

E-WOM in the Marketing of Inter Island Insurance

by Amron Amron

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E-WOM in the Marketing of Inter Island Insurance

5 Amron
Economic and Business Faculty
Dian Nuswantoro University
Semarang, Indonesia
amrofe2013@gmail.com

Abstract—The study examined the relevance of E-WOM relationships with the inter island insurance business related to the variables of price, promotion, product quality, and satisfaction, in an integrated equation model. The respondents were taken by purposive sampling technique with the following criteria; the respondents (182 companies) have become insurance customers for one year, paid the premiums well, and performed well in closing inter island. The method used in the study was Structural Equation Modeling (SEM). The research result shows that the variable that influenced E-WOM was satisfaction. On the other hand, satisfaction was formed by three variables; price, promotion and product quality. The study also found that the effect of satisfaction on E-WOM was in the positive direction meaning that the more satisfied the customers with the services provided by the companies, the happier and more satisfied the customers; they were not reluctant to inform the product superiority to other prospective buyers through online media.

Keywords: *E-WOM, Satisfaction, Inter Island, insurance*

I. INTRODUCTION

Marketing requires a high level of interaction between consumers and producers as well as among consumers. In communication-based marketing of word of mouth (E-WOM), it can be seen that the level of communication process is more effective because it uses online promotional media. Consumers learn about new products and brands through experience, observation and information by asking other consumers who have bought the product by using online media [8]. The communication of word of mouth by using online media is also called E-WOM. E-WOM comes up when consumers are satisfied with a product or very disappointed with the product bought. When consumers are satisfied, they will tell other consumers how good a product is. One of them is by using online media [5]. E-WOM is usually quickly accepted by consumers because those who give the testimonials are those who are trusted like experts, friends, family, and business relations. In addition, E-WOM is also quickly accepted as a reference because service consumers usually find difficulties in evaluating services since they have not purchased or have not felt the services themselves [8], [2]. One of the businesses in insurance service field that is currently being developed in Indonesia and uses online media more in its marketing is inter island insurance services. It is an

insurance product that guarantees the movement of goods through land transportation, such as trucks, trains, buses, ship, and plane etc. The objects of inter island insurance are businesses in which the companies conduct merchandise shipments activities inter island in the country.

The development of inter island insurance business is not only growing rapidly in Indonesia but also followed by the highly tight competition among insurance companies. It also happened in Central Java where the growth rate of premium rate of inter island in Central Java Indonesia in 2015 increased by 11% compared to that in 2014, and then it increased again to 13% in 2016 [6]. However, the increase in premium income was offset by the increasing number of insurance companies operating in Central Java. The data shows that the number of insurance companies increased by 3%, 3.5% and 4% in 2014, 2015, and 2016 respectively [6]. Hence, with the existence of many insurance businesses, the competition among insurance companies is getting tighter. Therefore, inter island insurance companies are required to always make a breakthrough in marketing strategy. One of them is by building a positive E-WOM strategy.

Based on the description above, it is important to conduct an E-WOM research on inter island insurance. The aim was as an input to the managements of the insurance companies in setting the strategy of online-based market expansion through E-WOM strategy.

II. LITERATURE REVIEW

E-WOM marketing deals with consumer statements whether personal or non-personal to other consumers based on the experience of consuming a product using online media [8]. E-WOM is a way of communication by consumers to other parties about a certain product in which the product information is obtained by prospective buyers through communication with other consumers through online means. E-WOM is an interaction between one consumer and the other ones through the listening culture and online communication in promoting a product. E-WOM arises because a customer has purchased and consumed the product, and then the consumer's experience becomes the information material of the product he has bought. Consumers, who have a good

experience of the products they buy, go along with their expectations [12], [13]. Then, they will be satisfied and tell the goodness of the product to others. However, consumers will do the opposite when the products they receive are not in line with their expectations [5]. E-WOM spread rapidly and easily affects other potential buyers, especially when the sources of information are people with credibility in the eyes of potential buyers. In the field of services, E-WOM's influence is more quickly accepted because the services have different properties from physical products. Services cannot be directly consumed by prospective buyers, so potential buyers tend to become easily influenced by information from people who have had experience using the service. The effect will have a strong impact when the people who become the sources are the ones who live close and trusted by the prospective buyer, such as: relatives, business relations, coworkers, and so forth [8].

Specifically, WOM was first used to describe individually constructed communication involving inter-consumers in assessing products / services [15]. Along with the development of online technology, the role of WOM is getting stronger by using a new name of electronic word of mouth or known as E-WOM [18]. According to [16] E-WOM is a positive or negative statement made by customers about a product through internet media. Furthermore, [15] found that along with the increase of online media, some European citizens moved to successful online media to make the WOM concept change into E-WOM.

There were numerous studies related to E-WOM with the variables that influenced it. According to the research of [7], satisfaction has a positive relationship with E-WOM. In the research conducted by [1], [11], [3], and [17], satisfaction is influenced by price, promotion and product quality variables. The other research results of [9] show that if the product quality received by customers is better or the same as expected, the customers will be satisfied and tend to try again, and vice versa, because it has a positive effect. Therefore, the hypotheses in this research were formulated as follows:

- H1: Price has positive and significant effect on satisfaction.
H2: Promotion has positive and significant effect on satisfaction.
H3: Product Quality has positive and significant effect on satisfaction.
H4: Satisfaction has positive and significant effect on E-WOM.

III. METHODOLOGY

The respondents in this research were the owners of inter island insurance policy. The selection of the respondents was conducted using purposive sampling technique [4]. The researcher chose the respondents using the following criteria: the respondents had become insurance customers for one year, and they had paid the premiums smoothly as well as in closing inter island. A total of 200 respondents were taken as the samples of the study, but 182 questionnaires were returned and declared good and worth further processing. The analysis used was Structural Equation Modeling (SEM) method.

IV. RESULTS AND DISCUSSION

The facts found from the primary data were; 33% of the respondents were engaged in crops, 30% in seafood products, 27% in telecommunications and the remaining 10% in handicraft. In terms of how long the companies had been established, there were 40% of the companies had been established for more than ten years, 39% from five to ten years, and the rest were under five years. 55% of the respondents had become policy holders for more than five years. The data indicated that, in terms of the type of commodity, it was found that the types of goods were highly needed by the community. Whereas, on how long the company had been established, the majority of the companies had been established long enough so that they had enough experience to run the businesses. Therefore, it can be concluded that the majority of the respondents have had sufficient experience in Inter island insurance policies, so it makes them suitable to be the respondents of the study.

Factor Analysis and Correlation

The factor analysis of this research was conducted for measurement validity and consistency. It was using principal component analysis. [4] recommended for loading factor was above 0.7. Based on the [4] recommended, all of the loading factors for this study was 0.73 up to 0.85.

The correlation of this study indicated price, promotion, product quality, and satisfaction were positively correlated, also the Cronbach's alpha is above 0.7, refer to [4].

Model Test Results

Overall, it can be concluded that the Means, Standard Deviation, Reliability, and Correlation of the research data show the satisfactory values, and the following data were generated based on the model test:

Table 1 : Goodness Of Fit Index

No	Indicator	Structural Model	Cut-off Value
1	Chi Square	213.200	Small
2	Probability	0.068	≥ 0.05
3	CMIN/DF	1.171	≤ 2.00
4	GFI	0.911	$\geq 0.90 < 1$
5	TLI	0.950	$\geq 0.90 < 1$
6	CFI	0.966	$\geq 0.90 < 1$
7	RMSEA	0.033	≤ 0.08

The data in Table 1 shows that the model in the study has an indication of fit or the model has a good goodness of fit, so the model can be used to test the research hypothesis. The conclusion is reflected from the absolute fit, incremental fit test and fit parsimony existing in the model.

Research Findings and Hypothesis Testing

The researcher determined the research hypothesis from the variables of price, promotion, product quality, satisfaction,

and E-WOM by considering the significant path on the model. The results of hypothesis testing can be seen in Table 2 below:

Table 2.
Hypothesis Testing

No	Hypothesis	Est.	C.R	Probability	Result
1	Price → Satisfaction	0.469	4.188	0.000	Supported
2	Promotion → Satisfaction	0.488	4.971	0.000	Supported
3	Product Quality → Satisfaction	0.269	2.700	0.009	Supported
4	Satisfaction → E-WOM	0.435	4.311	0.000	Supported

The results of the study indicate that promotion and product quality have the effect on satisfaction in a positive direction. When the insurance companies increase their viability of promotion, the customers will be helpful in obtaining information of product superiority. In such a way, the customers will have complete information about the product as well as the consideration in deciding to buy the goods or not. The study found that the most popular promotion preferred by customers was advertising through online media, while newspaper and magazine were in the next sequence, and followed by the availability of leaflets in strategic locations, especially that is easily accessible by consumers. The better the level of promotion presented by the companies, the more pleased the customers and they had better understanding about the company's product quality excellence. The research results are in line with the research of [17] that the promotion media which has wide and accessible range, such as online media, is in great demand by customers. Therefore, the conventional media, such as television, radio, magazines and newspapers begin to shift. Hence, companies are expected to be able to perform more vigorous promotion through online media. Online media that can be used by companies for promotion are websites, internet, WA, and so forth. Superior promotional programs, such as timely availability of services, timely availability of services in paying claims, and the speed of policy issuance can be superior materials in promotions. The other finding that reinforced the effect of product quality variables on satisfaction is the fact that when customers feel the quality product provided by the insurance company has been in accordance with the expectations of customers, even exceed the expectations, the customer will be satisfied to the company. The results of the empirical tests are in line with the research of [9], and [1] who also found that there is a relationship between product quality and satisfaction.

The step that companies can take to improve customer satisfaction is to provide ease of service, not only from the claim payment process but also the process of obtaining inter island insurance products. One way is to open an outlet near the office center so that customers easily reach it. It is more important that the availability of online services does not limit the distance and time between customers and companies. Through online media, companies should be able to make the process of publishing the policy becomes easy, simpler procedure, and efficient time. The other step is to build a comfortable situation so that customers are willing to be

associated with a timely and accurate claim payment process. Then, customers do not feel complicated or undermined. Besides, it is necessary to provide a safe and comfortable facility so that customers feel at home in transactions, including online transactions facilities. The facility should be supported by professional and pleasant staffs to help clients transact.

Furthermore, the study found that price variable has positive effect on satisfaction. It means that customers who feel getting the right price even tend to be competitive compared with the benefits they receive, and then the customers will be happy and satisfied. The results of the study are in line with [11]. It is possible that the customers begin to realize the rights so that customers they tend to think rationally by always considering the competitive price with the benefits they receive.

The research found that satisfaction variable influenced E-WOM in positive direction. It means that if a customer feels that the product given by a company has high quality, the customer feels satisfied. Furthermore, he will be happy to share the experience to other potential buyers by online media. When a customer submits E-WOM because of satisfactory in consuming goods/ services purchased, the customer can be categorized as loyal. The effect is to recommend the goodness of the product to others, and the customer informs the positive about the benefits of the product and positive feedback for other prospective buyers. The more satisfied the customer due to the product quality as promised by an insurance company, the more effective the E-WOM generated. The action that can be made by a company to loyal customers is improving the level of product quality by making the rapid process of policy issuance, especially the provision of online facilities, easy payment options system and easy claim management. Customers will be more pleased to recommend and inform the advantage of the company's insurance product quality. The results of the study are in line with the research of [7] which confirm that satisfaction has the positive effect on E-WOM.

V. CONCLUSIONS

The study examined the relevance of E-WOM relationships in the inter island insurance business related to the variables of price, promotion, product quality, and satisfaction, integrated in an equation model. Indeed, the testing to the variables of price, promotion, product quality, satisfaction, and E-WOM had been conducted, but the difference from this study is that the test of the relationship among the variables in the insurance business of inter island is still rare.

What is different from this research was that the respondents were from the user companies of inter island insurance services, which is currently rarely conducted. The results of the study show that there were three variables that influenced customer satisfaction; namely the variable of promotion, and then price, and followed by the variable of product quality. Based on the findings, the researcher found a step that can be taken by the companies to improve their

promotion by improving the online process, such as promotion process related to policy issuance to be much easier, timely claim payment process and amount, and providing safe and comfortable facility. Besides, the companies can take steps to increase the effectiveness of promotion by improving online media facilities compared to conventional media in doing promotion because customers want the availability of the media that has a wide range and easily accessible. In addition to online media, the other company policy that can be made is by providing brochures in the places which are easily accessible by policy users, such as in office centers, business meeting centers, and the like.

The second finding of the study is that the variable of satisfaction influences E-WOM in a positive direction. It means that, if a customer receives a product quality, in accordance with the expectations or even exceeding the expectations, the customer will feel satisfied. For such good experience, it is expected that customers do not hesitate to share E-WOM to other prospective buyers. It is advisable for the companies to always improve the satisfaction program by not only fulfilling the promise of paying claims but also for the capacity of accessing the company's online services.

Implications

The implication of the research is that, to increase E-WOM positively, insurance companies should focus on the variables that influence the formation of satisfaction, i.e. promotion, price, and product quality. In the promotion program, there are steps that can be performed by the companies by improving the quality in choosing the online media. Besides, providing brochures in the places that are reachable by customers, such as office and business centers is also necessary. On the other hand, for the variables of product quality and price, the step that can be performed is by making the policy in the form of the easiness of policy issuance process, fast claim payment process, provision of easy accessed online facility, and considering the reasonable premium price by consumers.

Limitations and Research Suggestions

The limitation of the research is that, in taking the research object, it was only on inter island insurance. It is suggested for the future research to include more insurance objects, such as marine cargo insurance or Freight Forwarding Insurance, which is able to represent E-WOM in the field of insurance services much better.

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