Chapter 1

Introduction

The tertiary sector of the economy (alternatively known as the service sector or the service industry) is one of the three economic sectors, the others being the secondary sector (approximately same as the manufacturing) and the primary sector (agriculture, fishing, mining).

1.1 DEFINITION OF SERVICES

A very old definition of services in marketing literature is given by American Marketing Association. It defined services as “activities, benefits or satisfaction that are offered for sale, or provided in connection with the sale of goods.” Berry defines services as “acts, deeds and performances.” Service purchase does not result in ownership of something physical. They are often described as ephemeral and experiential. Services come in the form of some actions that are directed towards the customer or their possessions. The action or deeds lead to creation of value that is desired by customers. Services in most cases involve transfer of some intangible benefits. Gummesson quite interestingly highlights the most fundamental aspect of services by defining them as “…something which can be bought and sold but which you cannot drop on your foot.” This is to say that services are dimensionless, intangible and therefore they cannot be dropped.

Most of the discourse above emphasizes upon two important aspects of services. First services are intangible in nature and secondly, they are essentially described as act or activities performed that create satisfaction. However, Gronroos provides a more
comprehensive view on services. He defines services as “an activity or series of activities of more or less intangible nature that normally, not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solution to customer problems.”

The service sector comprises of the "soft" parts of the economy, that is to say, activities where people offer their knowledge and time to enhance productivity, performance, potential, and sustainability. The integral characteristic of this sector is the production of services instead of end products. A service is any act or performance that one party can offer to other that is essentially intangible and does not result in the ownership of anything. Some examples of service sector employment include: Government, Public health, Waste disposal, Education, Banking, Insurance, Legal services, Healthcare/hospitals, Consulting, News media, Hospitality industry (e.g. restaurants, hotels, casinos), Tourism, Retail sales, Financial services, Franchising and Real estate to name a few.

The researcher focused on Banking and Insurance as two sectors in the Indian service Industry. The reason for choosing these two sectors was the unprecedented growth in these sectors in the recent years, thereby emerging as two biggest industries in the service sector. Moreover, the variables under study namely marketing intelligence, customer relationship strength, and sale effectiveness have a lot of significance and relevance to these sectors.

1.2 THE EVOLUTION OF INSURANCE IN INDIA

In India, insurance is not a newly coined term. In fact its traces and mention could be found in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). The writings in these scriptures talk in terms of combining resources that could
be re-distributed in times of calamities such as epidemics, fire, floods, and famine. This was actually an age old or rudimentary form of modern day insurance. Ancient Indian saw the earliest traces of insurance in the form of marine trade loans and carriers’ contracts. Over a period of time, insurance in India has evolved a great deal drawing from other countries, England in particular.

The modern day life insurance business in India was in the form of the establishment of the Oriental Life Insurance Company in Calcutta in the year 1818 which eventually got closed in 1834. The Madras Equitable had begun transacting life insurance business in the Madras Presidency in 1829 and 1870 witnessed the enactment of the British Insurance Act. The Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) emerged in the last three decades of nineteenth century in the Bombay Residency. But having said that, this phase of life insurance business was ruled largely by the foreign insurance offices which did reasonably good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance.

In a landmark decision The Indian Life Assurance Companies Act, was enacted in 1912 as the first statutory measure to regulate life business in India and further, the Indian Insurance Companies Act was enacted in 1928 to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies which was further amended in 1938, with a view to protecting the interest of the insurance public and for effective control over the activities of insurers.
The Life Insurance sector was nationalized on January 19, 1956 and Life Insurance Corporation came into being in the same year. The LIC was formed by amalgamating 154 Indian, 16 non-Indian insurers as also 75 provident societies - 245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the insurance sector was reopened to the private sector.

Business of insurance is 196 years old in India. It started as a fully private system, in the year 1818 with no restriction on foreign participation. In 1956 it became a state owned monopoly. In the year 1999, there was a major breakthrough in Indian insurance industry when a new legislation came into effect signaling a change in insurance industry structure. The insurance sector was liberalized and private insurance companies were allowed with a maximum of 26% of foreign holding.

Under the chairmanship of R. N. Malhotra (former Governor of RBI), a committee was set up in 1993, by the government to propose recommendations for reforms in the insurance sector. Based on the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The primary objectives of the IRDA entail promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. IRDA has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000
onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders’ interests.

Today there are 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies operating in the country. The state controlled insurance companies like LIC and GIC faced stiff competition from private insurance companies post reforms. The monopoly of the national insurance companies came to an end. The private insurance companies were able to exploit the shortcomings in the state run Insurance companies. The private insurance companies launched a variety of new insurance products like health care, pension plans, annuity plans, income protection, market linked products which were welcomed by the end customers. The business for the private sector boomed in both urban and rural sector alike. Inspite of this boom there is still a large percentage of market which is untapped.

In the last decade or so 22 new insurance companies has entered the insurance market which was once the exclusive prerogative of Life Insurance Corporation of India. However, with the ever increasing number of companies entering the insurance market, the competitive scenario has evolved and insurance companies are heavily relying on their front line sales people to bring enhanced business for their organization.

In India, insurance is a national matter, in which life and general insurance is yet a booming sector with huge possibilities for different global companies, as life insurance premiums account to 2.5% and general insurance premiums account to 0.65% of India's GDP. The insurance sector is burgeoning and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country’s GDP. A well-developed
and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development.

The Indian Insurance sector has gone through several phases and changes, especially after 1999, when the Govt. of India opened up the insurance sector for private participation, allowing FDI up to 26%. Since then, the insurance sector in India is considered as a flourishing market amongst global insurance companies. However, the largest life insurance company in India is still owned by the government.

1.3 EVOLUTION OF BANKING IN INDIA

Without a sound and effective banking system in India, it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country with financial inclusion being the underlying theme. This is one of the main reasons of India's growth process. The government's policies for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India.

Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dialing a pizza. Money has become the order of the day.
The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

- From 1786 to 1969 (Early phase of Indian Banks)
- From 1970 to 1991 (Nationalisation of Indian Banks)
- After 1991 (Indian Financial & Banking Sector Reforms)

Phase I

The first bank of India was set up in 1786. It was the General Bank of India. It was followed by Bank of Hindustan and Bengal Bank. The East India Company established three banks namely Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks which were later amalgamated in 1920 and a new entity emerged called as Imperial Bank of India. It started as private shareholders banks, mostly Europeans shareholders. Allahabad Bank was the first bank to be established exclusively by Indians in the year 1865, subsequently Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Till 1913 many Indian banks like Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935.

During the first phase the growth of the banks was very sluggish and banks also experienced failures at regular intervals between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in
India as the Central Banking Authority. During this early phase of banking, public did not have sufficient confidence in the banks? Consequently deposit mobilization was slow. Instead the deposits with the Postal department were considered safer. Moreover, funds were largely given to traders.

**Phase II**

During this phase government took some concrete steps in Indian Banking Sector. In 1955, it nationalised Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI. Seven banks forming subsidiary of State Bank of India were nationalised in 1960. On July 19th, 1969, major process of nationalization was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi that 14 major commercial banks in the country were nationalized. Second phase of nationalizing Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership. After the nationalization of banks, the branches of the public sector bank India rose to approximately 800% in deposits and advances took a huge jump by 11,000%.

**Phase III**

This phase saw the introduction of large number of products and facilities in the banking sector as a result of the reforms measure. In 1991, under the chairmanship of M. Narasimham, a committee was set up by his name which worked for the liberalization of banking practices. Following the 1991 report of the Narasimham Committee, more comprehensive reforms took place that same year. The reforms consisted of (a) a shift of banking sector supervision from intrusive micro-level intervention over credit decisions
toward prudential regulations and supervision; (b) a reduction of the CRR and SLR; (c) interest rate and entry deregulation; and (d) adoption of prudential norms.

Further, in 1992, the Reserve Bank of India issued guidelines for income recognition, asset classification and provisioning, and also adopted the Basle Accord Capital Adequacy Standards. The government also established the Board of Financial Supervision in the Reserve Bank of India and recapitalized public-sector banks in order to give banks sufficient financial strength and to enable them to gain access to capital markets. In 1993, the Reserve Bank of India permitted private entry into the banking sector, provided that new banks were well capitalized and technologically advanced, and at the same time prohibited cross-holding practices with industrial groups. The Reserve Bank of India also imposed some restrictions on new banks with respect to opening branches, with a view to maintaining the franchise value of existing banks.

As a result of the reforms, the number of banks increased rapidly. In 1991, there were 27 public-sector banks and 26 domestic private banks with 60,000 branches, 24 foreign banks with 140 branches, and 20 foreign banks with a representative office. The country was flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more priority than money. The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.
1.4 CONCEPTUAL FRAMEWORK OF THE STUDY

1.4.1 Definition of Independent Variables

The research study had the following independent variables,

i) Marketing intelligence
ii) Customer relationship strength
iii) Age
iv) Gender
v) Income
vi) Experience
vii) Education

1.4.1.1 Marketing Intelligence

A Marketing Information System has four components: the internal recording system, the marketing research system, the marketing intelligence system and marketing models. Internal reports consists of orders received, inventory records and sales invoices. Marketing research takes the form of purposeful studies either ad hoc or continuous. By contrast, marketing intelligence is less specific in its purposes, is chiefly carried out in an informal manner and by managers themselves rather than by professional marketing researchers (Li, 1997). The system can be formal or informal. A formal information system defines very clearly the work-flow system, communication flow-down and the authority. The information flows in terms of policies, goals, strategies, rules and regulations from the top level management to the bottom level of management. The information also flows from the bottom level management to the top level in terms of feedback, results of work done, etc. In contrast, the informal information systems is employee-based and cater to their development and solve work related problems in a much less organized manner (Gourvennec, 2005).
Wilensky (1967) argues that Intelligence deals with the problem of gathering, processing, interpreting and communicating the technical and political information needed in the decision-making process. Talvinen (1994) adds to our comprehension of marketing intelligence by suggesting that it is the information obtained from external sources that can be used for the proper identification of problems, changes and opportunities in the external marketing environment. Huster (2005) defines marketing intelligence as the ability to fully understand, analyze, and assess the internal and external environment related to a company’s customers, competitors, markets, and industry to enhance the tactical and strategic decision-making process. While Talvinen’s focus was more on external marketing environment Huster stressed on both internal as well as external environment. When the information deals with competition in the market it is generally referred to as competitive intelligence (Gordon 1989). Talvinen (1994) argued that the terms market intelligence, market research and corporate intelligence are, in general, used interchangeably in the literature. However, marketing intelligence can be referred to as a more broad information-gathering function than market research (Wright and Ashill, 1998) – with the latter referring only to the scanning and analysis of the immediate marketing environment and the monitoring of immediate competitive activity.

Information that serves the operational functions of management, analysis and decision-making, are integrated into a management information system (MIS) which is usually segregated in specific systems corresponding to the different departments of the firm like marketing information system, accounting information system, etc. As discussed earlier in the chapter, according to Kotler (2000) the marketing information system comprises of four subsystems:
**Accounting and Sales Reports sub-system** – This sub system comprises of the order to payment cycle and sales information system. The heart of internal record system is the order to payment cycle. The marketing team relies heavily on internal reports on orders, sales, prices, costs, inventory levels receivables, payables etc.

**Model and Decision Support sub-system** – A marketing decision support system is a coordinated collection of data, systems tools and techniques with supporting software and hardware by which an organization gathers and interprets relevant information from business and environment and turns it into a basis for marketing action Kotler (2000). MDSS helps the managers to counter a problem by drawing out an appropriate model located in the MDSS. Examples of models could be Queuing model, Markov-process model, Discrete choice models (Logit and Probit) or New-product-pretest model. The model draws up data which is analyzed using statistical tools such as multiple regression, discriminant analysis, factor analysis, cluster analysis, conjoint analysis, multidimensional scaling etc. based on which marketing action is taken.

**Marketing Research sub-system** – Kotler defines marketing research as the systematic design, collection, analysis and reporting of data and finding relevant to a specific marketing situation facing the company. The market research sub-system captures answers to specific questions in order to mitigate manager’s inconclusiveness relative to some important decisions. This means that the information which comes under this sub-system may be quite objective and controlled (e.g. market research information).

**Marketing Intelligence subsystem** - The marketing intelligence system is a set of procedures and sources used to obtain everyday information about pertinent developments in the
marketing environment. The internal record system supplies result data, but the marketing intelligence supplies happening data. The market intelligence sub-system enables continuous supply of information concerning changes or events which occur in the environment. The information subsumed in this sub-system is more subjective and perceptual (e. g. everyday information). Marketing intelligence involves the managers/salesperson in scanning newspaper trade magazines, business journals and reports, economic forecasts and other media. In addition it involves management in talking to producers, suppliers and customers, as well as to competitors. Nonetheless, it is a largely informal process of observing and conversing. With the growing nature of competition many enterprises has started approaching marketing intelligence gathering in a more deliberate fashion and will train its sales force, after-sales personnel and area managers to take cognizance of competitors' actions, customer complaints, requests and distributor problems. Enterprises with vision will also encourage intermediaries, such as collectors, retailers, traders and other middlemen to be proactive in conveying market intelligence back to them.

The salespeople can indeed collect and transmit a quantum of information of interest to the marketing and sales managers. Mellow (1989) concluded that salespeople are the most frequently used source for obtaining information on the competitors. In fact, Moncrief (1986) demonstrated that in the industrial sector, the salesperson’s activity of collecting and transmitting information from the market has been classified as being the fourth on their tenth most important tasks. However, the question of the sales force contribution to the marketing information system has only been partially addressed in past researches. Many authors have focused more on the salespeople’s abilities to serve the market research sub-system than the market intelligence one (Fouss and Salomon 1980; Grace and Pointon 1980; Lambert and al. 1990; Chonko et al. 1991). This allows one to conclude that salespeople's contribution may
not be very high because the kind of information they transmit may bear subjectivity or biases.

Marketing information systems enable marketing and sales managers to identify, interpret, and react to competitive signals and are key elements leading to efficient marketing strategies and actions. The last two components of Marketing information system i.e. marketing research and marketing intelligence focus more on environment but the difference between the two could be best understood by understanding the following attributes:

(i) the flow of information  
(ii) the type of information provided  
(iii) the use of information.

Marketing intelligence provides a continuous flow of information about very diverse market events that might affect the company's competitive position. Information is mainly descriptive, essentially based on observation and its goal is to enlighten about an ongoing competitive market situation. By contrast, market research activities are devoted to the collection and analysis of data linked to precise research questions. Therefore, information is discontinuous and planned. A piece of market research information corresponds to a defined goal and focused objectives. Whereas marketing research is focused, market intelligence is not. A marketing intelligence system is a set of procedures and data sources used by marketing managers to shift information from the environment that they can use in their decision making. Agnilar, F. (1967) showed that this scanning of the economic and business environment can be undertaken in a variety of ways, including

*Unfocused scanning* - The manager, by virtue of what he/she reads, hears and watches exposes him/herself to information that may prove useful. While the behaviour is unfocused
and the manager has no specific purpose in mind, it is not unintentional.

*Semi-focused scanning* - Again, the manager is not in search of particular pieces of information that he/she is actively searching but does narrow the range of media that is scanned. For instance, the manager may focus more on economic and business publications, broadcasts etc. and pay less attention to political, scientific or technological media.

*Informal search* - This describes the situation where a fairly limited and unstructured attempt is made to obtain information. For example, the marketing manager of a firm is considering entering the business of importing chocolates from a neighbouring country. He/she may make informal inquiries regarding the prices and demand levels of milk and wafer chocolates. There would be little structure to this search with the manager making inquiries with traders he/she happens to encounter as well as with other *ad hoc* contacts in ministries, international aid agencies, with trade associations, importers/exporters etc. This sort of activity could be categorized more as a marketing intelligence activity.

*Formal search* - This is a purposeful search after information in some systematic way. The information will be required to address a specific issue. Whilst this sort of activity may seem to share the characteristics of marketing research it is carried out by the manager him/herself rather than a professional researcher. Moreover, the scope of the search is likely to be narrow in scope and far less intensive than marketing research.

Since the sales personnel spend most of their time in the field interacting with the customer, dealer, distributor or even the competitors sales personnel at times therefore they are a very potent source of marketing intelligence. In fact, the information gathered on the field by the sales force should be deemed as an input to the market intelligence sub-system, because most of the time, they deal with daily events on the market (Evans and Schlacter 1985; Fletcher and Wheeler 1989). This subjective and perceptual information may be important for the
marketing and sales decision makers (Moss 1979; Festervand et al. 1988). However, only a small number of salesperson does actually allocate effort to actively collect and disseminate information (Albaum 1964; Robertson 1974; Thietart and Vivas 1981) and this can compromise the way an organization may react to the evolution of its environment.

In an increasingly competitive environment, providers of financial services require an effective marketing-intelligence system – not only for marketing managers, but also for the other employees of the organization. There are several reasons for other employees needing access to marketing intelligence. First, employees in financial service organizations are involved in the service-production process (Devlin, 1995). They interact actively and incessantly with customers and become part-time marketers. With marketing playing an integrative role in an organization, it has become imperative for everybody to work for the satisfaction of the customer as it is the most vital ingredient for the success of the organization. Consequently the need for marketing information is intensified. Second, bank customers have become more demanding in terms of the level of service they expect from bank employees (Devlin, 1995), and they now attach greater stress on the expertise exhibited by frontline personnel (Lievens et al., 1999). This affects customer retention strongly. Third, market information has now become easily accessible via the internet (Jayawardhena and Foley, 2000), and internet customers themselves can easily find information on competitive alternatives and price comparisons (Birch and Young, 1997).

Due to their daily presence in the field and favored relationships with customers, salespeople can be exposed to rumors about their customers’ or competitors’ projects, learn about new product launches before they take place, discover new products in test market areas, gather information about the discount and pricing policies of competitors, note changes in
customers’ or distributors’ policies and behavior, gather point-of-purchase information on promotional activities and effectiveness, and so forth.

**Figure – 1.1:** Factors influencing Marketing Intelligence activities

![Diagram of factors affecting marketing intelligence](image)


### 1.4.1.2 Customer Relationship Strength

The emphasis in marketing is moving from a transaction focus to a relationship focus (Webster, 1992). A relationship is composed of a series of episodes between dyadic parties over time. The services literature emphasizes the importance of having good long term relationship with customers. Customer relationship strength is defined as the extent to which
the partners are bound in a customer relationship, and reflects the ability of the relationship to resist both internal and external challenges. Relationship strength has been found to be the most appropriate term to describe the extent, degree or magnitude of relationship between a customer and service or sales person. It can be operationalised by the customer’s level of trust and commitment to the service or sales person. The strength of a relationship between a customer and a service or sales person has been associated either directly or indirectly with customer loyalty to the service firm. A review of the current literature has indicated a number of potential determinants of relationship strength. These include:

(i) the amount of perceived benefits/rewards the customer receives from the service employee
(ii) the age of the relationship
(iii) the service contact intensity
(iv) perceived switching costs
(v) trust
(vi) commitment
(vii) the customer’s interpersonal orientation
(viii) the employee’s customer orientation as perceived by the customer

The existing services marketing literature shows lack of agreement as to what characterizes a strong, warm, positive customer relationship with a service worker or firm as compared to a weak, indifferent (absent) or even negative relationship. In describing the magnitude, degree or extent of a relationship between a customer and service personnel or customer and service provider/firm in consumer market contexts, researchers have used the term relationship strength (Jackson, 1994; Liljander and Strandvik, 1995a; Beatty et al., 1996; West, 1997; Gwinner et al., 1998; Patterson, 1998), relationship quality (Crosby et al., 1990; Lagace et al.,
Ellis and Beatty (1995) and Beatty et al. (1996) use the terms strength and closeness synonymously to mean the same thing, whereas Barnes (1997) operationalizes strength and closeness as two separate and different variables. In contrast, researchers of industrial buyer–seller or vendor–distributor (channel) relationships appear to be more consistent and describe and/or measure relationship quality (Dwyer and Oh, 1987; Kumar et al., 1995; Dorsch et al., 1998) with the exception of Nielson (1998) who measures relationship closeness and Koelemeijer et al. (1993) who measure relationship strength.

In their study, Bove and Johnson (2001), pointed out how the various researchers have used these terms defining the customer relationship (see table below) and their measurement variables.

**Table - 1.1: Customer relationships in consumer service markets**

<table>
<thead>
<tr>
<th>Entities</th>
<th>Term and definition</th>
<th>Measurement</th>
<th>Suggested unit of analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer and service worker</td>
<td>Strength - extent, degree or magnitude of relationship</td>
<td>Level of trust and commitment</td>
<td>Customer perspective</td>
</tr>
<tr>
<td>or salesperson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer and service worker</td>
<td>Closeness - extent, degree or magnitude of friendship</td>
<td>Relationship closeness inventory</td>
<td>Customer–service worker/salesperson dyad</td>
</tr>
<tr>
<td>or salesperson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer and service firm</td>
<td>Quality - extent, degree or magnitude of relationship</td>
<td>Level of trust and commitment</td>
<td>Customer– service firm dyad</td>
</tr>
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</tbody>
</table>

**Source:** Adopted from Bove, L. L. and L. W. Johnson (2001), "Customer relationships with service personnel: Do we measure closeness, quality or strength?", *Journal of Business Research, Vol. 54*, pp. 189–197

The measure of relationship strength would be particularly applicable in situations where the service involves a high component of interpersonal delivery, providing the customer with frequent opportunity for continuity of interaction with the same service personnel. Also, services which are variable and high in experience or credence qualities, making quality difficult to predict or evaluate and therefore increasing customer perceived risk, would also be expected to increase the relevance of the measure. This is because high perceptions of risk motivate customers to forge a relationship with a single service provider (Webster and Wind, 1972; Ridley and Avery, 1979; Zeithaml, 1981; Gummesson, 1990; Palmer and Bejou, 1994; Sheth and Parvatiyar, 1995; Halinen, 1996).

**Indicators for measuring relationship strength**

In most studies, when measuring relationship strength, one indicator at a time is used. Since a *behavioral* and a *mental* dimension can be distinguished in a relationship the individual indicator can be behavioral (descriptive) or mental (attitudinal) in its nature.

From the behavioral point of view indicators like length of the relationship, recency, frequency, monetary value and regularity are used most often to get an idea of relationship strength. A higher frequency suggests a stronger relationship, and that, with respect to regularity, smaller variances indicate a stronger relationship, because of the increased
predictability of future behavior. From the mental viewpoint a variable like satisfaction, attractivity, perceived switching costs, trust, involvement or long-term expectations has been used as an indicator for relationship strength.

Figure – 1.2: Customer Relationship Profitability model

Source: Storbacka et al. 1994

Why should marketing researchers accept a new construct--customer relationship strength? Can it help to better explain relationship dynamics beyond what existing constructs can do? These questions have not been answered in previous studies.

1.4.2 Definition of Dependent Variable

1.4.2.1 Sales Effectiveness

It was practically difficult to gather the exact sales data from the organizations as the authorities displayed reservations in revealing the sale figures of individual sales people, therefore a very closely related concept known as sales effectiveness was considered for the present study. Sales effectiveness refers to the overall sales volume from a customer relationship, including up-sales, where the customer makes greater use of the same product or services, and cross-sales, where the customer buys other products or services from the same salesperson or introduces other customers to the salesperson’s product or service (Crosby et
al., 1990). The services and sales literature suggests that both up sales and cross sales are desirable goals (Donnelly, Berry and Thompson, 1985; Rosenberg and Czepiel, 1984).

This study was designed to address the above problems. The research question is whether customer relationship strength has significant impact on sales effectiveness. The study also focuses on the investigation of the impact of effort towards marketing intelligence activities on sales in the insurance and banking industry.

![Research Model]

Figure – 1.3: Research model