

Marketing Challenge of Import Insurance Product in Indonesia

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Marketing Challenge of Import Insurance Product in Indonesia

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(Abstract) Insurance company has a tough challenge in the face of increasing marketing competition, particularly in maintaining and increasing the number of loyal customers in an increasingly competitive market. The insurance company with increasing number of loyal customers will be more assured in profit-making. Customers are loyal because customers believe in the ability of insurance companies to fulfill their promises to customers. This study aims to examine and analyze the variable service quality, service charges and trust that have an impact on customer loyalty. The total sample of 155 import companies and analysis techniques used in this research is Structural Equation Modeling (SEM) using AMOS program 21. Statistical test results are interpreted as a conclusion which will be described in the study. The conclusions and the results showed that the service quality no significant and positive effect on trust. Service charges significant and positive effect on trust. Service quality significant and positive effect on customer loyalty. Service charges no significant and negative effect on customer loyalty. Trust significant and positive effect on customer loyalty.

Keywords: Import, Insurance, Customer, Service, Quality.

1. INTRODUCTION

Marketing challenges faced by insurance companies in marketing their services are closely related to maintaining and increasing the number of loyal customers [1]. Likewise, the import insurance business in West Java, Indonesia, there was an increase in import service charge by 14% from 2013 to 2014 [2]. Meanwhile, the number of insurance companies that sell import insurance product (including import underwriting, marine cargo insurance and working capital credit insurance) also increased by 3 insurance companies in 2013 and four companies in 2014 [2]. This suggests that the competition among insurance companies that sell import insurance product in West Java is increasing, which shows that insurance companies should be able to perform appropriate competitive strategy to keep the customers satisfied for any promises offered by the insurance companies so that, in the long term, customers believe and then become loyal. Many researches examined the variable of loyalty with the variables that influence it with various results. [3] in his research used the students in Albania as the respondents and found that service quality has positive effect on loyalty. Meanwhile, [4] and [5] in her research found different things that the quality of services has no significant effect on loyalty. On the other hand, there were researches that examined the effect of price on the variable of loyalty, such as the research of [6] with the result that price has negative effect on loyalty. [7] in his research found that price has positive effect on loyalty.

On the basis of the results of previous studies, this research included the variable of trust as the intermediary variable that associated the variable of service quality and premium with loyalty. The aim of this research was to examine the conceptual model of service quality, service charge, and trust on loyalty. This research is expected to explain the concept of loyalty in view of the dimensions of service quality, service charge and customer trust on loyalty.

2. RELEVANT LITERATURES AND HYPOTHESIS

The concept of loyalty is closely related to the purchasing attitude and behavior made by customers towards a particular product. [4] said that brand loyalty is shown by customers who consistently always buy back the products of the same brand. Therefore, brand loyalty can be measured by using proportion of purchases, series of purchases, and purchase probabilities. [7], [8], [4], and [6]. The success of a company to develop and maintain customer loyalty is influenced by many factors, i.e.: trust [8], service quality [3], [4], and service charge [6] and [7].

Based on the associations above, the hypothesis are as follows:
Hypothesis 1: Service quality has a positive effect on customer loyalty
Hypothesis 2: Service quality has a positive effect on customer trust
Hypothesis 3: Service charge has a positive effect on customer loyalty
Hypothesis 4: Service charge has a positive effect on customer trust
Hypothesis 5: Customer trust has a positive effect on customer loyalty

3. METHODOLOGY

The research objects are the importers in West Java, Indonesia. The research population includes the customers of import insurance policyholders in West Java, Indonesia. The sampling technique used was purposive sampling with the sample criteria including: having two years to be import insurance customers with the premium category of good, and acting as decision makers as well as interacting with insurance companies. The data were analyzed using Structural Equation Modeling (SEM) with the program package of AMOS (Analysis of Moment of Structure) [9].

4. RESULTS AND DISCUSSION

The data collection in this research was conducted by giving questionnaires to the importers in West Java, Indonesia, with a total sample of 171 importers, but the data obtained were 155 and the remaining 16 questionnaires could not be used because it was damage (incomplete). Based on the respondent data, the following facts were obtained; the companies had been established for 10 - 15 years are 56%, more than 15 years are

29%, the remaining were under 10 years. Based on the type of business of 155 respondents, the facts found were; 61% in the business type of food, 22% of them were in pharmaceuticals, and the remaining were in the type of craft. It indicates that, types of business of the majority respondents were very important to the community.

Correlation, Mean, Standard Deviation, and Reliability

The research used a cut-off for the loading of 0.6 so that the required Alpha Cronbach was equal to alpha quadrate of 0.7 [10]. Table 1 shows the reliability test results of each latent variables including; service quality of 0.88, service charge of 0.80, trusts of 0.84, and customer loyalty of 0.83.

Table 1.

Means, Standar Deviasi, Reliability, and Correlation

No.	Var.	Means	S. Dev	SQ	IP	TS	CL
1.	SQ	3,08	0,94	0,88			
2.	IP	3,07	0,84	0,41	0,80		
3.	TS	3,25	0,86	0,38	0,66	0,84	
4.	CL	3,14	0,91	0,45	0,49	0,63	0,83

Note : main diagonale was alpha cronbach

The Results of Full Model Test

Before testing the structural model, it first tested the measurement model. The measurement model in this research used Confirmatory Factor Analysis (CFA). The testing results of the structural model demonstrate relatively good goodness of fit, so the hypothesis testing could proceed. The value of absolute fit shows relatively good results (Table 2.). GFI value (Good of Fit Index) of 0.921 meets the model acceptance criteria as it is close to the recommended value of 0.90. This shows the suitability of the model with the data. RMSEA value (Root Mean Square Error of Approximation) of 0.031 also meet the acceptance criteria of the model for it is smaller than the recommended limit of 0.08 [11]. The incremental fit values indicate relatively good results. The incremental fit size that meets the standards is met by AGFI (Adjusted Goodness of Fit Indices) of 0.892. It is equal to the minimum limit of 0.8, CFI (Comparative Fit Index) of 0.988, and TLI (Truckler Lewis Index) of 0.985 which is more than the minimum threshold of 0.9 [10]. Meanwhile, the parsimonious fit size indicated by the value of CMIN / DF (The Minimum Sample Discrepancy Function) amounted to 1.146 also has the value below the maximum limit specified of ≤ 2 [10], so it can be said that the model has parsimony element.

Table 2.
Goodness Of Fit Index

No	Indicator	Conf. Exogen	Conf. Endogen	Structural Model
1	Chi Square	29,075	18,503	113,494
2	Probability	0,086	0,489	0,151
3	GFI	0,956	0,973	0,921
4	AGFI	0,921	0,949	0,892
5	RMSEA	0,054	0,000	0,031
6	CFI	0,983	1,000	0,988
7	TLI	0,977	1,001	0,985

8 CMIN/DF 1,454 0,974 1,146

The Analysis of Confirmatory Factor in Exogenous Variables

The exogenous constructs in this research consist of two variables; service quality and service charge. The analysis results of the measurement model for confirmatory in the form of the loading factor of each variable construct indicator referred to the value suggested by [10] that the lowest score is 0.5 and the ideal one is 0.7 or more. The research took the middle value of the provisions of [10]. by taking the loading value of at least 0.6. the testing results of the fit model is 0.086; CMIN / DF = 1.454; GFI = 0.956; AGFI = 0.921; CFI = 0.983; TLI = 0.977. The results of the confirmatory analysis in the form of each loading value indicates that all statement items for each variable can be used as they are valid. The loading factor in this study ranged from 0.729 to 0.857.

The Analysis of Confirmatory Factor in Endogenous Variables

The endogenous constructs in this research consist of two variables; trust and service charge. The testing results of the fit model is 0.489; CMIN / DF = 0.974; GFI = 0.973; AGFI = 0.949; CFI = 1.000; TLI = 1.001. the results of confirmatory analysis in the form of each loading value show that not all statement items for each variable can be used, because they are invalid. The loading factor in this study ranged from 0.683 to 0.818.

Research Findings and Hypothesis Testing

The hypotheses testing on the variables of service quality, premium insurance, and trust on customer loyalty was conducted by considering the presence of significant paths in the model. The analysis shows that three out of five hypothesis are supported, but the two others are not supported (Table 3).

Table 3.
Hypothesis Testing

No	Hypothesis	C.R	Prob.	Result
1	Service Quality – Trust	0,751	0,453	Not Supported
2	Service charge – Trust	6,850	0,000	Supported
3	Service Quality – Cust. Loyalty	3,128	0,002	Supported
4	Service charge – Cust. Loyalty	1,008	0,314	Not Supported
5	Trust – Cust. Loyalty	4,160	0,000	Supported

The research findings make it clear that the variable of trust is influenced by service charge but not influenced by the variable of service quality. This finding supports the study conducted by [7]. However, the results of the study are not consistent with the study conducted by [6]. Meanwhile, customer loyalty is influenced by service quality and trust, but it is not influenced by service charge. This finding supports studies conducted [12].

The Factor Influencing Trust

The empirical test results show that the factor influencing trust is service charge. This finding supports the study conducted by [7]. The research found that price (service

charge) has the effect on trust. This means that when customers feel that service charge service provided by insurance companies is in accordance with customer expectations, and even exceeding customer expectations, it will influence on increasing customer trust to the company. However, the results of the study are not consistent with the study conducted by [6].

Companies that offer service charge which is well received by customers will influence the level of customer trust to the companies. Customers who feel that they are given competitive percentage of premium level, effective payments systems and procedures, and good incentive will lead to a sense of trust that the company has given a favorable service charge to customers. The measures that can be undertaken by a company in order to form a good service charge is by considering the percentage of premiums charged to customers since, from customer's point of view, the premiums offered with competitive percentage would give a certain advantage. The next measure is to guarantee that the premium payment can be made with ease as stated in the payment system which is easy to make and accessible to customers. To improve customer trust, companies can carry out the provision of incentives aimed at the direct benefits to clients. The other finding of this research is that **the service charge which is well received by customers will have a positive impact on customer trust to the companies**, while the variable of service quality does not have the effect on trust because the form and format of the service quality of import insurance have been standardized by the government.

The Factors influencing the Customer Loyalty

The research found that the factors that affect customer loyalty **service quality and trust**. of analysis in this research shows that **service quality positive effect on customer loyalty**. This shows that customers who feel that the product and services it receives in accordance with he hoped it would have an impact on customer loyalty. Customer loyalty can be seen from the willingness of customers to buy the same product again, the customer would recommend the product kindness to others, and customers would reject the offer of competitors and remain faithful to buy the same product. This finding supports studies conducted [12]. Other findings of the analysis in this research shows that **there is influence of trust on customer loyalty with the positive direction**. This shows that when the trust the higher the loyalty to the company is also increasing. As for how that can be taken by the insurance company that the variable trust can increase company loyalty is by providing service of process claims quickly and accurately, fulfilling all the promises made to customers, improve the service excellent, and the company providing the service is able to provide solusi on issues faced by customers. This finding supports studies conducted by [12]. Which shows that trust to companies proven to increase customer loyalty, resulting in increased customer trust will have an impact on the improvement of customer loyalty to the company.

5. CONCLUSION

To get loyal customers, companies must perform various measures related to the policy in the program of increasing trust to the companies. Various measures can be taken by insurance companies to increase customer trust is by fulfilling all the promises of the companies, particularly in the payment of claims. Besides, the companies must convince customers that

the companies have met all the minimum standards of service, are always honest, and never receive any sanctions from the regulators, particularly related to the determination of the standardization of service quality presented to customers.

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