Complex, highly intangible services such as life insurance consist largely of credence properties. Insurance providers engage in relationship-building activities that emphasize buyer-seller interaction and communication. Economists contend consumers are prone to make quality generalizations based on the strength of these relationships, perhaps to the detriment of price competition. The authors report contrary results suggesting that, though relationship marketing adds value to the service package, it is not a substitute for having a strong, up-to-date core service.

**Effects of Relationship Marketing on Satisfaction, Retention, and Prices in the Life Insurance Industry**

Relationship marketing is recommended as a strategy to overcome service intangibility (Berry 1983) and may be appropriate for “credence” services, that is, services that are difficult for customers to evaluate even after purchase and use (Zeithaml 1981). Many professional and financial counseling services are in this category. The buyer may have a relationship with a firm itself and/or a specific contact person, but personal relationships are believed to result in greater commitment (Liechty and Churchill 1979).

Some economists say relationship marketing creates inefficiencies because buyers may indeed feel satisfied, but for the wrong reasons. Buyers become enamored with the interactive aspects of the service (Grönroos 1986; Lehtinen 1985) and fail to analyze price “rationally” in relation to an objective standard of core service (technical) quality. When relationship marketing is the predominant strategy in an industry, economists contend that price competition is reduced.

We compare two views of relationship marketing. One view, relationship generalization, is consistent with economists’ assertion that the relationship is a quality surrogate and that buyers generalize positive feelings about the provider to core aspects of the service. The other, rational evaluation, is that relationship marketing adds value to the service by providing certain demanded “peripherals,” but buyers mainly care about core service quality and consider evidence from a variety of sources (including competitors) in their evaluations. Customers are prone to test their relationships occasionally and require evidence of product benefits to justify long-term commitments (to a person or company). Two competing models are tested for their ability to explain buyer satisfaction with whole life insurance.

**THE PROBLEM WITH WHOLE LIFE INSURANCE**

According to the FTC staff, whole life insurance is a high credence service (Lynch and Mackay 1985), very abstract, complex, and focused on future benefits that are difficult to prove (financial protection, etc.). The distribution of whole life insurance seems to suggest relationship marketing. It usually is sold by an agent who is the primary contact person and on whose advice buyers rely in finding a suitable policy. When making the initial purchase, customers seldom consult more than one agent or compare costs (Johnston-O’Connor, O’Connor, Zultowski 1984). After the sale, agents provide followup service, helping customers make policy changes in response to changing needs.

Most policyholders are satisfied with their whole life coverage (Crosby 1984), but critics claim they are naively
content (Lynch and Mackay 1985). A recent FTC Staff Report on life insurance purports to show that whole life has an implied rate of return below market interest rates (Lynch and Mackay 1985). Evidence is given indicating great variability in implicit rates of return across different firms' policies. Together, these results suggest to economists limited price competition due to a deficiency in consumer information.

The FTC report and Cooper (1987) present similar arguments against relationship marketing in life insurance. They claim price competition is ineffective because consumers do not understand the service and comparative information is costly and difficult to obtain. Instead of competing on price, firms offer high commissions to get the best salespeople, who then establish a close relationship with consumers. The relationship prevents lower cost competitors from gaining access to the customer. Unable to evaluate either the core offering or the quality of counseling being given, the uninformed buyer is coaxed into a relationship that often results in an inferior choice.

Defenders argue that relationship marketing is necessary because life insurance is, by definition, long term. Agents earn commissions by analyzing customers' needs and providing service over the policy's life. Buyers want someone to assess their needs periodically, provide service, and represent beneficiaries in claims. Without incentives, agents could not economically provide what buyers want. Defenders also claim buyers frequently are exposed to negative product information. They express doubt that relationship marketing alone is an effective shield against competition (as evidenced by recent increasing rates of whole life policy lapsation and replacement).

MODELS

We examined two competing models, each a variant of the Figure 1 causal model, to help resolve the relationship marketing controversy. (These models depict stimulus influences on satisfaction decisions, but do not show how satisfaction decisions are made. Presumably, the stimulus information is processed via a comparison with expectations.) In both models, overall satisfaction is a function of satisfaction with the contact person(s), core service, and institution (Grönroos 1986; Lehtinen 1985). The services literature distinguishes between the quality produced as the customer interacts with the contact resources of the organization, what the customer actually gets as the result of the interaction (core elements), and the image of the company. The three satisfaction components are believed to have a higher order relationship with Parasuraman et al.'s (1985) 10 dimensions of service satisfaction (Grönroos 1986). In the context of industrial relationships, Jackson (1985) refers to the foci (objects) of the customer's commitment as including the individual salesperson, attributes of the product, and the vendor organization.

Both models contain the same interaction/communications variables as predictors of satisfaction. These variables are conceived as representing the major "information flows" providing policyholders with evidence of service quality. Provider-initiated flows are channeled through the sales/service force (Y2, personal contact), mass media (Y6, advertising), and direct media (Y5, direct communications). These communications can serve to enhance (i.e., reinforce) aspects of the relationship. Customer-initiated flows in the form of requests may be channeled through the sales/service force (Y1, personal customer service) or delivered directly to the company (Y7, corporate customer service). As customers expect requests to be handled efficiently and effectively, failures can be very damaging to a relationship. Comparative information is channeled to the customer mainly through mass media (Y3) or personal sources (Y4) and, in the case of insurance, usually is initiated by outside parties.

The interaction/communications variables pertain to the salience of these information flows, a combined function of their frequency (volume) and customer perceived importance. Work in industrial marketing suggests relationship strength varies directly with the extent of buyer-seller interaction and communication (Håkansson 1982). More frequent contact can signify enhanced service. Service failures add to the "cost" of the relationship and, along with negative outside information, increase uncertainty and doubt.

Differences between the models are related to the existence and direction of certain key paths. The relationship generalization model (RGM) agrees with the economist/critics' portrayal of the causal influences on satisfaction with life insurance. The rational evaluation model (REM) agrees more with the insurance marketers' view and is close to the economists' normative model.

In the REM, the buyer makes a rational evaluation of the core service (policy) using information from the contact person (agent), mass media, outside personal sources, and directly from the institution (insurance firm). The information pertains to specific core service benefits and a positive evaluation of the product reflects favorably on the contact person and the institution. However, in a dynamic market, buyers are exposed to comparative information about alternatives via mass media and outside personal sources. If, as a result, the buyer develops doubts about the core benefits of the current service, the relationship with the contact person and company may dissolve.

The REM posits that other interactions, pertaining more to peripheral or process aspects of the service, directly affect satisfaction with the contact person and the institution. For example, the handling of customer service requests by the contact person or by the firm affects the buyer's ease of using the service and the seller's perceived responsiveness. Likewise, personal contact in the REM adds value to the service by providing additional "performances" that increase the utility of the service. Examples include needs assessment, buyer education, problem-solving assistance, and help on administrative
matters. If effective, these interactions should enhance satisfaction with the contact person (directly) and overall satisfaction (indirectly).

Similarly, the REM acknowledges a firm's advertising and direct communication efforts and the value they might add to the service. By providing information customers value, these communications should enhance satisfaction with the institution (directly) and overall satisfaction (indirectly). For instance, giving valid information reduces the customer's search and evaluation costs (e.g., a firm's reporting of its financial performance or expanded customer services).

H1: The rational evaluation model (REM) is a tenable description of the stimuli affecting the components of customer satisfaction with whole life insurance.

The relationship generalization model (RGM) has superficial similarities with the REM in terms of the stimuli hypothesized to influence personal and institutional relationships. However, the assumptions about the nature of the stimulus effects are fundamentally different. Whereas the REM assumes sellers offer a high value-added service package to attract and keep buyers, the RGM assumes sellers use relationship marketing strictly as an image management tool. Whereas the REM assumes customers evaluate the quality of agent and company relationships (in part) on the basis of fairly immediate, discernible benefits that their policies produce, the RGM assumes the opposite.

In the RGM, personal contact is more social exchange than service exchange (Hakansson 1982). From the beginning, the seller tries to increase his or her attractive-
ness by demonstrating personableness and (superficially) concern. After-sale communication is used to reinforce images of likability and closeness (e.g., inevitable birthday cards or calendars). Followup calls seldom have any real purpose other than to make additional sales. In short, RGM assumes little of substance occurs in interactions between buyer and contact person in terms of either valid information disclosure, education, or counseling service.

Likewise, the RGM assumes company communications are intended to foster an attractive institutional image (via advertising) and to convey the impression of close customer relationships (via direct communications). In general, advertising media weight increases brand prominence, which connotes popularity, and perceived popularity leads to a more positive evaluation (Sutherland and Galloway 1981). In a complementary role, modern direct communications can make messages appear highly personalized. Such individual attention may foster a sense of “belonging” on the part of buyers, increasing their satisfaction with the institution. The point of the RGM is that advertising and direct communications deflect buyer attention from the rational evaluation of core service quality.

Generalizing positive evaluation of the contact person and/or institution to the core service is possible if the core service has few meaningful features (e.g., because of complexity) and has a mechanism of association (e.g., company name/logo). The strong form of the RGM is that buyer satisfaction with the core service is determined entirely by satisfaction with the contact person and the institution. A weak form is that various informational influences (i.e., contact person, mass media, direct communications, outside personal sources) have a minimal direct effect on core service satisfaction.

$H_2$: The relationship generalization model (RGM) is a tenable description of the stimuli affecting customer satisfaction with whole life insurance.

Relationship marketing’s effects on consumer prices are the primary issue in the life insurance controversy. For the REM, higher prices are explained in terms of the costs companies incur. More frequent direct communication, more advertising, and an internal customer service system that is highly responsive drive up costs. Also, to stimulate customer contact and followup behavior by agents, higher commissions may have to be paid. Practitioners, viewing relationship marketing as service enhancement, probably believe it is legitimate to charge customers for providing “extra” valued services (e.g., problem-solving assistance). The RGM offers a different rationale: life insurance marketers use a relationship approach to avoid price competition. By insulating customers in a relationship, they are under little pressure to keep prices low.

$H_3$: Whole life policyholders who receive a higher level of relationship marketing “service” tend to pay more for the same level of technical quality.

If the RGM were tenable, the REM untenable, and the association between the level of relationship marketing and the price paid for insurance (with technical quality held constant) positive, consumerists and economists would have cause for concern. If the REM were tenable, the RGM untenable, and overall satisfaction a negative function of price (with the level of technical quality and the level of relationship marketing held constant), the insurance marketers’ position would be supported. Such findings would suggest buyers have the data they need to evaluate price in relation to the value of the entire service package, including core and peripheral services.

$H_4$: With the levels of technical quality and relationship “service” held constant, overall policyholder satisfaction is related negatively to price.

**METHOD**

**Wave 1 Survey**

In 1982, 20,000 households were screened for ownership of whole life insurance. Household heads aged 25 through 44 (the focus of industry marketing efforts) were chosen from a nationally representative consumer panel and sent a double postcard. Of the 11,876 who returned cards (59% response rate), 46% owned one or more whole life policies, providing a basis of 5398 qualified owners.

After a pretest, a questionnaire was sent to a 90% sub-sample of the 5398 qualified owners (total mailout = 4861). The 10% holdout sample helped gauge whether this first measurement sensitized the followup or affected respondents’ marketplace behavior. The 2311 returned and usable questionnaires represented a 48% response rate. The final sample was slightly better educated and more “upscale” than the population. However, differences were minor and not believed to affect the relationships investigated. Items of measurement in wave 1 pertained to attitudes toward keeping the policy, satisfaction, insurance experiences, policy characteristics, and demographic characteristics.

**Wave 2 Followup**

Thirteen months later, telephone interviews were completed with 1648 respondents who had participated in wave 1 or were members of the holdout group (81% completion rate after deduction of a 28% panel member “purge” by the field supplier). The 13-month remeasurement interval is the length of time during which a premium must be paid to maintain the policy. A key measure in the telephone interview was whether the annual premium had been paid. Eighty-four percent of the respondents had made a premium payment in the 13 months between waves 1 and 2 and 16% had not. A subsequent mail survey of telephone respondents yielded 983 completions (59%). A comparison of main-sample and holdout-sample responses revealed no bias due to the wave 1 premeasurement. The items in wave 2 addressed respondents’ satisfaction and experiences with their whole life coverage.
Dependent Variables

In both waves, satisfaction was measured first overall, then for the three dimensions in the model (i.e., contact person, core service, and institution). Each of the four satisfaction variables was measured by three 7-point semantic differential scales: satisfied-dissatisfied, pleased-displeased, favorable- unfavorable. Factor analysis confirmed that items pertaining to satisfaction with the agent, policy, and company loaded on separate dimensions. The resulting indices, formed by averaging responses to the three items, had high reliability in both waves (all alphas > .96). In a regression, satisfaction indices accounted for 31% of the variance in attitude toward persistency (standard Fishbein scaling), giving evidence of convergent validity.

To establish the predictive validity of the criterion variable, overall satisfaction, mean wave 1 scores on this variable were compared for four policy status groups identified in the telephone canvass of wave 2. The analysis determined whether status had changed from the in-force condition of wave 1 and how this change related to wave 1 satisfaction. One-way ANOVA revealed that wave 2 status groups differed significantly (F = 4.82, p = .003) in overall satisfaction in wave 1.

<table>
<thead>
<tr>
<th>Wave 1</th>
<th>Wave 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>X (1) = 5.94</td>
<td>Internal replacement</td>
</tr>
<tr>
<td></td>
<td>(same company)</td>
</tr>
<tr>
<td>X (2) = 5.29</td>
<td>Policy still in force (not lapsed)</td>
</tr>
<tr>
<td>X (3) = 4.99</td>
<td>External replacement</td>
</tr>
<tr>
<td></td>
<td>(dren gang company)</td>
</tr>
<tr>
<td>X (4) = 4.79</td>
<td>Policy lapsed, not replaced</td>
</tr>
</tbody>
</table>

A test of significant contrasts (p = .05) showed that internal replacers had been significantly more satisfied in wave 1 than any other group. Nonlapser had been more satisfied than those who lapsed without replacement.

Independent Variables

Independent variables measured (via aided recall) the salience of various categories of interactions and communications used in the model. Respondents were asked about the recent occurrence of specific events in each category based on a list developed through 58 prestudy in-depth interviews in which policyholders noted events that led to their satisfaction or dissatisfaction.

Factor analysis was used to examine the structure of responses to the experience items in waves 1 and 2. In both waves, the same seven factors emerged, one factor corresponding to each category. Items loading highest on each factor are reported in Table 1 (column 1). Concern that respondents failed to discriminate among similarly worded items within some categories was mitigated by evidence of variability in the mean responses (Table 1, column 2) and a moderate average correlation among similar, adjacent items (r = .68). Results of the 7-factor solution were used to form additive indices. Scores on these indices were assumed to reflect different degrees of category salience across respondents. We found all indices to have moderate to high reliability (Table 1), recognizing that some alphas could be slightly inflated by semantic similarity.

Though management and policy concerns are with the frequency of the experiences and their effects on satisfaction, recall measures tap only salience. In the case of advertising, it was possible to examine whether salience depends on the frequency with which the experiences occur. Using the Leading National Advertisers listing, we appended annual advertising expenditures by life insurance firms to the data base. Each respondent received the expenditure figure for his or her firm. For companies not in the directory (46%), a nominal expenditure of $1000 per year was used (firms in the list had expenditures ranging from $2000 to $29,424,000). Wave 1 scores on company advertising recall correlated r = .49 (p < .05) with the total of the company’s advertising expenditures for 1981 and 1982 (the recall period). Wave 2 advertising scores correlated r = .43 (p < .05) with expenditures for 1983. The largest correlation between expenditures and an index other than company advertising was r = .08, indicating discrimination.

Price of Policy

Policy price was measured by the net interest-adjusted cost index (NIACI) commonly used in the industry. The NIACI is the compound value (5%) of the annuity of premium payments since year of issue minus dividend accumulation. The difference reflects the cost of insurance to the policyholder. Paid-up policies and those with nonlevel premiums were excluded from the calculations.

ANALYSIS AND RESULTS

Path analysis was used to test the tenability of the models, first with wave 1 data only, giving a large sample for analysis:

2311 completed the wave 1 questionnaire (not holdout)
- 376 orphan policyholders
  (no longer had agent)
- 573 missing data
1362 available for analysis

We performed structural equation analysis on the covariance matrix, using the LISREL VI program with maximum likelihood estimation (Joreskog and Sorbom 1984). The solution produced an adequate fit for the rational evaluation model and the two versions of the relationship generalization model, as judged by the chi square statistic and the adjusted goodness-of-fit index.

RGM (strong form): χ² = 375.83, p = .000,
  d.f. = 23, a.g.f. = .875
RGM (weak form): χ² = 284.34, p = .000,
  d.f. = 19, a.g.f. = .880
REM:
  χ² = 124.09, p = .000,
  d.f. = 19, a.g.f. = .946

Though the large sample size almost guaranteed a sig-
Table 1
ITEMS MEASURING THE SALIENCE OF SELECTED TYPES OF INTERACTIONS AND COMMUNICATIONS

<table>
<thead>
<tr>
<th>Factor</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal customer service (alphas: W1 = .82, W2 = .87)</strong></td>
<td></td>
</tr>
<tr>
<td>.83  1.06 Made request my agent failed to handle properly</td>
<td></td>
</tr>
<tr>
<td>.80  1.07 Made request my agent failed to handle promptly</td>
<td></td>
</tr>
<tr>
<td><strong>Personal contact (alphas: W1 = .91, W2 = .91)</strong></td>
<td></td>
</tr>
<tr>
<td>.86  2.25 Was contacted by my agent who wanted to stay “in touch” and make sure I was still satisfied</td>
<td></td>
</tr>
<tr>
<td>.86  2.09 Was contacted by my agent who wanted to keep abreast of changes in my family and insurance needs</td>
<td></td>
</tr>
<tr>
<td>.85  1.73 Was contacted by my agent who wanted to make changes in this policy to better serve my needs</td>
<td></td>
</tr>
<tr>
<td>.78  1.52 Was contacted by my agent who wanted to restructure my insurance program to better serve my needs</td>
<td></td>
</tr>
<tr>
<td>.73  1.67 My agent explained why it is a good idea to keep this whole life policy in force</td>
<td></td>
</tr>
<tr>
<td>.51  1.72 Received something of a personal nature from my agent (e.g., birthday card, holiday gift, etc.)</td>
<td></td>
</tr>
<tr>
<td>.75  1.56 Was contacted by my agent who wanted to sell me more life insurance</td>
<td></td>
</tr>
<tr>
<td>.77  1.52 Was contacted by my agent who wanted to describe new types of policies that had become available</td>
<td></td>
</tr>
<tr>
<td><strong>Product information via mass media sources (alphas: W1 = .85, W2 = .87)</strong></td>
<td></td>
</tr>
<tr>
<td>.80  1.36 Read an insurance advertisement in magazine/newspaper that made me question the value of this policy</td>
<td></td>
</tr>
<tr>
<td>.80  1.23 Read an insurance advertisement sent in the mail that made me question the value of this policy</td>
<td></td>
</tr>
<tr>
<td>.53  1.37 Read consumer education materials that made me question the value of this policy</td>
<td></td>
</tr>
<tr>
<td>.68  1.40 Read newspaper/magazine article that made me question the value of this policy</td>
<td></td>
</tr>
<tr>
<td>.58  1.20 Saw/heard a program on TV or radio that made me question the value of this policy</td>
<td></td>
</tr>
<tr>
<td><strong>Product information via outside personal sources (alphas: W1 = .62, W2 = .61)</strong></td>
<td></td>
</tr>
<tr>
<td>.64  1.08 Attended a financial planning seminar that made me question the value of this policy</td>
<td></td>
</tr>
<tr>
<td>.73  1.07 Other financial advisors recommended I should replace or stop making payments on this policy</td>
<td></td>
</tr>
<tr>
<td>.61  1.18 Other consumers recommended I should replace or stop making payments on this policy</td>
<td></td>
</tr>
<tr>
<td><strong>Direct company communications (alphas: W1 = .81, W2 = .84)</strong></td>
<td></td>
</tr>
<tr>
<td>.63  1.40 Received information from my company explaining why it is a good idea to keep this policy in force</td>
<td></td>
</tr>
<tr>
<td>.71  1.46 Received information from my company suggesting I buy additional life insurance</td>
<td></td>
</tr>
<tr>
<td>.83  1.56 Received information from my company describing new types of policies it was introducing</td>
<td></td>
</tr>
<tr>
<td>.82  1.73 Received information from my company explaining its other financial and insurance services</td>
<td></td>
</tr>
<tr>
<td>.64  1.75 Received information from my company that discussed the company’s financial performance</td>
<td></td>
</tr>
<tr>
<td><strong>Company media advertising (alphas: W1 = .82, W2 = .83)</strong></td>
<td></td>
</tr>
<tr>
<td>.88  2.43 Saw a magazine/newspaper advertisement sponsored by my company</td>
<td></td>
</tr>
<tr>
<td>.91  2.27 Saw/heard a TV or radio commercial sponsored by my company</td>
<td></td>
</tr>
<tr>
<td><strong>Corporate customer service (alphas: W1 = .92, W2 = .91)</strong></td>
<td></td>
</tr>
<tr>
<td>.86  1.08 Made a request that my company failed to handle properly</td>
<td></td>
</tr>
<tr>
<td>.86  1.09 Made a request that my company failed to handle promptly</td>
<td></td>
</tr>
</tbody>
</table>

*Varimax rotation produced simple structure with items having a very high loading on one factor and very low loadings on the other factors. Loadings are for wave 1 only. The same structure and similar loadings were produced in a factor analysis of the wave 2 data.

*Respondents were asked to recall how often, in the last 1 to 2 years, they had each of these experiences (1 = never, 2 = once, 3 = twice, 4 = three or four times, 5 = five times or more).

*W1 is wave 1 and W2 is wave 2.

nificant chi square, model misspecification also was thought possible. One questionable a priori assumption was that satisfaction depends on experience and not vice versa. Perhaps satisfaction affects the salience of certain interactions and communications via selective information processing or halo effects. Either could lead to poor model fit by introducing excess covariation among the variables that would be unaccounted for by the structural equations.

An effort was made to control halo influences by adding respondents’ predispositions to the model. Their overall satisfaction in wave 1 was taken as a single exogenous ("X") variable. Wave 2 measures of interaction/communication salience and satisfaction were treated as endogenous ("Y") variables, interrelated as specified by the models. In addition, all wave 2 variables were assumed to be dependent on wave 1 satisfaction. We used the following sample.

- 983 completed wave 2 questionnaire
- 136 members holdout group
  - (no wave 1 predisposition data)
  - 114 policy terminated between wave 1 and wave 2
  - 147 orphan policyholders
    - (no agent)
  - 139 missing data
- 447 available for analysis

Tests indicated acceptable fit for the rational evaluation model, but unacceptable fit for the two relationship generalization models, thus providing empirical support for H2, but not H3.
RGM (strong form): \( \chi^2 = 69.10, p = .000, \)
\[ \text{d.f.} = 23, \text{a.g.f.} = .917 \]
RGM (weak form): \( \chi^2 = 43.59, p = .001, \)
\[ \text{d.f.} = 19, \text{a.g.f.} = .935 \]
REM:
\( \chi^2 = 22.29, p = .270, \)
\[ \text{d.f.} = 19, \text{a.g.f.} = .966 \]

Parameter estimates for the REM are shown in parentheses in Figure 1. The variance explained in satisfaction variables is comparable to that found in other satisfaction studies using regression models: agent (38%), policy (28%), company (45%), overall (78%). Relationships among variables are largely as predicted, though some paths are not significant, such as the effects of direct company communication and media advertising on institutional satisfaction. Other notable findings include the substantial effects of personal contact on agent satisfaction (.286), mass media exposure on policy satisfaction (-.208), and the halo on all three components of satisfaction. Satisfaction with the policy directly affects satisfaction with the firm (.504) and agent satisfaction (.229). Agent, policy, and company satisfaction have comparable direct effects on overall satisfaction (.358, .278, .379, respectively), though the total effects (direct plus indirect) of policy satisfaction are relatively large (.559).

Insight on the relative importance of interaction/communications variables is gained by examining their total effects on overall satisfaction. Operating through various intervening variables, personal contact (.149) and mass media exposure (-.115) have the strongest influence on overall satisfaction. The importance of personal contact is shown further by a significant difference \( (F = 49.2, \text{d.f.} = 1, 2093, p < .000) \) in overall satisfaction between orphans \( (\bar{X} = 4.85) \) and nonorphans \( (\bar{X} = 5.37) \). Of necessity, orphans were excluded from the path analysis because they had no agent to evaluate.

Testing H3 and H4 required controlling for level of technical quality. To do so, we assumed the major contract provisions of a policy are its face amount, mortality risk (e.g., age and sex), date of issue, payment schedule (e.g., lifetime premiums), and special options/features (e.g., disability waiver, level term rider). These variables were expected to affect the net price of the policy, though there are many other relevant factors (e.g., the internal expenses of the company). Regression analysis was used to examine H3. We regressed NIACI on the five variables reflecting relationship marketing activities (personal contact, etc.) while controlling for the seven technical quality variables. With all variables entered, the equation is significant \( (F = 14.480, p = .000) \) and has an adjusted \( r^2 \) of .20. The standardized coefficients follow.

**Significant \( p < .10 \)**
- \( +.40 X1 \) (year policy issued)
- \( +.31 X2 \) (amount of coverage)
- \( +.09 X3 \) (1 = has disability waiver, 0 = does not)
- \( -.07 X4 \) (1 = has level term rider, 0 = does not)
- \( +.07 X5 \) (frequency/salience company advertising)
- \( +.07 X6 \) (frequency/salience agent contact)

\( +.07 X7 \) (policyholder age)
\( +.06 X8 \) (1 = lifetime payments, 0 = other schedule)

**Nonsignificant**
- \( -.05 X9 \) (1 = insured is female, 0 = insured is male)
- \( -.05 X10 \) (frequency/salience direct communication)
- \( -.02 X11 \) (frequency/salience corporate service failure)
- \( +.01 X12 \) (frequency/salience agent service failure)

Signs on the technical quality variables are in the expected direction, as indicated by a review of the insurance literature. Only one is nonsignificant (sex). Because of lower mortality risk, women should pay less for insurance if other factors are held constant. Among relationship marketing variables, two are found to be significant, frequency/salience of agent contact (+.07) and amount of company advertising exposure (+.07). Though coefficients on these variables are small in comparison with those on year of policy issue or amount of coverage, the results support H3.

To test H4, we regressed overall satisfaction simultaneously on price, the technical quality variables, and the relationship marketing variables. With other factors held constant, satisfaction is unrelated to net price of the insurance (H4 is rejected).

**DISCUSSION**

Normal cautions about interpretation of causal models apply. For example, showing that the REM is superior to the RGM does not “prove” causality as other (untested) models may fit the data equally well. Results should not be generalized to other services without replication. Given these caveats, we can consider what the empirical results seem to imply.

Inclusion of cross-wave halo influences to obtain satisfactory fit with any model suggests postpurchase inertia. After purchase, some buyers probably put the policy away and forget it for extended periods of time. Without a triggering cue, perhaps a call from an outside agent, the policy is protected from termination by the buyer’s own inertia (as opposed to the strength of the relationship). However, such calls occur (20% of policyholders in 2 years) and negative messages can be perceived (49% of policyholders). An implication of the REM is that buyers consider such information and treat it as a factor in their quality evaluation.

Despite insurance complexity, agent and company relationships do not appear to have the influence critics surmise. Some segments of buyers may generalize their feelings about the agent or company to the core service, but typically the effects seem to flow in the opposite direction. It may be naïve to assume the consumer “buys” the contact person and firm without attempting to verify their performance in delivering core service benefits. Other unrealistic assumptions may be made about market information and competitive intensity. Though buyers may be confused, they are not necessarily oblivious to what competitors and others in the market say. In general, the
support obtained for the REM over the RGM suggests
the agent is a peripheral service provider. The agent’s
performance certainly affects satisfaction, but is bal-
anced against the perceived performance of the core ser-
vice.

Though results for the REM are encouraging (to the
extent buyers are not being led blindly by agents and
companies), the model is not perfect. Some anticipated
relationships fail to emerge. Neither the validated mea-
sure of advertising exposure nor direct company com-
munications accounts for any variance in satisfaction. One
explanation is that these communications are often of low
quality or contain little useful data. In other words, in-
surance firms may be operating as though the RGM ap-
plies, but without success. The company’s responsive-
ness to customer requests has some influence on insti-
tutional satisfaction, but policyholders apparently view
the firm as controlling the quality of the basic product
and judge the company accordingly.

Results support the idea that relationship marketing costs
the buyer something. For example, agent contact in-
creases cost yet it is unclear that such counseling leaves
buyers “better off” in some normative sense. The same
is said for advertising. Agent counseling, however,
does appear to be a major contributor to buyer satisfac-
tion with the agent, as shown by high loadings of “prob-
lem-solving” items on the personal contact factor (e.g.,
keeping abreast of needs, etc.) coupled with the rela-
tionship between this factor and agent satisfaction.

Contradicting the REM, regression analysis for H4
shows buyers to be insensitive to the cost/value of their
coverage in relation to that of other whole life policies.
Because of negative information from mass media and
personal sources, it is reasonable that those being over-
charged would be less satisfied. Perhaps, however, buy-
ers make comparisons not with other whole life policies
but with other insurance forms (i.e., whole life owners
who frequently receive negative messages are unhappy
regardless of policy cost). In fact, the study’s timing cor-
responded to the growth of interest-rate-sensitive insur-
ance such as universal and variable life.

Policy implications of the results seem to mitigate criti-
icism of the agent distribution system. Though the study
design does not address the use of relationship marketing
as a vehicle for obtaining the initial sale, it does consider
the effects of agent and company followup actions on
satisfaction (and, ultimately, retention). Our conclusion
is that the buyer-seller relationship is subject to constant
renewal and depends very much on perceived product
competitiveness (along with other factors). At the very
least, arguments supporting further deregulation of the
insurance industry appear to be questionable if the sole
claim is that the agent-buyer relationship is the major
barrier to efficient operation of this market.

It is evident that relationship marketing is not well
understood. Assumptions about the nature of the buyer-
seller relationship appear to be flawed. To suggest that
it stays intact forever (shielding buyers from reality) may
be incorrect. The idea that a service relationship is en-
tirely social ignores other key elements of exchange
(product-service, information, financial). Perhaps the most
reasonable conclusion is that simplified interpretations of
relationship effects should be abandoned in favor of bet-
ter models of relationship development and value determi-
nation.

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