

## **The Application of Relationship Marketing in Insurance Businesses in Developing Countries. Evidence from Albania and Kosovo. Barriers and Challenges**

Dr. (C) Bledi BEZO<sup>1</sup>, Dr. Bajram R. Hasani<sup>2</sup>, Dr. Ledia Sula<sup>3</sup>, Prof. Dr. Liljana Elmazi (Billa)<sup>4</sup>

<sup>1</sup>University College of Business, Tirana, Albania

[bbezo@kub.edu.al](mailto:bbezo@kub.edu.al)

<sup>2</sup>CEO and Owner of FRON PARK Company, ex Minister of Trade and Tourism, Republic of Kosovo

[bajram.hasani1982@gmail.com](mailto:bajram.hasani1982@gmail.com)

<sup>3</sup>Head of Management Department, University College of Business, Tirana, Albania

[lsula@kub.edu.al](mailto:lsula@kub.edu.al)

<sup>4</sup>University of Tirana, Albania Faculty of Economics, Marketing - Tourism Department, Tirana, Albania

[lilielmazi@yahoo.com](mailto:lilielmazi@yahoo.com)

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**Abstract-**In recent times, managers have increasingly recognized the strategic importance of retaining existing customers as a vital determinant of organizational competitiveness and long-term sustainability. The benefits of cultivating a loyal customer base such as reduced churn, increased profitability, and stronger brand advocacy - are well established in marketing literature. Customer loyalty is largely built upon the quality and continuity of the relationship between the customer and the organization.

The deeper and more sustained this relationship is the greater the mutual value it generates.

This study aims to emphasize the importance of relationship marketing management in the context of the insurance sector in Albania and Kosovo, with a specific focus on how Customer Relationship Management (CRM) practices influence customer satisfaction and behavioral loyalty. Using a quantitative research design, data were collected through structured questionnaires administered to customers and employees from selected insurance companies in both countries. A purposive sampling method was employed to ensure the inclusion of respondents with direct experience in insurance services, while a sample of over 400 respondents (300 customers and 100 employees) was analyzed using SPSS version 25.

The study employed the Friedman test to evaluate the significance of differences in customer awareness across various CRM practices, and a Neural Network Model to predict customer satisfaction based on demographic and behavioral factors. The Friedman test results revealed that CRM attributes are not

perceived equally; the most influential factor in customer awareness was identified as “CRM enhances customer loyalty.”

These findings suggest that successful CRM implementation in the insurance sector depends not only on technological tools but also on human interaction, service accessibility, and a personalized approach to client engagement. Therefore, insurance companies in Albania and Kosovo are recommended to invest in customer-centric CRM strategies, staff training, and targeted communication campaigns that enhance awareness and trust among customers.

*Keywords: Relationship Marketing Management, Customer Relationship, Insurance Services, Albania, Kosovo, Customer Loyalty, CRM, Friedman Test, Neural Network.*

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## I. INTRODUCTION

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

A briefer definition of insurance as a phenomenon is “the practice of sharing among many persons, risks to life or property that would otherwise be suffered by only a few. This is affected by each person paying a sum of money called a *premium* which, with those paid by all the others, is put into a ‘pool’ or *insurance fund*, out of which money is paid to the few who suffer loss” (Longman Dictionary of Business English, 1989).

Considering insurance services, both in terms of commercial and private insurance, the personal interaction between the parties is limited, and in some relationships, there may not even have been a single opportunity to meet personally with the insurance agent. This requires well-educated and highly trained agents in order to maintain profitable relationships. Consequently, there is a difference between relationships in banking and insurance, although stressing the importance of the relationship manager in both cases, considering the fact that insurance services are more complex and difficult for the customer to fully comprehend.

### **Relationship marketing**

The term “relationship marketing” has become popular during the 1990s. The traditional concept of marketing is often described as referring to operations where the market is manipulated through a marketing program involving the 4Ps of the marketing mix model: product, price, place, and promotion. In the late 1970s a new concept evolved in northern Europe, elaborated simultaneously by researchers working in the field of industrial marketing who developed the industrial network theory (e.g. Håkan Håkansson and Jan Johanson) and in services marketing (the Nordic school of services, e.g. Christian Grönroos and Evert Gummesson). The new approach stressed the relationship between the seller and the customer, and ever since the publication of an article by Professor Leonard L. Berry in 1983 (Berry, 1983), the most widely used term for this perspective has been *relationship marketing*. The new perspective was created as a counter reaction to the view of transaction marketing in mass markets, symbolized by the 4Ps. Establishing, strengthening, and developing of relationships with customers was in focus, in particular primarily long-term and enduring relationships. The shift to relationship marketing (Payne et al., 1995, p. viii):

### **Relationship marketing strategies**

#### *1. Customer Acquisition through Trust and Communication*

Insurance companies use relationship marketing strategies to build initial trust with potential clients. Personalized communication, transparent policy information, and advisory-based sales approaches help

build credibility and reduce customer skepticism. Digital platforms, such as chatbots and mobile apps, are also utilized for interactive and real-time engagement.

### *2. Customer Retention and Loyalty Programs*

Retaining existing policyholders is more cost-effective than acquiring new ones. Companies implement loyalty programs, anniversary recognitions, and periodic policy reviews to strengthen customer bonds. Relationship managers maintain regular contact, not just during renewals, but also in times of claim settlements—turning moments of risk into opportunities for loyalty reinforcement.

### *3. Personalization and Lifecycle Marketing*

Insurers apply RMM by segmenting customers based on life stages (young professionals, families, retirees) and offering tailored insurance packages. For example, a customer with a newborn may receive personalized offers for life or health insurance. This personalization creates a perception of care and increases the likelihood of long-term relationships.

### *4. Multichannel Relationship Management*

Modern insurance businesses integrate relationship management across multiple channels, including physical offices, call centers, websites, and social media. CRM (Customer Relationship Management) systems help track customer interactions, preferences, and feedback—ensuring a consistent and informed relationship experience.

### *5. Feedback and Continuous Improvement*

Insurance companies utilize customer feedback through surveys, NPS (Net Promoter Score), and online reviews. This information feeds into relationship-based improvements in products and services. Proactively addressing complaints and recognizing feedback helps maintain goodwill and emotional loyalty.

### *6. Claims Handling as a Relationship Opportunity*

The claim process is one of the most critical touchpoints. Companies applying RMM ensure empathetic, transparent, and timely claims handling, recognizing it as a trust-building moment. Quick resolutions and follow-up communication reinforce reliability.

## ***Application of Relationship Marketing Management in the Insurance Business***

Relationship Marketing Management (RMM) is essential in the insurance industry due to the nature of its services—intangible, long-term, and based on trust. Its application spans across various business functions, contributing to customer acquisition, retention, and long-term profitability.

### **1. Customer Acquisition through Trust and Communication**

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## ***The Impact of ICT on Relationship Marketing Management in Insurance Companies***

### 1. Enhanced Customer Relationship Management (CRM)

ICT has enabled insurance companies to collect, store, and analyze customer data through advanced CRM systems, allowing firms to:

- Track customer interactions across channels.
- Understand client preferences and needs.
- Offer personalized communication and policy recommendations.

### 2. Improved Communication and Engagement

Technologies such as email, SMS, mobile apps, chatbots, and social media allow for:

- Real-time communication with policyholders.
- Instant notifications about policy updates, premium reminders, and claim status.
- Two-way engagement that strengthens trust and transparency.

### 3. Efficient Service Delivery

ICT reduces response times and facilitates self-service, which leads to:

- Faster claims processing and policy issuance.

- 24/7 access to services via portals and mobile applications.
- Improved customer satisfaction through convenience.

#### 4. Customer Retention and Loyalty

Digital tools help insurers implement automated loyalty programs, collect feedback through online surveys, and monitor customer satisfaction metrics such as Net Promoter Score (NPS). These systems help:

- Retain existing customers by tracking and responding to their needs.
- Predict behavior using data analytics and AI to proactively resolve issues.

#### 5. Cost Efficiency and Scalability

ICT reduces the need for manual processes and paperwork, thus:

- Lowering operational costs.
- Enabling scalability in outreach efforts without proportional cost increases.

#### 6. Data-Driven Decision Making

ICT allows for advanced analytics and reporting, helping insurers:

- Measure the effectiveness of relationship marketing campaigns.
- Identify at-risk customers and opportunities for upselling or cross-selling.

We can conclude that ICT has revolutionized relationship marketing in the insurance industry by making it more personalized, data-driven, efficient, and scalable. However, the full impact depends on infrastructure, digital literacy, and regulatory readiness, especially in developing markets.

### ***STATEMENT OF THE PROBLEM***

Insurance companies today must focus on delivering the highest value to customers through better communication, faster delivery, and personalized products and services. Since a large percentage of customer interaction will occur on the internet rather than with employees (Bultema, 2004). One of the reasons for CRM project failure in the private sector is the lack of focus at what needs to be achieved from CRM, at a macro, programmed level, and at a more micro functional or activity level (Insurance & Technology, 2003).

### ***OBJECTIVES OF THE STUDY***

Following are the research objectives of the study.

- ✓ To assess customers perception on the practices of customer relationship management in Insurance companies in Albania and Kosovo.
- ✓ To study the functioning of the CRM in insurance sector in Albania and Kosovo.
- ✓ To identify practical difficulties involved in implementing the CRM in insurance sector in
- ✓ To study the customer behavior over CRM in insurance companies in Albania and Kosovo.
- ✓ To give suitable suggestions for effective functioning of the CRM in public and private Insurance companies in Albania and Kosovo.

### ***RESEARCH METHODOLOGY***

This is an empirical survey, based on primary data. For this study, Albania and Kosovo are selected as the geographical area. The purpose of this part is to explain the methods used in this study. Items include the research design, dimension of the study, hypothesis of the study, population and sample, instrumentation, reliability and validity of the instrumentation, data-gathering procedures, and the methods of statistical analysis.

### ***SOURCES OF DATA USED***

Both types of data i.e., secondary and primary data have been used in the present study. The secondary data was collected at first from the text books, web sites, journals and other secondary sources. Since the present study is based on primary data, two different Questionnaires were prepared to collect the data from the customers and employees of the insurance companies considered for the study.

### ***POPULATION AND SAMPLING PROCEDURE***

Population of the study consists of two groups such as customers of the insurance companies who are policy holders (including the borrowers) and employees of the insurance companies. Albania and Kosovo are the geographical area of the present study. As the population is infinite one, the method of selecting the sample customers is a difficult process. However, the present research takes sample customers from the selected two districts of Albania and Kosovo namely Tirana and Pristina districts. The sample respondents for the study were the customers of the selected 16 insurance companies as policy holders of different insurance products in the selected districts of Tirana and Pristina and the employees of the 16 insurance companies in the selected districts. The first group consists of the sample distribution of the customers including all types of policy holders.

The researcher aimed for 400 sample respondents but the response rate on the questionnaire was only 75 per cent. Hence the included response of the customers for the present study came to a sample size of 300.

The second group of respondents are the employees who are the internal customers presently employed while undergoing the research. The sample consists of the employees of the selected 16 insurance companies in the two districts of Tirana and Pristina considered for the study. From this group, 100 employees, 50 respondents from each selected districts of Tirana and Pristina have been selected at random within the 16 Insurance companies selected for this research study. In the process of study, the objectives are pre-determined. The methodology has been designed to fulfill the objectives for the study.

### ***ANALYSIS AND INTERPRETATION OF DATA***

Data analysis is the most important part. It acts like a filter acquiring meaningful insights out of huge data. One of the most important uses of data analysis is that it helps in keeping human bias away from research conclusions with the help of proper statistical analysis. The present chapter attempts to execute analysis and interpretation of all major dimensions considered for the study such as Socio demographic profile of the Customers, Information about the insurance products preferred by the customers, Customer awareness and Customer Behavior.

### ***ANALYSIS FOR AWARENESS ABOUT CRM ACTIVITIES (PRACTICES) OF THE INSURANCE SECTOR***

The customer awareness towards the CRM practices followed in the insurance companies for insurance services is taken as an important dimension for analysis. About thirteen factors are included for measuring the customer awareness. They are CRM policy of the Insurance companies, Customer Data Base of the Insurance companies, Importance of the CRM in Insurance companies, Customer awareness about insurance products. E-CRM practice in Insurance companies, Benefits of CRM, CRM environment, CRM Promotes customer's awareness, CRM attract new customers, CRM promotes service quality of the insurance companies, CRM enhances customer's loyalty, CRM boosts customer's confidence and overall

awareness, respectively.

### ***ANALYSIS OF OVERALL SATISFACTION AND AWARENESS OF THE CUSTOMER WITH CUSTOMER BEHAVIOR IN CRM IN THE INSURANCE SECTOR BY USING THE NEURAL NETWORK (NN) METHOD***

**Null Hypothesis:** There is no significant difference between mean ranks towards the awareness about CRM activities (practices) of the insurance sector.

**Alternative Hypothesis:** There is a significant difference between mean ranks towards the awareness about CRM activities (practices) of the insurance sector.

#### **Hypothesis Testing – Awareness about CRM Practices in the Insurance Sector (Friedman Test)**

In order to examine whether there is a statistically significant difference in how customers perceive various CRM practices implemented in the insurance sector, the Friedman test was applied. This non-parametric test is particularly suitable for identifying differences in ordinal data across multiple related groups—in this case, the different components of CRM awareness among customers.

#### ***FRIEDMAN TEST FOR SIGNIFICANT DIFFERENCE BETWEEN MEAN RANKS OF AWARENESS ABOUT CRM ACTIVITIES (PRACTICES) OF THE INSURANCE SECTOR***

##### **Formulated Hypotheses:**

- Null Hypothesis ( $H_0$ ): There is no significant difference between the mean ranks of the variables under awareness about CRM activities (practices) of the insurance sector.
- Alternative Hypothesis ( $H_1$ ): There is a significant difference between the mean ranks of the variables under awareness about CRM activities (practices) of the insurance sector.

##### **Friedman Test Results:**

The analysis, as presented in Table 1, produced a Chi-Square value of 1169.917, with 12 degrees of freedom, and a significance level (Asymp. Sig.) of 0.000. Given that the p-value is less than the commonly accepted threshold of 0.05, the null hypothesis is rejected at the 1% level of significance.

This result provides robust statistical evidence that not all CRM awareness variables are perceived equally by customers. In fact, significant variation exists in the degree to which different CRM practices are recognized and valued.

Among the twelve examined attributes, “CRM enhances customer loyalty” received the highest mean rank (11.00), indicating that it is considered by customers as the most influential and noticeable CRM practice within the insurance sector. Other high-ranking items included “Benefits of CRM” and “Customer awareness about insurance products”, further underscoring the relevance of customer engagement and value communication.

##### **Interpretation and Implications**

The rejection of the null hypothesis affirms that insurance customers are not uniformly aware of or influenced by all CRM practices. Instead, they prioritize specific aspects—particularly those directly associated with emotional and relational outcomes, such as loyalty and confidence. This suggests that CRM

initiatives should be strategically designed to amplify high-impact areas that resonate with customers' values and perceptions.

Table 1. Friedman test for significant difference between mean ranks towards the awareness about CRM activities (practices) of the insurance sector

Awareness about CRM activities (practices) of the insurance sector	Mean Rank	Chi-Square value	Degrees of freedom	Asymp. Significant
CRM policy of the Insurance companies	6.92	1169.917	12	0.000
Customer Data Base of the Insurance companies	6.70			
Importance of the CRM in Insurance companies	7.11			
Customer awareness about insurance products	7.32			
E-CRM practice in Insurance companies	7.21			
Benefits of CRM	7.63			
CRM environment	6.60			
CRM Promotes customers awareness	6.41			
CRM attract new customers	6.84			
CRM promotes service quality of the insurance companies	4.70			
CRM enhances customers loyalty	11.00			
CRM boosts customer's confidence	5.72			

Source: Output generated from SPSS

From the above table, it is found out that all the variables related to the awareness about CRM activities (practices) of the insurance sector had significance value less than 0.05 at 1 Per cent significance, thus the null hypothesis is rejected. Thus, it is concluded that there is significant difference between mean ranks towards the awareness about CRM activities (practices) of the insurance sector. Out of the twelve awareness about CRM activities (practices) of the insurance sector variables, the "CRM enhances customers loyalty" has the highest rank (11.00). So that the awareness about CRM activities (practices) of the insurance sector is influenced by CRM enhances customers loyalty.

The result determines the fact that almost all the attributes under awareness of the customers towards CRM practices in insurance sector are important and the most influencing factor is identified as „CRM enhances customers loyalty“ of the respondents. This may be due to the fact that the customers must have felt that the importance of CRM improves their loyalty towards the company or the insurances services. Hence among all other attributes under awareness of the customers towards CRM practices in insurance sector, the above said factor alone is the most influencing variable.

The neural network architecture presented in Table 2 illustrates the complex modeling of customer behavior factors and their impact on overall satisfaction with CRM practices in the insurance sector. With 9 input covariates, including variables such as technology usage, responsiveness, and service quality, the model uses a single hidden layer with 9 units and applies the hyperbolic tangent as the activation function. The dependent variable, overall customer satisfaction, is modeled using an identity function in the output layer. The network aims to capture non-linear patterns and interdependencies between socio-demographic variables and behavioral responses. This suggests that customer satisfaction is not driven by isolated factors but rather by the synergistic effects of several interconnected variables. The application of neural networks provides a robust analytical approach to identify key drivers of satisfaction and personalize CRM strategies.



Table 2. Neural Network Model for overall satisfaction of the customer with customer behavior in CRM in the insurance sector

Input Layer	Factors	1	Gender
		2	Age
		3	Marital Status
		4	Educational Qualification
		5	Occupation
		6	Annual Income
		7	Type of Family
		8	Family Size
		9	Area of Residence
	Covariates	1	Technology in insurance companies
		2	Responsiveness
		3	Promptness in services
		4	Low service charges or commissions
5		Service Quality	
6		Employee behavior	
7		Proximity	
	Number of Units <sup>a</sup>	39	
	Rescaling Method for Covariates	Standardized	
Hidden Layer(s)		Number of Hidden Layers	1
		Number of Units in Hidden Layer 1 <sup>a</sup>	9
		Activation Function	Hyperbolic tangent
Output Layer	Dependent Variables	1	OVERALL SATISFACTION
	Number of Units		1
	Rescaling Method for Scale Dependents		Standardized
	Activation Function		Identity
Error Function		Sum of Squares	
a. Excluding the bias unit			

Source: Output generated form SPSS.

The factors of customer behavior on CRM in insurance sector model parameters are modeled by using the Neural Network Method. The parameters are optimized so as to determine the set of parameters, which will influence the increase in the Overall satisfaction of the customer towards, Neural Networks Architecture and network information.

Table 3 provides a breakdown of the relative importance of independent variables influencing overall customer satisfaction. Among all variables, 'Proximity' stands out with the highest normalized importance (100%), emphasizing the critical role of accessibility and closeness in insurance services. This is followed by 'Employee behavior' (94.0%) and 'Promptness in services' (88.5%), indicating that customer interactions and timely service delivery are key determinants of satisfaction. Interestingly, socio-demographic factors like 'Age' (78.3%) and 'Responsiveness' (76.0%) also exhibit notable influence, though to a lesser extent. Conversely, variables such as 'Annual Income' and 'Area of Residence' show minimal contribution. These results highlight the importance of service-level and interpersonal touchpoints over demographic factors in shaping positive customer perceptions and reinforce the value of human-centric CRM practices in the insurance industry.

Table 3. Independent Variable importance for Neural Network Model for the overall satisfaction of the customer with customer behavior in CRM in the insurance sector

Independent Variable Importance	Importance	Normalized Importance
Gender	.064	66.2%
Age	.075	78.3%
Marital Status	.048	46.5%
Educational Qualification	.051	54.1%
Occupation	.060	60.0%
Annual Income	.026	28.1%
Type of Family	.040	39.2%
Family Size	.052	56.1%
Area of Residence	.021	25.3%
Technology in insurance companies	.060	62.0%
Responsiveness	.074	76.0%
Promptness in services	.090	88.5%
Low service charges or commissions	.050	50.6%
Service Quality	.050	50.0%
Employee behavior	.091	94.0%
Proximity	.101	100.0%

Source: Output generated from SPSS

## II. FINDINGS AND DISCUSSION

### Findings:

The analysis reveals that all customer awareness variables regarding CRM practices in the insurance sector are influential. Among them, 'CRM enhances customer loyalty' emerged as the most significant factor, suggesting that customers associate CRM efforts with increased commitment toward their insurance provider. This highlights the perceived value of loyalty-building mechanisms like personalized services and efficient communication.

In the dimension of customer behavior, 'Proximity' was identified as the highest contributing factor to overall customer satisfaction. This indicates that ease of access, service availability, and closeness of contact significantly shape customer perceptions, making proximity a pivotal element in CRM success. Other factors such as responsiveness, employee behavior, and service promptness also showed considerable influence.

### Discussion:

The results emphasize the multidimensional nature of customer relationship management within the insurance sector. The strong importance of 'Proximity' reinforces the need for localized, accessible service delivery strategies. Likewise, the dominance of loyalty as a driver of awareness underscores the long-term orientation of customer satisfaction. Neural network modeling confirmed that service-related behavioral attributes play a more critical role than demographic traits. Insurance companies, therefore, should prioritize investments in frontline service delivery, staff training, and digital tools that improve accessibility and personalization. Furthermore, the psychological determinants—such as perception and awareness—should guide marketing efforts and CRM planning.

### III. CONCLUSIONS AND RECOMMENDATIONS

This study confirms that well-designed CRM practices significantly affect customer satisfaction and loyalty in the insurance industry. Through the analysis of customer perceptions and behavioral patterns, it is evident that proximity, employee behavior, and loyalty-building strategies are central to CRM success. Insurance firms that deliver secure, efficient, and personalized services are more likely to develop lasting customer relationships. As competition intensifies, customer retention through effective CRM becomes an indispensable strategic goal.

#### **Theory Conclusions**

- Relationship marketing is crucial for building trust in low-trust environments. In developing countries, public confidence in financial institutions is relatively low. RMM helps establish long-term trust through consistent communication and transparency.
- Customer loyalty is driven more by personal interaction than by automation. While digital tools are growing, many customers still value in-person service, making relationship managers and agents key players in retention strategies.
- Limited customer education and awareness about insurance hinders the full effectiveness of RMM. Many clients in developing countries have a low understanding of insurance products, which reduces the impact of relationship-building efforts.
- Insurers often lack integrated CRM systems. The absence of such tools limits the ability to manage and leverage customer data for effective relationship marketing.
- Positive claims experiences have a significant impact on long-term customer loyalty. Efficient and empathetic claims handling boosts customer satisfaction and promotes word-of-mouth promotion.

#### **Recommendations**

##### ***For Insurance Companies***

- Insurance companies should implement CRM systems that not only manage data but also derive insights into customer behavior and needs.
- Service personnel should undergo continuous training in customer engagement, complaint handling, and proactive communication.
- Marketing strategies should focus on customer awareness campaigns, especially targeting under-served and remote populations.
- Enhancing digital accessibility and maintaining personal interaction in service channels should be balanced to build trust and satisfaction.
- Feedback loops should be integrated into CRM systems to continuously adapt services based on customer experiences.
- Invest in agent training to strengthen communication and interpersonal relationship skills.
- Adopt customer relationship management (CRM) tools, even simple ones, to track and personalize interactions.
- Tailor communication strategies using both digital platforms and traditional outreach methods based on customer preferences.

##### ***For Policymakers***

- Support financial literacy programs to improve customer understanding of insurance benefits and services.
- Create regulatory frameworks that incentivize customer-centric practices and promote transparency in service delivery.

### ***For Researchers and Development Agencies***

- Encourage localized studies to better understand customer behavior and preferences in different regions.
- Promote innovations in micro-insurance and explore how relationship marketing can support their adoption at scale.

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