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SURVEY THE EFFECTS OF MARKET ORIENTATION ON ECONOMIC PERFORMANCE OF INSURANCE COMPANIES (CASE STUDY: INSURANCE COMPANIES OF GUILLAN PROVINCE)

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ABSTRACT

Market orientation in the insurance industry is a business culture that can be used as a tool for supporting services which are the customer's need. The purpose of this research is to survey the effects of relationship orientation, service quality and market performance on economic performance and effects of the mediator role of these variables in the relationship of market orientation and economic performance. So, 8 hypotheses were formulized. For collecting the needed information to test hypotheses, we used standard questionnaire contained 40 questions and distributed among 138 people from insurance company as population across Guillan province. To analyze data and test hypotheses, we used regression analytical method. The result shows that there is a significant relation between the market orientation and economic performance. Overall and mentioned variables have important effect on this relation. Finally, according each of factors, suggestions were provide to expand market orientation in insurance company.

Keywords: *Market Orientation, Relationship Orientation, Service-Quality Orientation, Market Performance, Economic Performance*

INTRODUCTION

Marketing literatures have strongly on concept, measurement, methods and effects of market orientation on organizations performance (Jaworski and Kohli 1996). The market orientation is a dimension of organization's culture that without the kinds of organization, goods or services that provides, has a long term effect on all demotions of company. The philosophy of market organization is based on this principal that to achieve organization's goals it should cave to need, and requirement of market and provide the customer satisfaction with higher competence, and more than the opponents. So according to philosophy the organization modify their products according customer's desire and either provide customer's requirement and gain profit. In the other word, the companies follow profit base on customer satisfaction (Reichheld, 1996). Interaction, cohesion and ordering are the characteristics of servicing companies and have inherent attention to customers and relations (Vargo and Lusch, 2004).

The relational marketing is highly focused in banking and insurance. Increasingly, the competition drives the insurance company to defensive. These companies are seeking the effective relation with their customers because this relation is temporary and continuous (Adamson, 2003). Building the value and attempts to measurement of perceived quality from function become a way to develop and maintain exchange with customers during recent years (Rust *et al.*, 2002). The improvement of perceive a quality by customer usually increase, profitability by increasing revenue. While improvement efficiency of internal process leads to increase profitability by decrease costs.

There are different activities in Service Company. Some of them leads to expand and improvement of quality of services and relational marketing. For example, some researchers have suggest the customer's cognition about quality of their relation and company is depend on competence, commitment, communications, conflict and trust (Ndubisi and Wah, 2005). Similarly other researchers showed that private relations have direct effect on customer's perception about the insurance company's trust (Gounares, 2003). So, this study is based on market orientation literature, relationship orientation and service-quality orientation to provide operational concepts for the companies that match them with market orientation principals.

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By increasing central relations and quality of services in business and to achieve more profits with loyalty rather than attract new customers, use of improve mental tools that is considered increasingly. In such environment the market success is to gain maximum benefit from its customers. For this purpose, It's important to perform the strategies that improve and expand its operation and get ahead among opponents and most important is changing the customers to loyalty ones. The insurance companies like other profit making organizations have tendency to more profits and advantages of competitive new world. Akamai suggested that these companies are interested in profits of their relations because they are under pressure of their competitions.

Market Orientation

Market orientation is more strategic approach that improves organization function. This explanation can be used for service provider organization because they confront effective changes (Lwiza and Nwankwo, 2002). Narver and Slater believe that market orientation is important part of management and modern marketing strategy and the business that increases its market orientation increases its market functions. Their first definition of market orientation said it's containing three behavioral components: customer orientation, competitor orientation and inter-functional coordination.

Relationship Orientation

Relationship orientation implies relationship investments. Wulf *et al.*, (2001) define relationship investments as resources, efforts, and attention aimed at maintaining or enhancing relationships with regular customers that do not have outside value and cannot be recovered if these relationships are terminated.

In this idea, we conceptualize relationship orientation as a higher-order construct indicated by four types of relationship marketing investments: communication, customization, personalization (preferential treatment) and personal relationships (Camarero, 2007).

Service Quality Orientation

In Gronroos (1993) definition of service quality, two dimensions are identified: functional service quality and technical service quality. Functional service quality relates to the nature of the interaction between the service provider and the customer and the process by which the core service is delivered. Technical service quality refers to the quality of the service output (Sharma and Patterson, 1999).

Market and Economic Performance

It is acknowledged that performance is a multidimensional construct, consisting of two broad measures: judgmental performance (e.g. customer service loyalty) and objective performance (e.g. ROA) (Agarwal *et al.*, 2003). Therefore, we distinguish between market performance as the judgmental measure of performance and economic performance as the objective measure of performance. Market profitability is driven by variables such as customer retention, customer satisfaction and image and positioning on the market (Rajshekhar *et al.*, 2005).

Concretely, market performance refers to:

- the improvement of the firm's market positioning (Srivastava *et al.*, 1999);
- shaping customers' satisfaction with the organization and their products (Rajshekhar *et al.*, 2005); and
- the rise in customer loyalty and retention (Evans and Laskin, 1994).

Economic performance alludes to the firm's benefit, incomes, cost reduction and profitability that are related, directly and indirectly, to the firm's relational strategy (Camarero, 2007).

Conceptual Model

Study the relation between market orientation and performance is a considerable research area (Deshpande and Farley 2004). One of the branches of this area is the variables between two concepts (Kirca *et al.*, 2005). Some studies found considerable relation between market orientation and economic performance. The focus of these studies is on the roles of innovation, customer satisfaction, loyalty or/and quality that through them, market orientation effects on performance (Nobel *et al.*, 2002). In the conceptual model (figure 1), independent variable is market orientation and relationship orientation, service-quality orientation and market performance are mediator and economic performance is dependent variable.

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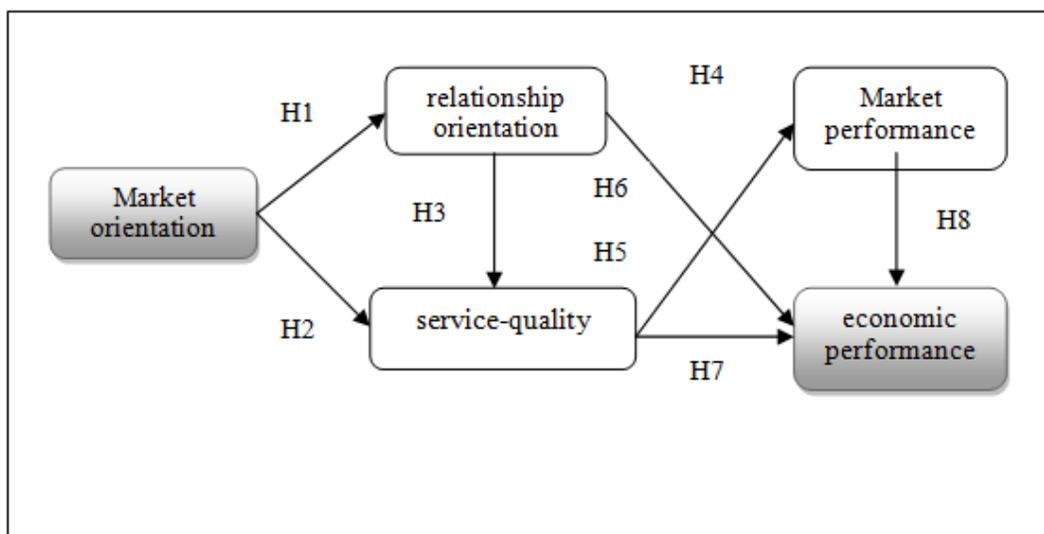


Figure1: Conceptual Model
 Source: Camarero, 2007, 4130.

Researches

- Market orientation has a positive influence on relationship orientation.
- Market orientation has a positive influence on service-quality orientation.
- Relationship orientation has a positive influence on service quality orientation.
- Relationship orientation has a positive influence on the firm’s market performance.
- Service-quality orientation has a positive influence on the firm’s market performance.
- Relationship orientation has a positive influence on the firm’s economic performance.
- Service-quality orientation has a positive influence on the firm’s economic performance.
- Market performance has a positive influence on economic performance.

MATERIALS AND METHODS

Methodology

This study is an applicable research and descriptive and survey according to goal and the way of data gathering respectively. The needed information has gathered through the questionnaires that sent to insurance agency across Guilan province that forms population. The total population was 217 that after calculating of samples by sampling formula for limited populating, 138 questionnaires were used. The questionnaire us a version of standard questionnaire by camarero study (2007) that is approved be expertise and university's professors. So its validity was confirmed. This questionnaire has 40 questions that designed according to likert 5 options spectrum. For measurement the reliability of study's tool we used cronbach's alpha. To measure reliability coefficient, at first 30 questionnaires were distributed that its alpha were 78%.Reliabilitycoefficient is provided in table 1.

Table 1: Reliability of research tool

Dimensions	Cronbach's Alpha
Market Orientation	0/80
Relationship Orientation	0/75
Service Quality Orientation	0/67
Market Performance	0/71
Economic Performance	0/79

These figures show the questionnaire have enough **Reliability**.

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RESULTS AND DISCUSSION

Results

We use regression analyze to test study's hypotheses. The results are summarized by SPSS software and showed in table 2. The significance number (sig) for all hypotheses is lower 0/05, so there is significant relation at 95% between two variables. In the other words, this shows direct relation between different dimensions at meaningful levels of 0/05. So all hypotheses are approved. Regarding to the positive coefficient between two hypotheses, so the changes direction is positive and in same direction, increasing one variable increase other variable.

Table 2: Regression Analyze

variables	R	R ²	β	T	Sig
Market orientation and Relationship orientation	0/45	0/20	0/45	3/24	0/001
Market orientation and Service quality orientation	0/53	0/28	0/53	3/25	0/000
Relationship orientation and Service quality orientation	0/44	0/19	0/44	2/36	0/001
Relationship orientation and Market performance	0/41	0/16	0/41	2/42	0/000
service quality orientation and Market performance	0/43	0/18	0/43	3/15	0/003
Relationship orientation and Economic performance	0/47	0/22	0/47	2/48	0/000
Relationship orientation and Economic performance	0/51	0/26	0/51	2/89	0/001
Market function and Economic performance	0/49	0/24	0/49	3/76	0/002

Discussion

This study, the relation between market orientation and economic performance by three mediator strategies give the opportunity to better explanation and perception of economic performance. The first result is the market orientation that provides with customer orientating competition and building and expanding information has direct effect on relationship orientation and investment on the concerned facture such us ordering, orientation, expand communicating and private relation. So when the company uses the relational strategy, it's important to provide better service quality in both technical and operational areas, because as we saw earlier, these two strategies are related to related to each other. The second result, to achieve better economic performance by relationship orientation, service quality orientation and market performance, not pass 3 independent directions but these directions are related to each other.

A normal assumption suggests that improvement of quality in customer's mind, increases customer's satisfaction and leads to his loyalty that increase profitability. Even the results approve the direct influence of market outcome such placing and satisfaction than relationship orientation, we saw the relationship orientation has direct influence on performance but indirect influence on economic performance by service quality orientation. So its total effects on performance are greater. From the customer's perception view, as Gounares *et al.*, argued. We conduce that market orientation have strongly positive effect on service quality orientation. The market orientation has positive effect on customer experiences by the time of confronting employee and influenced the customer perceptions of receiving the services from company.

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