eventually increase sales performance and at the same time enhance customers' trust, commitment and retention.

It is recorded that the penetration rate of *takāful* in Malaysia has increased by only a small percentage every year. For example, within a five-year period, the *takāful* penetration rate increased by only 7.3 percent, from 5.7 percent in 2007 to 13 percent in 2012 (Mohd Irwan, 2013). This issue has been investigated by a recent study conducted by Mohamed, Syed Othman, and Kamaruddin (2013) in which the authors verified that the most influential factors that influenced the low rate of *takāful* penetration are distribution channels and marketing practices by the industry players. Therefore, the use of proper marketing approaches is deemed crucial to maintaining present customers and to increasing the penetration rate of *takāful* in the future. Hence, this research is conducted to propose a concept of Islamic relationship marketing (IRM) concerned with building strong relationships with customers based on the Islamic tenets.

Accordingly, this research introduces four elements of IRM: Islamic ethical behavior, social, structural, and financial bonds. Besides that, this research also investigates the effect of IRM practices on customer trust and commitment. In this regards, Morgan and Hunt (1994) suggest that trust and commitment may directly impose cooperative behaviours; thus they help guarantee the success of the relationship marketing approach by the marketer. The theoretical framework of this research is based on a review of past literature as well as utilisation of social exchange theory. This theory utilises an outcome matrix that shows the behaviour of each party that results from the behaviour of the other party (Anderson & Narus, 1984). It is also based on each partner's motivational investment and anticipated social gain (Blau, 1964). On top of that, the concept of exchange promoted by this theory has been claimed to be a central element in marketing (Takala & Uusitalo, 1996). In this regard, Kotler (1991: p. 7) defines exchange as "the act of obtaining a desired product

from someone by offering something in return". And this may be viewed either from the perspective of economic or social exchange (Takala & Uusitalo, 1996).

Accordingly, the framework of this research consists of four independent variables of IRM (Islamic ethical behaviour, social, structural, and financial bonds) and two dependent variables (customer trust and commitment). Given today's challenging market environment and customer demands for quality services, marketers not only have to be customer-focused but also to exemplify Islamic ethics while dealing with their customers (Hassan et. al, 2008). From another perspective, religiosity is found to be an important factor in securing customers' willingness to deal with the sales person (Nazlida & Mizerski, 2010). Basically, this relates to religious aspects that promote affiliation, commitment, motivation, knowledge, and social consequences, and are believed to influence customers' confidence with the sales person (Nazlida & Mizerski, 2010). In addition, Hassan et al. (2008) have advocated that Islamic ethical behaviours play a significant role in the development and maintenance of the buyer-seller relationship. This is further supported by a more recent study by Shamsudin et al. (2010) in which the authors claim that Islamic ethical behaviour has promoted a positive environment in relationship marketing practice and that this would naturally lead to customer satisfaction.

Three series of focus group discussions were conducted with academicians and industry players before the final questionnaires were finalized and distributed. This was done to ensure that a suitable questionnaire would be constructed in the context of the *takāful* industry. Based on the feedback and suggestions from focus group members, the final set of questionnaires was distributed to a small sample of *takāful*

participants, followed by final data collection, as a pilot study. The final data involved a total of 755 family *takāful* customers in the Klang Valley. Data gathered was analysed with two statistical analysis software applications: Statistical Package for Social Sciences (SPSS) version 19 and Analysis of Moment Structures (AMOS) version 16. Results obtained from descriptive and structural equation modelling indicate that the customers positively perceive their experiences with their *takāful* agents' practice of IRM and that the practice of IRM has significantly influenced the future trust and commitment of family *takāful* customers.

The current research has been carried out to acknowledge the practice of IRM in the *takāful* industry as a complementary approach to all existing traditional marketing practices. Furthermore, in view of the fact that *takāful* is an Islamic product, the theoretical framework of this research is built on the basis of Islamic norms in addition to suggestions from previous marketing research. All measurement items were agreed to by industry experts, and the overall framework was tested using primary data obtained from a survey of family *takāful* customers. Findings of this research are expected to be an important reference material for market players in the *takāful* industry in helping them to strengthen relationships with their customers. Indeed, a strong relationship with customers will contribute to the development of the *takāful* industry in the future.

#### Keywords:

relationship marketing, *takāful*, ethical behaviour, social bonds, structural bonds, financial bonds

## INTRODUCTION

Relationship marketing (RM), according to previous and contemporary researchers, is known as 'retention' and 'zero defection' marketing (Reichheld & Sasser, 1990; Crosby et al., 1990; Maznah & Mohd Noor, 2010; Gilalinia et al., 2011). In other words, RM aims to minimise the loss of profitable customers by ensuring future customer retention (Alrubaiee & Al-Nazer, 2010). Hence, a company's future profitability and performance could be maintained by adopting the RM approach (Reichheld & Kenny, 1990; Ndubishi, 2006). The effectiveness of RM is advocated not only by researchers but also by industry players. This is because success and survival in this current competitive market depend not only on sales of quality products but also on offering quality services to customers. In addition, a company needs to maintain long-term and beneficial relationships with its customers (Alrubaiee & Al-Nazer, 2010).

The RM concept is also important in the context of the Islamic insurance or *takāful* industry as it promotes quality relationships among industry players, which consist of both buyers and sellers/marketers. It is noticed that insurance products are quite complicated, which means clear explanation by marketers is needed to help customers choose insurance products that suit their needs. Apart from that, the Islamic alternative to insurance is intended to strengthen relationships among members of society. This is because the main objective of *takāful* is to attain *maqāsid al-Shari'ah* (the higher objectives of Islamic law), which include promotion of a sense of brotherhood and strong relationships in society. From this perspective, RM is one of the most suitable marketing techniques to be practiced for the promotion of *takāful* products.

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However, a very limited number of studies have been conducted in the *takāful* industry to investigate RM as a practice parallel with Islamic norms. Therefore, this research has been conducted to address this limitation and contribute to improvement of the industry. As an Islamic insurance industry, *takāful*'s marketing practices must follow all the tenets of Islam in every respect, from customer approach to follow-up services. In this case, the *takāful* agents have a responsibility to display good moral attitude and sincerity while dealing with customers and to build quality relationships with them. These marketing practises would in the end elicit positive customer feedback regarding the agents and operators. Hence, the conduct of this research focuses on the influence of IRM upon customers' trust and commitment.

The research is structured as follows: after the introduction, a literature review is presented, and the framework of the research is discussed. That is followed by an explanation of the methodology adopted in the research and the process of data analysis. Final sections discuss the results of the analysis of customers' perceptions of IRM practice and their levels of trust and commitment toward *takāful* agents. The research ends with conclusions and suggestions for future research.



## LITERATURE REVIEW

This section discusses the development of RM, its definitions, the concept of IRM, and its importance in the financial services industry.

### 1. Development of Relationship Marketing (RM)

RM received popular recognition through a presentation made by Leonard Berry in 1983 at the American Marketing Association's Services Marketing Conference (Murphy, Lazniak, & Wood, 2007; Berry, 2002). The concept had been discussed earlier in the United States in 1965 by Wroe Aldersons, who wrote on inter- and intra-channel business collaborations. Aldersons' (1965) pioneering work has been extended by other researchers including Anderson and Narus (1990), Stern and El-Ansary (1992), and Weitz and Jap (1995).

Another influential contribution to this area was made by the Nordic School of Research,<sup>1</sup> which introduced the term 'interaction' as a fundamental concept in relationship marketing, service marketing and service quality (Gummesson, 1994, 1996; Gronroos, 2011). Researchers who share similar opinions with the Nordic School of Research include Berry (1983, 1995); and Berry and Parsuraman (1991, 1993). This school of thought has utilised various terms such as interactive marketing (Grönroos, 1980), customer relationship life cycle (Grönroos, 1983), the new marketing concept (Gummesson, 1983), and interactive relationships (Gummesson, 1987) to signify the presence of relationship marketing (Sheth & Parvatiyar, 1999).

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Relationship marketing has become more popular in recent years due to the work of contemporary marketing researchers such as Boone & Kurtz (2004), Eiriz and Wilson (2006), Murphy et al. (2007); Gilaninia et al. (2011) and others. The concept has been recognised as an effective contemporary marketing approach given the current increase in global business competition together with technological advancement. In this regard, Aijo (1996) has divided modern relationship marketing practices into two tendencies. The first emphasises the significance of relationships (in service marketing and industrial marketing), and the second focuses on service quality, customer contact and marketing processes. In this context, current relationship marketing practices can be applied using technological applications that are incorporated into a customer relationship management (CRM) system (Das, 2009).

### 2. Various Definitions of Relationship Marketing

Although works on the formulation of the relationship marketing concept began more than twenty years ago, relationship marketing remains an inconclusive concept that requires further research (Lindgreen, 2001; Starkey et al., 2002; Das, 2009). This is because the area remains in the emerging stage, and most of the scholars working in it are from different socio-political and academic backgrounds (Harker, 1999). This is reflected in the various definitions of relationship marketing used in marketing literature (Nevin, 1995; Blois, 1996; Yang & Wu, 2007). One of the earliest definitions was contributed by Berry (1983: p. 25), who defined relationship marketing as “attracting, maintaining and, in multi-service organizations, enhancing customer relationships”. This definition was extended by the same scholar in 2002 when he explained the target of relationship marketing is to build strong relationships with ‘key people’, who are in fact a company’s existing customers (Berry, 2002: p. 71). Previous and current scholars who share similar opinions with Berry (1983) include Young (1988), Christy, Oliver, and Penn (1996), So (2007), Maznah and Mohd Noor (2010), and Shamsudin et al. (2010).

Interestingly, Keillor, Parker and Pettijon (1999) found 26 definitions of relationship marketing and divided

them into seven categories: birth, development, maintenance, temporality, interactions, outputs, and emotional content. Based on their content analysis study, the authors opined that one of the most comprehensive definitions of relationship marketing was that given by Gronroos (1994): ‘to establish, maintain, and enhance relationships with customers and other partners at a profit, so that the objectives of the parties involved are met’ (Gronroos, 1994: p. 9). This definition was recognized and used by the majority of scholars of the last century including Gummesson (1994); Bennett (1996); Raval and Gronroos (1996), and Takala and Uusitalo (1996).

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After considering all the aforementioned definitions of relationship marketing, this research has chosen to utilize Gronroos' (1994) definition. Choice of this definition is basically the outcome of the content analysis study by Keillor, Parker and Pettijon, (1999), which found it to be the most cited definition by marketing researchers and which regarded it as concise and comprehensive. It is also suitable to the context of this research because the ultimate objective of the *takāful* industry is to benefit the society rather than to pursue profit maximization as conventional insurance does. It will bring some indirect benefits to the provider (*takāful* operator) as well.

### 3. Relationship Marketing from the Islamic Perspective

The subject of RM has received great attention in Western studies. However, Asian literature addressing this topic remains scarce. Although research on RM is a popular marketing topic and has escalated in the past three decades, research on this subject from the Islamic perspective is very limited. This subject is interesting from the Islamic perspective because from the very beginning, Islam has actively defined the types and

forms of relationships. The unique nature of Islamic relationships is reflected in Islam's recognition of both vertical and horizontal interactions. Through the concept of *tawhīd*, the vertical interaction of human beings with the Creator is emphasized (Yusuf, 2010; Arham, 2010). Horizontal interactions occur between human beings and between them and other creatures (Yusuf, 2010).

In the context of IRM, Kartajaya and Sula (2006: p. 27) define Islamic marketing as “a strategic business discipline which directs the process of creation, offering, and exchanging values from one initiator to the stakeholders in which the whole process should be in accordance with the *mu‘āmalah* principles in Islam”. Additionally, Islamic marketing, according to Wilson (2012: p. 6), is “an acknowledgement of a God-conscious approach to marketing from a marketer's and/or consumer's perspective which draws from the drivers or traits associated with Islam”.

Islamic marketing perceives the marketer as a professional who embodies religious values, feels accountable to God, and is moderate and generous in dealing with customers (Marhanum, Nurdianawati Irwani, & Siti Salwani, 2012). IRM can thus be interpreted as the marketing process that emerged for the purpose of building relationships between marketers and consumers based on the Islamic guidance regarding Allah's (ﷻ) blessings. There are a number of Qur'anic verses that stress relationship building. In *Sūrah al-Nisā'* verse 1, for example, Allah (ﷻ) reminds Muslims to forge good relationships among themselves.

يَا أَيُّهَا النَّاسُ اتَّقُوا رَبَّكُمُ الَّذِي خَلَقَكُمْ مِنْ نَفْسٍ وَاحِدَةٍ وَخَلَقَ مِنْهَا زَوْجَهَا وَبَثَّ مِنْهُمَا رِجَالًا كَثِيرًا وَنِسَاءً وَاتَّقُوا اللَّهَ الَّذِي تَسَاءَلُونَ بِهِ وَالْأَرْحَامَ إِنَّ اللَّهَ كَانَ عَلَيْكُمْ رَقِيبًا

O people! Fear your Lord Who created you from a single soul and made its mate from within it, and from that pair spread many men and women, and fear Allah in Whose name you ask for [your rights], and pay attention to the ties of relationship. Undoubtedly, Allah is watching you all the time (Al-Qur'an, 4:1).

From the Islamic perspective, RM is not only concerned with human relationships as proposed by Western studies but also deals with the ultimate relationship between humans and their Creator. In Islam, there is a connection between these relationships; worshipping

Allah has a positive consequence on an individual's behaviour, which then influences the relationships with his/her friends and acquaintances. Islam also emphasises the role of ethics (*akhlāq*) in relationship building. The practice of Islamic ethics was exemplified by Prophet Muhammad (ﷺ) throughout his entire life. He is the model of Islamic ethics, as is mentioned in the following Qur'ānic verse:

﴿لَقَدْ كَانَ لَكُمْ فِي رَسُولِ اللَّهِ أُسْوَةٌ حَسَنَةٌ لِّمَن كَانَ يَرْجُو اللَّهَ وَالْيَوْمَ الْآخِرَ وَذَكَرَ اللَّهَ كَثِيرًا﴾

“The Messenger of God is an excellent model for those of you who put your hope in God and the Last Day and remember Him often” (Al-Qur'ān, 33: 21).

Prophet Muhammad (ﷺ) practiced Islamic ethics throughout his life, including in his business practices, and became the role model for Muslim believers. Four character traits that are highlighted in Islam and manifested in Prophet Muhammad (ﷺ) are *ṣidq* (truthfulness), *amānah* (trustworthiness), *tabligh* (never withholding what has been revealed), and *faṭānah* (discernment). These four Islamic ethical standards have become prominent elements in IRM practices.

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Accordingly, both Muslim and non-Muslim *takāful* agents are encouraged to be honest in dealing with customers, to be responsible and trustworthy when making promises to them, to deliver any information required by them, and to also be knowledgeable about customers, products, and the market (Marhanum, Nurdianawati, & Siti Salwani, 2012). These marketing practices have become the common responsibility of

all marketing agents, and the execution of these Islamic aspects of marketing may enhance the performance of marketers as they receive positive feedback and commitment from the customers. They will guarantee that marketers are successful in building good relationships with their customers, ensuring future customer retention for the marketers and the company.

#### 4. The Importance of IRM in the Financial Services Industry

Nowadays there is intense competition among financial service providers to attract customers' attention. This phenomenon provides a powerful motivation for companies to gain a competitive advantage, and the most significant approach is by creating strong relationships with customers (Gilalinia et al. 2011). Furthermore, in order to survive in the industry, companies need to at least maintain their existing customers (Omar & Ali, 2010; Shamsudin et al., 2010; Palmatier et al., 2008).

The same circumstances are present in the Malaysian *takāful* industry, in which there are now many *takāful* operators offering a variety of *takāful* products. In this situation, *takāful* operators must have strategic plans to boost their position in the industry, and this can be done by offering special services with social benefits to the customers, based on their needs, via the IRM approach (Gwinner et al., 1998). It is important that operators take great care of their customers' needs and maintain good relationships with them because customers are their most profitable asset. Therefore, to raise profit and performance, operators have to ensure strong and long-term relationships with their customers (Berry, 1983; Gummesson, 1987; Gronroos, 1991; Ndubishi, 2003).

Another important point to justify the practice of IRM in the financial services industry is that it could in fact lower the cost of attracting a new customer. An example given by Reichheld & Sasser (1990) suggests that a company's profit would increase by 25 percent by maintaining only 5 percent of existing customers. This would positively affect the financial services industry since the industry is categorised as offering high-risk products that require long-term relationships with customers (Ennew & Binks, 1996). Once a company is successful in building a good reputation with its customers, the company will have a sustainable competitive advantage over others (Talegani et al., 2011).

#### 5. Independent Variables: The Four Variables of Islamic Relationship Marketing

The four main variables proposed in this research as representing the concept of IRM are Islamic ethical behaviour and social, structural, and financial bonds. The next section details literature related to these variables.

##### a) Islamic Ethical Behaviour

The first proposed construct to measure IRM is Islamic ethical behaviour. Ethics is described as 'the set of moral principles that distinguish what is right from what is wrong' (Beekun, 2003: p. 3). According to Rizk (2008), ethics is related to the establishment of general guidance for human action or conduct. Similarly, Yusuf (2010) avers that ethics is a medium to evaluate human behaviour in terms of goodness or badness by means of a code. In Islam, the substance of ethics is conveyed in the Qur'ān by the term '*khuluq*' as in verse 4 of Sūrah al-Qalam:

﴿وَإِنَّكَ لَعَلَىٰ خُلُقٍ عَظِيمٍ﴾

And indeed, you are of a great moral character (al-Qur'ān, 68: 4)

**“Ethics is described as ‘the set of moral principles that distinguish what is right from what is wrong’ ”**

In this context, Islamic ethics are measured in terms of goodness (*khayr*), righteousness (*birr*), equity (*qist*), equilibrium and justice ('*adl*), truth (*haqq*), established norms (*ma'rūf*), and piety (*taqwā*) (Beekun, 2003). Muslich (2007) believes that, in business, ethics are related to how a businessperson allocates resources. Besides, they manifest his/her personality (Shahata, 1999). Islam teaches Muslims the proper methods for conducting business (Arham, 2010). It is stated in the Qur'ān:

﴿يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِنْكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا﴾

“O you who believe, do not consume one another's wealth wrongfully; rather, let

there be trade by mutual consent; and do not kill one another, for Allah is merciful to you” (al-Qur'ān, 4: 29)

It is clear in the above verse that Allah (ﷻ) has given directions on how to execute business with fairness and honesty and without coercion. Besides that, it is acknowledged in Islam that business activity is an essential aspect of human life and a foundation for social wellbeing (Ali & Al-Owaihan, 2008).

In business specifically, Islam views ethical behaviour as an important requirement in building relationships both with Allah (ﷻ), the Creator, and among human beings, who are Allah's trustee in this world. In this regards, verse 72 of Sūrah al-Aḥzāb states:

﴿إِنَّا عَرَضْنَا الْأَمَانَةَ عَلَى السَّمَاوَاتِ وَالْأَرْضِ وَالْجِبَالِ فَأَبَيْنَ أَنْ يَحْمِلْنَهَا وَأَشْفَقْنَ مِنْهَا وَحَمَلَهَا الْإِنْسَانُ﴾

We offered the trust to the heavens, the earth and the mountains, but they refused to undertake it, being afraid thereof. But man undertook it (al-Qur'ān, 33: 72).

In addition, Marhanum et al. (2012) have underlined five roles of a *takāful* agent that correspond with themes found in the Qur'ān and the Sunnah. These roles are to assist the needy with sincere intention, to promote *takāful* as the best Islamic insurance, to explain the concept of *tabarru'*, to work towards achieving the blessings of Allah (ﷻ), and finally, to educate the public about the importance of *takāful* for their future (p. 43-44). Kartajaya and Sula (2006) acknowledged that an Islamic marketer will act professionally if the person is conscious about religious values, morality and honesty in all marketing activities. In this regards, the authors have suggested a list of four criteria for Islamic marketing: being spiritual, ethical, realistic, and humanistic (Kartajaya & Sula, 2006).

In conclusion, Islamic ethical behaviour is indeed a significant element to measure the practice of IRM in the *takāful* industry, and therefore, it is adopted in this research. Other constructs that can be utilised to measure IRM are social, structural, and financial bonds.

##### b) Relational Bonds

The remaining constructs adopted here to measure IRM are social, structural, and financial bonds. These three constructs are lumped together here and labelled as relational bonds. Relational bonds have been



acknowledged by previous researchers as a major component of relationship marketing (Dwyer, Schurr, & Oh, 1987; Wilson & Jantrania, 1993; Wilson, 1995; Cannon & Perreault, 1999; Arantola, 2002; Alrubaiee & Al-Nazer, 2010; Anabila, Narteh, & Tweneboah-Koduah, 2012; and others). This is further emphasised by Roberts et al. (2003), who explain that many business organisations are now putting a lot of consideration on sustaining long-term relational bonds with customers, which is done not merely to ensure their retention, but more importantly, to acquire competitive advantage. This is an advantage that comes from a rather undefined aspect of a relationship; hence, it is difficult for others to duplicate (Roberts et al., 2003).

As discussed earlier, the three types of bonds—social, structural, and financial—adopted in this research are based on service marketing literature (Berry & Parasuraman, 1991; Lin et al., 2003). These types of bonds are very important for a marketer who is attempting to fulfil his customer's needs (Berry, 1995; Peltier & Westfall, 2000; Williams et al., 1998). In general, the social bond measures the strength of a personal relationship; the structural bond represents the infrastructure that is offered to the customer, and the financial bond is related to price, incentives and monetary benefits given to customers (Rodriguez & Wilson, 1999; Chiu, Lee, Hsieh, & Chen, 2007).

*“the social bond is described as ‘the degree of mutual personal friendship and liking shared by the buyer and seller’ ”*

Accordingly, the social bond is described as ‘the degree of mutual personal friendship and liking shared by the buyer and seller’ (Wilson, 1995: p. 339). It has a number of dimensions, including social interaction, closeness, friendship, and performance satisfaction. In relationship marketing, the basis of this type of bond is from a business-to-business perspective, where it represents strong connections among business organisations (Smith, 1998; Williams, Han, & Qualls, 1998). Meanwhile, from a customer's point of view, social bonding emerges as a result of the benefits received from the relationship with the company (Beautty et al., 1996; Gwinner et al., 1998; Reynolds & Beatty, 1999). Accordingly, the social bond is built through interpersonal exchanges that can be measured by the strength of the personal relationship between a buyer and a seller (Rodriguez & Wilson, 1999; Williams et al., 1998).

Compared to the social bond, the structural bond is present when a business enhances its relationship with customers by facilitating fulfilment of their needs through a service-delivery system (Lin et al., 2003). Based on marketing literature, Wilson (1995: p. 339) describes a structural bond as ‘a vector of forces that create an impediment to termination of the relationship’. It basically consists of economic, strategic, and technical factors that are developed in relationships which offer benefits to all contractual parties (Rodriguez & Wilson, 1999: p. 6). In this case, a company might insert some value-added incentives to the product infrastructure that might not be available elsewhere to the customer (Berry, 1995). A service provider may also use the structural bond to maintain customer loyalty (Lin et al., 2003). This is because the structural bond provides an infrastructure that makes a customer feel convenience, and this would give the company a key advantage over its competitors (Sin et al., 2003). Morgan and Hunt (1994), however, suggested that relationship marketing should only be exercised when it continuously gives advantage to the parties involved, which in this case are the company and the customer. For example, the company provides enough facilities to the customer and as a result, the customer remains loyal to the company. In this instance, both parties enjoy the benefits and may persevere with the relationship for a long period.

The final type of bond is the financial bond. Researchers in the past have argued that one of the motivations for engaging in relational exchanges is to save money (Berry, 1995; Gwinner et al., 1998; Peterson, 1995; Peltier & Westfall, 2000). In this respect, some researchers agree that this type of bond is at the lowest level of the relationship hierarchy because pricing is the most easily imitated marketing element in business (Chiu et al., 2007). Hence, service providers may reward loyal customers with special prices (Lin et al., 2003). According to Nath and Mukherjee (2012), the financial bond is the amount of economic benefit derived in an exchange relationship. Business parties will assess the overall cost and choose to reward customers in an effort to get them to maintain the existing relationship instead of choosing other marketing alternatives (Thibaut & Kelley, 1959). Accordingly, in the *takāful* industry, financial bonds can be regarded as any economic or material benefits offered to customers by *takāful* operators. Examples of such benefits are free gifts for participation, cash payments for hospital admission, promotional packages, end-of-the-year bonuses, and other financial benefits.

## 6. Dependent Variables: Customer Trust and Commitment

Two dependent variables of this research are customer trust and commitment. Trust is an important element in building long-term relationships between customers and sales agents (Dwyer, Schurr, & Oh, 1987; Swan & Nolan, 1985; Morgan & Hunt, 1994). The earliest definition of trust in this context was given by Rotter (1967: p. 651): “generalized expectancy that the word of another can be relied on”. On the other hand, Morgan and Hunt (1994) defined trust as integrity, honesty, and confidence that one party perceives regarding the other party. A recent definition of trust was offered by Ennew et al. (2011), who describe it as something that “involves highlighting and emphasising to another party the reasons why an organisation or individual is worth being trusted” (p. 66).

The majority of researchers consider trust as a belief in the promise of the counter-party in an exchange; i.e., the customer has confidence in the trustworthiness, credibility, benevolence, reliability and integrity of the seller (Schurr & Ozanne, 1985; Swan & Nolan, 1985; Swan & Trawick, 1987; Swan et al., 1988; Crosby et al., 1990; Moorman et al., 1992; Deshpande & Zaltman, 1993; Ganesan, 1994; Morgan & Hunt, 1994; Ganesan, 1994; Strutton et al., 1996; Doney & Cannon, 1997). Murphy et al. (2007), on the other hand, regard trust as an ethical element in a relationship because it does not involve any sense of enforcement. It is assumed that trust is of great significance in the relationship value and relationship maintenance stages of the relationship processes proposed by Powers and Reagan (2007). Morgan and Hunt (1994) suggest that trust and commitment may directly impose cooperative behaviours; thus they help guarantee the success of relationship marketing. This research defines trust as a sense of confidence and reliance on the sales person in terms of his promises, words, and credibility to customers.

There are various definitions of commitment used in literature on marketing, organisational behaviour and psychology. In marketing studies, one of the earliest definitions of commitment is that given by Dwyer, Schurr, & Oh (1987), who described it as “an implicit or explicit pledge of relational continuity between exchange partners” (p. 19). Moorman et al. (1992) share a parallel view, describing commitment as “an enduring desire to maintain a valued relationship” (p. 316). Similarly, Morgan and Hunt (1994) regard commitment as “an exchange partner believing that an ongoing relationship with the other is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth

working on to ensure that it endures indefinitely” (p. 23). Other contemporary researchers, including Liang and Chen (2009) and Huang (2008), also agree that customer commitment is a willingness of the customer to make efforts at maintaining a relationship with a service provider.

Interestingly, how commitment is viewed and described in marketing research was initially greatly influenced by literature on organisational behaviour and psychology (Jones et al., 2008). This is clearly reflected in the definition given by Jones et al. (2008), who described commitment as “a psychological force that binds an individual to the maintenance of the relationship with a specific target” (p. 474). Moreover, the desire to remain and continue the relationship is influenced by psychological factors like familiarity, friendship, personal confidence, reciprocity, and trust (Fullerton, 2005; Sharma et al., 2006; Menon & O'Connor, 2007). There are basically three aspects of commitment in service marketing: commitment to a company, commitment to an individual as a service provider, and also commitment to an individual because of personal friendship with a service provider (Jones et al., 2008). In this regards, previous researchers have given more attention to customer commitment to the company because it may affect the company's profit and performance (Jones & Taylor 2007; Reichheld 2003). This research, however, focuses on customer commitment towards the service provider as it may reflect their future behaviour such as repurchase intention, loyalty, and positive-word-of-mouth (Zeithaml et al. 1996; Fullerton, 2005; Huang, 2008). This basically appears due to logical and relational orientations of the relationship (Jones et al., 2008).

In addition, the measurement of customer commitment in this research considers the roles of the service provider as an employee (economic/financial) and also as a friend (social) of the customer. In this context, customer commitment would become a factor that binds the social and financial indicators for future customer behaviour. Accordingly, customer commitment has been used as one of the constructs to measure the quality (Huang, 2008; Sorce, 2002), strength (Ndubisi, 2006; Liang & Chen, 2009; Powers & Reagan, 2007), and the continuity of relationships (Powers & Reagan, 2007). Overall, the majority of researchers agree that customer commitment is a fundamental ingredient for successful long-term relationships (Gundlach, Achrol, & Mentzer, 1995; Selnes, 1998; Dwyer et al., 1987; Morgan & Hunt, 1994; Parasuraman, Zeithaml, & Berry, 1985).

## RESEARCH FRAMEWORK

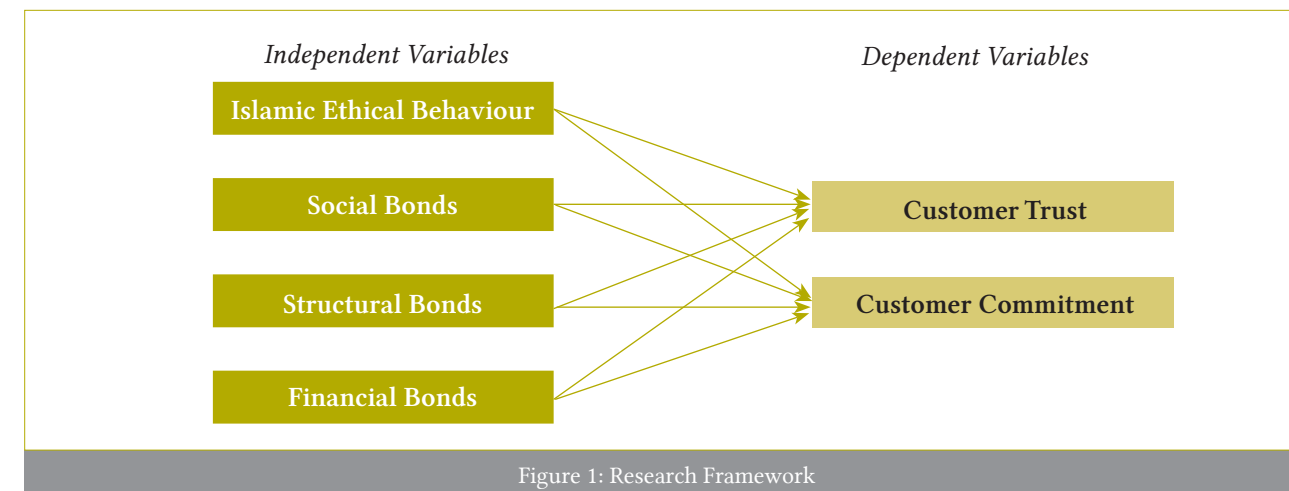


Figure 1: Research Framework

Figure 1 presents the framework of this research. It comprises six variables: Islamic ethical behaviour, social bonds, structural bonds, financial bonds, customer trust, and commitment. In this context, the framework introduces Islamic ethical behaviour to strengthen the practice of relationship marketing in the *takāful* industry in addition to the relational bonds. There are four independent variables (Islamic ethical behaviour, social, structural and financial bonds) and two dependent variables (customer trust and commitment) in the framework.

The structure of this framework is based on a suggestion on future research given by Garbarino and Johnson (1999), which is to investigate the marketing approach that enhances customer trust and commitment. The present research aspires to fill the research gap on the benefits of building strong bonds in relationship marketing practices (Shammout et al., 2006). Accordingly, based on social exchange theory (Thibaut & Kelley, 1959), the role of IRM has become a prominent issue in building strong relationship between business parties.

Accordingly, the conceptual framework of this research is based on a popular theory in social psychology: social exchange theory. This theory was first introduced by sociologists Thibaut and Kelley (1959) and Homans (1961). Homans (1961: p. 12) defined social exchange theory as “the premise that human behaviour or social interaction is an exchange of activity, tangible and intangible”. The theory is suitable for this research as there is social interaction between the *takāful* agent and his/her customer, and it involves both tangible

(monetary contribution) and intangible (services provided by the agent) aspects.

Hence, economic exchange involves the exchange of monetary and physical elements whereas social exchange involves the emotional elements in a relationship (Shore, Petrick, Lynch, & Barksdale, 2006). On the other hand, social exchange, according to Blau (1964), is when there is no specific requirement in return when one party does a favour to another. This view clarifies the general criteria of social exchange theory whereby there are no specific variables prepared by the originators of this theory to reflect the various contexts of studies. Therefore, the present research incorporates the theory into the research framework to analyze the services offered by *takāful* agents to their customers and the customers’ future behaviour towards their agent. A social exchange involves both tangible and intangible aspects. The former is related to the contribution paid by the customer, and the latter refers to the services offered to a customer upon his decision to participate in the *takāful* scheme. Customer trust and commitment would be the rewards for the services offered by the agent.

The theory is, therefore, suitable for this present research framework, and it has been widely utilised by researchers from various fields of studies, including studies in organizational behaviour (Saks, 2006; Brandes, 2004; Shore, Petrick, Lynch, & Barksdale, 2006), intimate relationships (Floyd & Wasner, 1994), and interactive selling (Tam & Wong, 2001; Eiriz & Wilson, 2006). The utilization of this theory adds a strong foundation to the current research framework.

## METHODOLOGY

This research was designed quantitatively; the data was collected through a survey using self-administered questionnaires. The questionnaires basically measure all variables in the research framework and gather the respondents’ demographic information. Some of the measurements have been adopted from other studies and adapted to the context of the *takāful* industry while other measurements have been developed specifically for this research based on views gathered from focus group discussions.

The research conducted three series of focus-group discussions in order to finalise the survey questionnaires. Once confirmed, a pilot study was conducted to test the questionnaires and measurement items for clarity and understanding. In this process, a few marketing and Shari’ah scholars were involved as well as 189 family *takāful* customers. Upon successful completion of the pilot test, the final survey was conducted. The respondents consist of 755 family *takāful* customers of eleven *takāful* operators in various locations in the Klang Valley.

“The research conducted three series of focus-group discussions in order to finalise the survey questionnaires”

Data collected was analysed using two statistical analysis software programmes. The selection of a suitable data analysis tool is very important to ensure the validity and reliability of the final results. Thus, based on the research objectives and nature of the final data, this research utilized two statistical tools: Statistical Package for Social Sciences (SPSS), version 19, and Analysis of Moment Structures (AMOS), version 16. Types of analysis conducted include descriptive statistics, exploratory and confirmatory factor analysis.

“The respondents consist of 755 family *takāful* customers of eleven *takāful* operators in various locations in the Klang Valley”

## Response rate

The final sample of this research involved family *takāful* customers of eleven *takāful* operators located in the Klang Valley. The period of data collection was four months. Questionnaires were distributed to customers of the respective *takāful* operators in March 2013 and collected back in June 2013. Utilizing stratified random sampling, one hundred (100) questionnaires were allocated to each of the eleven *takāful* operators, which amount to a total of one thousand one hundred (1100) questionnaires distributed.

Out of 1100, 865 questionnaires were returned, a response rate of 79 percent. However, due to incomplete answers, 65 questionnaires were rejected at the first screening stage. The remaining 800 questionnaires were brought forward for normality check. In total, after going through the entire screening process, 755 questionnaires were selected for final data analysis, which means the actual response rate was 69 percent. For social science research, this response rate is considered high, and the number in fact exceeded the response rate of 56.7 percent recorded in a previous study on the same domain by Kamsol, Anuar, Norizah, Nik Ramli, and Kamaruzaman (2009).



## DATA ANALYSIS AND RESULTS

### 1. Background of Respondents

As presented in Table 1, a total of 755 cases (family *takāful* customers) successfully passed the entire data screening process. Out of the number of customers who participated in this research, the highest response was recorded from Prudential-BSN Takaful Bhd. with 92 responses, equal to 12 percent of total respondents. This was followed by Great Eastern Takaful Bhd. (83 responses), Etiqa Takaful Bhd. (76 responses), and others. The lowest response recorded was from AmFamily Takaful Bhd., with a response rate of less than 50 percent of questionnaires distributed (43 responses).

It is observed that respondents in this research are quite balanced between males (47 percent) and females (53 percent). This balance would eliminate any suspicion of response bias in terms of gender. In terms of age, most of the respondents were from the middle age group, 26 to 30 years-old (30 percent), and 31 to 35 years-old (25 percent). The rest belong to the age groups of 36-40 years (18 percent), 21-25 years (14 percent), 41-45 years (7 percent), and 46-50 years (4 percent). Only a few of the respondents were from the youngest group (below 20 years = 0.3 percent), and the oldest group (above 50 years = 2 percent).

Consistent with an earlier prediction for the context of this research (*takāful* industry), the majority of

the respondents are Muslims (86 percent) and Malays (85 percent). Only a small number of non-Muslims participated in this research. For example, 6 percent of the customers are Buddhists (48 respondents), 4 percent are Christians (30 respondents), 3 percent are Hindus (21 respondents), and the remaining five customers are from other religions (0.7 percent). In addition, more than half of the respondents were married (60 percent) and worked in the private sector (66 percent).

Furthermore, in terms of levels of education, nearly half of the respondents are first-degree holders (45 percent), one-third are diploma holders (30 percent), and only a small percentage are PhD holders (0.5 percent). As for income groups, a large number of respondents earn between RM 2000 and RM 4000 per month (48 percent of total respondents). These respondents are basically those who have either a degree or industry experience. Meanwhile, the percentage of respondents who are in the high-income group (earning more than RM 5000 per month) is quite high (23 percent) compared to the low-income group (earning less than RM 2000 per month), which consisted of only 18 percent of total respondents. Overall, the background of the respondents in this research is good since they are well scattered across different groups of occupational sector, gender, age, race, religion, and income. The following section proceeds with descriptive analysis of customers' perceptions of *takāful* agents' IRM practice.

Table 1: Background of respondents

Demographic Information		Frequency	Frequency (%)
Takāful Operators	Syarikat Takaful Malaysia Berhad	72	9.5
	Etiqa Takaful Berhad	76	10.1
	Takaful Ikhlas Sdn. Bhd.	60	7.9
	CIMB Aviva Takaful Berhad	73	9.7
	Prudential BSN Takaful Berhad	92	12.2
	HSBC Amanah Takaful Sdn. Bhd.	81	10.7
	MAA Takaful Berhad	53	7.0
	AIA AFG Takaful Bhd	67	8.9

Demographic Information		Frequency	Frequency (%)
Takāful Operators	AmFamily Takaful Bhd.	43	5.7
	Great Eastern Takaful Sdn. Bhd.	83	11.0
	Hong Leong MSIG Takaful Bhd.	55	7.3
Gender	Male	352	46.6
	Female	403	53.4
Age Group	<20 years	2	0.3
	21-25 years	105	13.9
	26-30 years	224	29.7
	31-35 years	190	25.2
	36-40 years	135	17.9
	41-45 years	54	7.2
	45-50 years	31	4.1
	>50 years	14	1.9
Race	Malay	643	85.2
	Indian	26	3.4
	Chinese	78	10.3
	Others	8	1.1
Religion	Islam	651	86.2
	Hindu	21	2.8
	Buddhist	48	6.4
	Christian	30	4.0
	Others	5	0.7
Marital Status	Single	286	37.9
	Married	449	59.5
	Divorced	17	2.3
	Others	3	0.4
Level of Education	SPM	124	16.4
	Diploma	221	29.3
	Degree	337	44.6
	Masters	48	6.4
	PhD	4	0.5
	Others	21	2.8
Sector of Occupation	Government	100	13.2
	Semi-Government	50	6.6

Demographic Information		Frequency	Frequency (%)
Sector of Occupation	Private	500	66.2
	Self-employed	101	13.4
	Others	4	0.5
Group Income	<1000	30	4.0
	1001-2000	105	13.9
	2001-3000	197	26.1
	3001-4000	162	21.5
	4001-5000	89	11.8
	5001-6000	62	8.2
	6001-7000	25	3.3
	7001-8000	20	2.6
	8001-9000	14	1.9
	9001-10000	18	2.4
	>10000	33	4.4

## 2. Customers' Perceptions of *Takāful* Agents' IRM Practices

There are four variables proposed in this research to measure the practice of IRM in the *takāful* industry. Prior to examining the effect of the IRM on customers' trust and commitment, descriptive analyses were conducted on the proposed variables of IRM: Islamic ethical behaviour and social, structural, and financial bonds. The next section details the perception of the customers regarding their agents' IRM practices.

### Islamic Ethical Behaviour (IEB)

The first variable proposed to measure IRM is Islamic ethical behaviour (IEB). Nine statements were constructed to measure this variable. The measurement items for the Islamic Ethical Behaviour (IEB) in this research were developed via two means; first, based on some Qur'anic verses, and second, through focus group discussions with industry experts and academicians. Overall, the measurements of IEB are parallel with the roles of *takāful* agents based on the '*wakālah*' concept. For example, responsibility (al-Nisā': 58, Āl-Imrān: 76), honesty (al-Mā'idah: 8, al-Najm: 3), trustworthiness (al-Fatḥ: 10 and Āl-Imrān: 76), and justice (al-Mā'idah: 8 and Al-Mumtaḥanah: 8).

Results indicate that the family *takāful* customers agreed with five statements of IEB, mainly on

the agents' professional attitudes, responsibility, maintenance of good relationships with customers, protection of customers' confidentiality, and wearing professional attire while dealing with them. Unfortunately, the majority of customers gave a neutral rating on the other four statements of IEB, which include explanation of Sharī'ah aspects of *takāful*, its objectives, and other information about *takāful* products. Overall, the customers expressed a positive perception of their agents. Social Bonds

Social bonds comprise the second variable adopted from relationship marketing literature to measure IRM in the *takāful* industry. This type of bond represents the interpersonal interaction and the level of closeness between a *takāful* agent and his/her customer (Wilson, 1995). In this context, five statements were used to measure the construct of social bonds in this research. Results of descriptive analysis indicate that, on average, the perceptions of the customers on social bonds were positive.

Based on mean value, the majority of customers were neutral about statements representing the social bonds (3.0). In this context, it is believed that the *takāful* agents are still lacking when it comes to building social bonds with their customers. Table 3 presents overall results of customers' perception towards social bonding with *takāful* agents.

Table 2: Customers' Perception of <i>Takāful</i> Agents' Islamic Ethical Behaviour			
No	Statements on Islamic Ethical Behaviour*	Mean	Standard Deviation
1.	My <i>takāful</i> representative explains clearly about Sharī'ah aspects of <i>takāful</i> compared to conventional insurance.	3.903	0.752
2.	He/she gives me adequate information about <i>takāful</i> scheme.	3.889	0.716
3.	He/she explains to me about the objective of <i>takāful</i> which is a donation scheme and mutual cooperation among the participants.	3.936	0.718
4.	He/she practices professional attitudes in dealing with me.	4.001	0.713
5.	He/she is an honest person.	3.985	0.709
6.	He/she is a responsible person.	4.016	0.687
7.	He/she always maintains good relationship with me.	4.008	0.704
8.	He/she protects my confidentiality.	4.052	0.700
9.	He/she wear professional attire while dealing with me.	4.054	0.720

\*All items are measured through a scale of  
1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

### Social Bonds

Social bonds comprise the second variable adopted from relationship marketing literature to measure IRM in the *takāful* industry. This type of bond represents the interpersonal interaction and the level of closeness between a *takāful* agent and his/her customer (Wilson, 1995). In this context, five statements were used to measure the construct of social bonds in this research. Results of descriptive analysis indicate that, on average, the perceptions of the customers on social bonds were positive.

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Table 3: Customers' Perception on Social Bonds			
No	Statements on Social Bonds	Mean	Standard Deviation
1.	My <i>takāful</i> representative contacts me to keep in touch.	3.409	0.856
2.	He/she asks my feedback about his/her services.	3.585	0.880
3.	I receive greeting cards or gifts from him/her on any of my special occasions.	3.642	0.861
4.	He/she would call or meet me whenever I encounter any problem.	3.470	0.938
5.	He/she provides services after I participate in the <i>takāful</i> scheme.	3.166	1.134

\*All items are measured through a scale of  
1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree



### Structural Bonds

The next type of relational bond adopted in this research to measure IRM is the structural bond. Basically, it relates to the infrastructure or services given to the customers to help ease their *takāful* transactions. As shown in Table 4, the customers' responses on the existence of structural bonds were positive. The mean values for the four statements range from 3.740 to 3.887. Among the statements, the highest percentage is regarding the various modes of payment contribution (3.887), followed by personalization of the *takāful* scheme (3.886). The lowest was recorded on agents' responsiveness to customers' complaints (3.740).

Table 4: Customers' Perception on Structural Bonds

No	Statements on Structural Bonds	Mean	Standard Deviation
1.	My <i>takāful</i> representative provides a personalised <i>takāful</i> scheme according to my needs.	3.886	0.727
2.	I receive a prompt response whenever I make a complaint.	3.740	0.768
3.	The <i>takāful</i> operator provides various ways for the payment of contribution.	3.887	0.721
4.	I can retrieve any information about the company and products from various sources.	3.840	0.735

\*All items are measured through a scale of 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

### Financial Bonds

The final variable proposed to measure IRM is the financial bond. According to Nath and Mukherjee (2012), the financial bond is the amount of economic benefit derived in an exchange relationship. This research utilized five statements to measure customer perceptions of the financial bond in the *takāful* industry. They include statements about free gifts, promotion packages, cash returns to those who did not file any claim for the year, cash allowance for hospitalization, and profits from savings and investment.

Based on the results of the descriptive analysis, customers were neutral about the existence of financial bonds between them and their agents. This is based on the mean value for all statements about financial bonds, which ranged from 3.428 to 3.801 (3.0 = neutral). In this regards, it is advised that in order to win the customers' hearts to remain with the same agents for the long term, financial aspects such as gifts, promotion packages, and other advantages should be offered to customers.

Overall, the customers were neutral on the existence of structural bonds in the *takāful* industry as based on their level of agreement towards four statements about structural bonds in the questionnaire. A lot of effort needs to be done to improve the facilities and services offered to the *takāful* customers, particularly on responsiveness to customers' complaints and also the source of information about *takāful* operators and their products.

*“A lot of effort needs to be done to improve the facilities and services offered to the takāful customers, particularly on responsiveness to customers' complaints and also the source of information about takāful operators and their products”*

Table 5: Customers' Perception on Financial Bond

No	Statements on Financial Bonds	Mean	Standard Deviation
1.	My <i>takāful</i> representative gave me a free gift when I first participated in the <i>takāful</i> scheme.	3.436	1.016
2.	He/she offered a promotion package during my subscription to the scheme.	3.428	0.967
3.	I will receive a sum of money at the end of the year in case I did not make any claim.	3.424	0.970
4.	I am entitled to receive a sum of money from the <i>takāful</i> company in case I am admitted to hospital.	3.770	0.852
5.	I receive some profit from my <i>takāful</i> scheme as it is a saving/ investment account.	3.801	0.834

\*All items are measured through a scale of 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

### Customer Trust

Five statements of customer trust were developed to observe the level of trustworthiness of the *takāful* agents. Based on the analysis, results indicate that the majority of customers were neutral when asked about the integrity of their agents, fulfilment of promises, reliability, trustworthiness and concern about the customers' financial protection. Thus, it is suggested to *takāful* agents that they work to increase customers' trust in future in order to maintain their existing customers. While Table 6 presents these results, Figures 2 to 6 explain the details of the customers' perception on the level of trustworthiness of *takāful* agents.

*“the majority of customers were neutral when asked about the integrity of their agents, fulfilment of promises, reliability, trustworthiness and concern about the customers' financial protection”*

Table 6: Customers' Perception on Structural Bonds

No	Statements on Customer Trust	Label	Mean	Standard Deviation
1.	He/she is a person of high integrity.	TRUST 1	3.833	0.726
2.	He/she fulfils promises.	TRUST 2	3.824	0.721
3.	He/she can be relied on to do what is right.	TRUST 3	3.872	0.712
4.	He/she is a trustworthy person.	TRUST 4	3.881	0.730
5.	He/she is concerned with my financial protection needs.	TRUST 5	3.824	0.722

\*All items are measured through a scale of 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

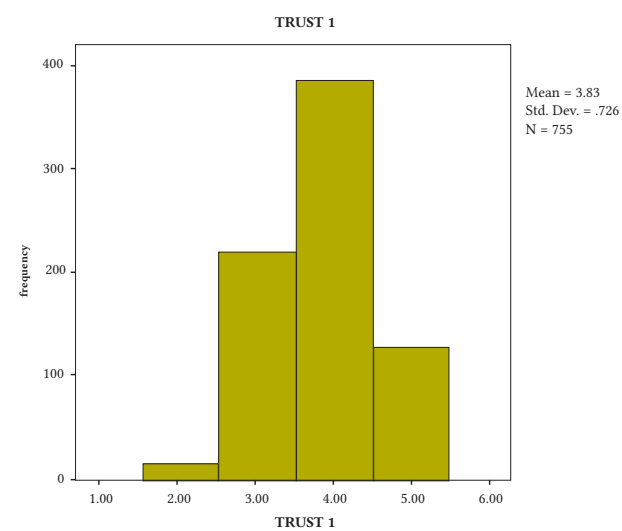


Figure 2: Agents' integrity

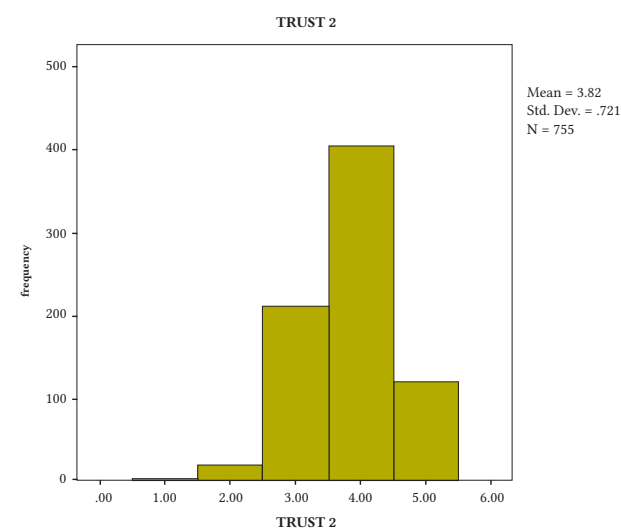


Figure 3: Agents' fulfilment of promises

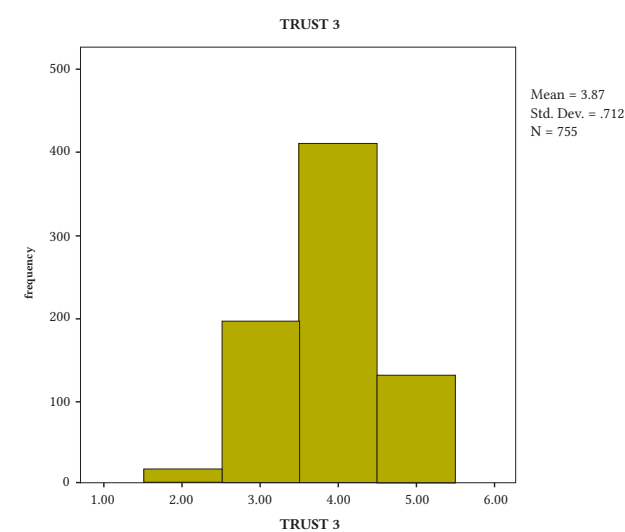


Figure 4: Agents' reliability

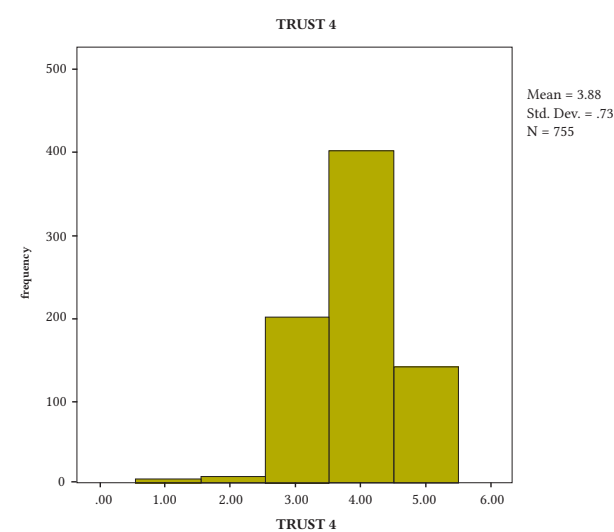


Figure 5: Agents' trustworthiness

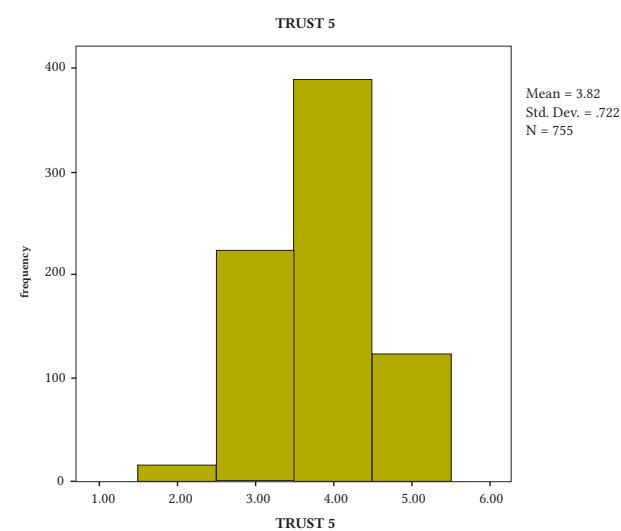


Figure 6: Agents' concern for customers' financial protection

### Customer Commitment

Four statements were developed in this research to measure customers' commitment to their agents. Based on descriptive analysis, the majority of customers gave a neutral rating to all the statements. In addition, it is observed that the value of means for customer commitment (3.583-3.862) is smaller than the value of means for customer trust (3.824-3.881). Therefore, it can be concluded that the level of customer commitment is less than the level of customer trust, even though they rated it as neutral. The lowest were recorded on the statement about cost of changing to other *takāful* agents. In this regards, the customers have no issue on the cost charged when they want to change to other agents, and it is easy for them to find

new agents. Overall, *takāful* agents are recommended to strengthen relationships with their customers and ensure they are committed to their scheme until the maturity period. Table 7 presents the results and Figures 7 to 10 elaborate the details.

*“it can be concluded that the level of customer commitment is less than the level of customer trust”*

Table 7: Customers' Commitment

No	Statements on Customer Commitment	Label	Mean	Standard Deviation
1.	I would face difficulty if my <i>takāful</i> agent leaves me.	COMMIT 1	3.670	0.852
2.	I will remain with my <i>takāful</i> agent until the maturity of my <i>takāful</i> scheme.	COMMIT 2	3.862	0.735
3.	It is difficult for me to find an agent like him/her.	COMMIT 3	3.657	0.798
4.	It would be costly for me to change to another <i>takāful</i> agent.	COMMIT 5	3.583	0.887

\*All items are measured through a scale of  
1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

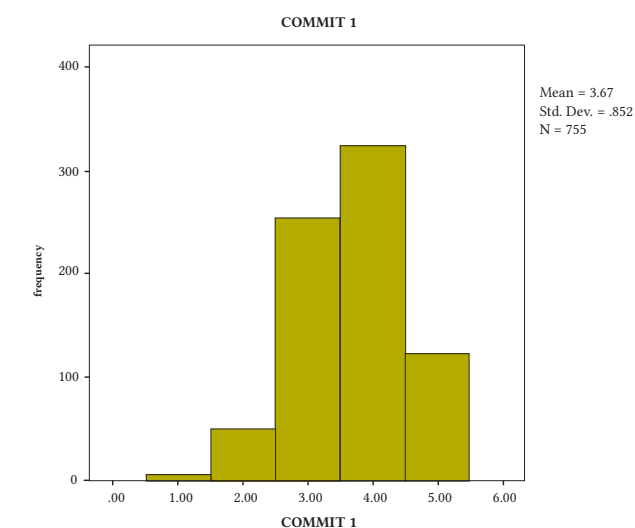


Figure 7

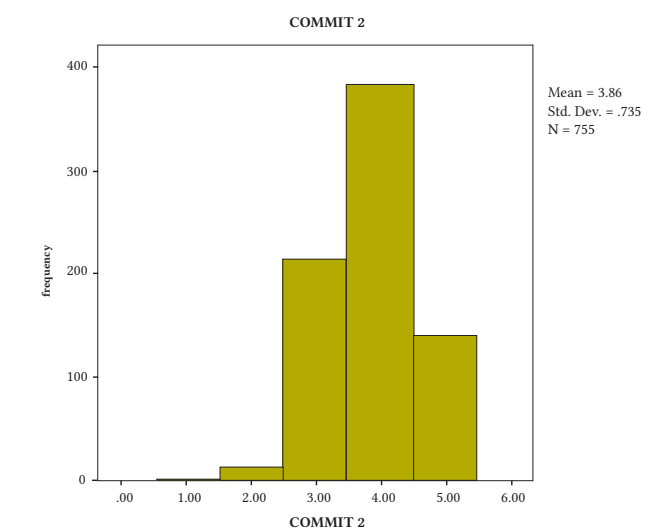


Figure 8



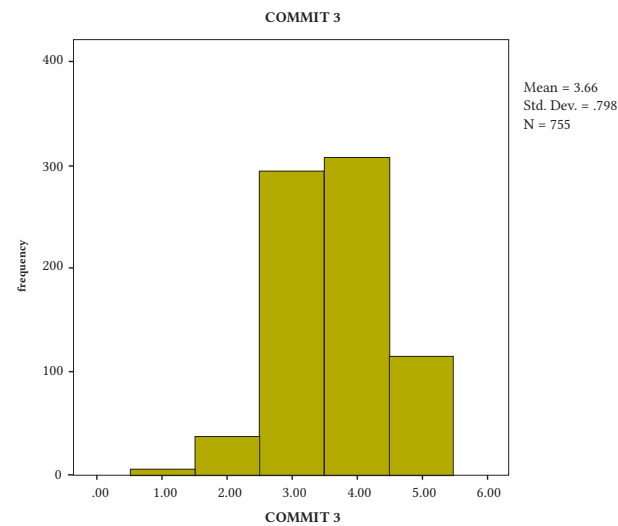


Figure 9

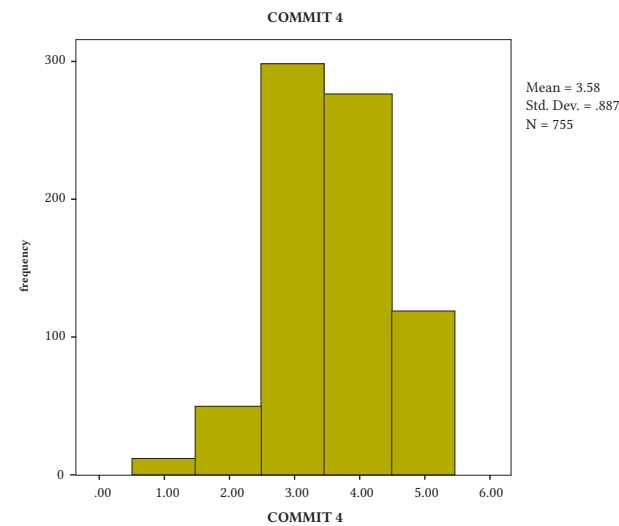


Figure 10

### The Effect of IRM Practice on Customers' Trust and Commitment

Structural equation modelling was performed to examine the effect of IRM on customer trust and commitment. It basically depicts the direct relationship between the four variables (Islamic ethical behaviour, social, structural, and financial bonds) and customer trust and commitment. Overall, the model achieved

all the cut point values of the fit indices, which indicates that the model fits the data. As such,  $\chi^2/df = 3.941$ ,  $p = .000$ ,  $CFI = 0.929$ ,  $TLI = 0.921$ ,  $IFI = 0.929$  and  $RMSEA = 0.062$ . The model is presented in Figure 11 below.

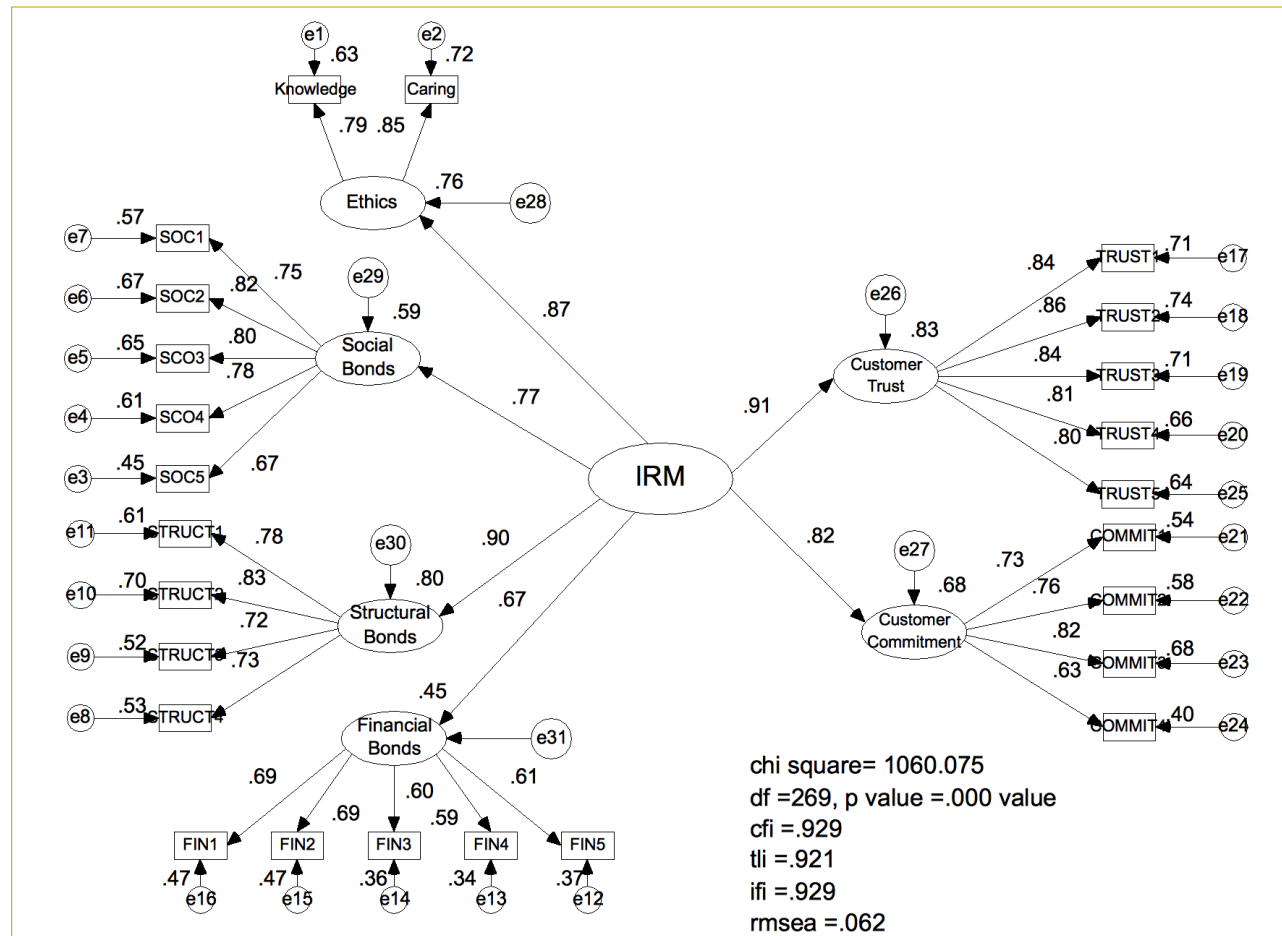


Figure 11: Results of Structural Equation Modelling

Besides relying on fit indices, results of standardized estimates are observed. In detail, results indicate that the regression weight for IRM in the prediction of customer trust and commitment is highly significant at 0.91 (customer trust) and 0.82 (customer commitment) at the 0.001 level (two-tailed test). In this context, *takāful* agents' IRM practice has a significant and direct effect upon customer trust and commitment. In detail, an increase of IRM by one standard deviation would increase customer trust by 0.91 and customer commitment by 0.82. This also means that IRM will have a greater influence on customer trust than on customer commitment. Furthermore, the value of the squared multiple correlation indicates that IRM has explained 83 percent of the variance of customer

trust and 68 percent of the variance of customer commitment. Overall, even though the effect of IRM on customer trust and commitment is different in terms of regression weights, it is found that the practice of IRM in the *takāful* industry is very important for increasing customer trust and commitment in the future.

*“results indicate that the regression weight for IRM in the prediction of customer trust and commitment is highly significant”*

## CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

The current research is done to acknowledge the practice of IRM in the *takāful* industry as a complementary approach to all existing traditional marketing practices. Furthermore, in view of the fact that *takāful* is an Islamic product, the theoretical framework of this research is built on the basis of Islamic norms in addition to suggestions from previous marketing researches. All measurement items were confirmed by industry experts and the overall framework was tested using primary data obtained from a survey of family *takāful* customers.

***“the results of this research imply that some marketing aspects should be given priority by marketers in the takāful industry. Their responsibility is not limited to offering takāful products. They should also be encouraged to build strong relational bonds with their customers, and in doing so, to act in accordance with Islamic ethics”***

All the research objectives were achieved through statistical analyses, which include descriptive statistics, and exploratory and confirmatory factor analysis (measurement and structural models). Though the results of descriptive analysis indicate that customers expressed a positive view of the practice of IRM in the industry, their answers have confirmed the proposed measurement model of IRM given the high value of fit indices of the model. Furthermore, it is proven in this research that the practice of IRM has significantly affected customers' trust and commitment. All in all, the results of this research imply that some marketing aspects should be given priority by marketers in the *takāful* industry. Their responsibility is not limited to offering *takāful* products. They should also be encouraged to build strong relational bonds with their customers, and in doing so, to act in accordance with Islamic ethics.

### ***Suggestions for Future Research***

The current research could be enhanced using mixed methodology with both qualitative and quantitative research designs. Since IRM is still relatively new to the marketing literature, the concept can be further explored qualitatively by interviewing industry experts and marketers. Findings from these studies can be conceptualised and confirmed through surveys and other quantitative methods. On this point, given the time constraint, the current research relied only on previous literature to develop its theoretical framework and a survey of *takāful* customers for data collection.

Since this research is arguably one of the earliest studies that empirically examines the practice of IRM in the Malaysian *takāful* industry, future researchers may consider replicating the framework of this research in other related industries or in other countries that offer Islamic insurance products. Such future studies may improve the current research framework by adding other relevant constructs and testing them in a similar context. Their results can be compared with the findings of this research. After more studies are done, several generalisations on IRM can perhaps be made; hence contributing to its theoretical development.

Future research may also consider improving the selection of samples for their studies. What could be an outstanding contribution to the *takāful* industry would be if future research could tap into the views of non-Muslims on the practice of IRM in the industry. This could certainly help industry players to market their *takāful* products in accordance with customers' specific needs. This could also help *takāful* operators to penetrate into the non-Muslim market.

***“future researchers may consider replicating the framework of this research in other related industries or in other countries that offer Islamic insurance products”***

<sup>1</sup> The Nordic school is a marketing school of thought that concentrated on services marketing research in Scandinavia and Finland.



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Notes



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