

## CUSTOMER SATISFACTION IN THE MARKETING OF INLAND TRANSIT INSURANCE SERVICE

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**Abstract:** *Companies should always be creative and innovative in dealing with changing and growing environment. Likewise, consumers are increasingly demanding and forcing companies to always maximize their available resources so that consumers are increasingly satisfied. Each company is competing to create the best marketing strategy in order that the purpose of the organization is more effective than its competitors as indicated by the increasing number of satisfied customers. The aim of this research was to examine the roles of product quality, price, promotion, and buying decision to satisfaction. The samples in this research were 160 companies of the holders of inland transit insurance policy in Central Java, Indonesia. The sample collection technique used purposive sampling. The data quality was determined using validity and reliability by using the analysis tool of Structural Equation Modeling (SEM.). The test results indicate that the strongest factor to create buying decision is price that have got impact to increase satisfaction. On the other hand, the weakness in this study is product quality. It concluded that the buying decision has got an action to mediate the relationship between product quality and promotion.*

**JEL Classification:** G10, G15.

**Keywords:** *customer satisfaction, inland transit insurance, buying decision.*

### INTRODUCTION

Advance developments in science and technology have the large effects in business competition. Each company will compete for the largest market share and is required to perform a proper marketing strategy in dealing with increasingly tight competition. Companies must constantly strive to innovate in the face of constantly changing and evolving environment. In addition, consumers are also increasingly demanding and forcing the companies to always maximize their resources to improve their competitiveness in the market. Each company is competing to create a best marketing strategy in order to compete to create, deliver, and communicate the customer value to the selected target market. Each company continues to monitor the developments in consumer behavior, especially in terms of customer's decision-making process in determining which products that will be bought. Once a customer decides to buy a product, the company expects that the customer will

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be satisfied and buy back in the future, so there is a positive association between buying decision and satisfaction (Bukhari *et al.*, 2013). Customers are satisfied because they receive the products as expected even more than their expectation. Satisfaction is influenced by consumer purchasing decisions, which is an act of buying a product or service that begins with need analysis and ends with the selection of the alternatives on the goods or services provided. According to Paul and Rana (2012), customer satisfaction has the association with customer expectation in which customer satisfaction is defined as the level of one's feeling after comparing the performance or results perceived compared to his expectations. Consumers can experience one of the three levels of general satisfaction. When the performance is below their expectations, consumers will feel disappointed. In other hand, when the performance is in line with their expectations, customers will be satisfied. When the performance can exceed their expectations, customer will feel very satisfied, happy, or excited. According to the research of Paul and Rana (2012), buying decision has positive and significant effect on satisfaction. However, in the research of Nayebzadeh and Jalaly (2014), the association of the variables of buying decision and satisfaction is negative. Therefore, it is necessary to conduct further research on these results. Consumer decision in buying appropriate goods and services will cause a feeling of satisfaction after buying them. It is in line with the research of Gaur et al (2015), Breton and Duque (2015), and Huang and Yang (2015). The association of satisfaction and buying decision is influenced by several factors, such as product quality, price, and promotion.

Inland transit insurance is an insurance product that covers loss due to the risks that occur during the delivery of goods from a warehouse to another warehouse or from wholesale to retail store and the same kind of it. This type of insurance includes the type of commercial insurance because generally the insured object is merchandise, and the policyholder is trading company or manufacturer. Based on the data of premium revenues from 2012 to 2014, obtained a significant premium increases in the insurance business of inland transit, namely 10.3% increase in premiums from 2012 to 2013 and then increased again by 13% in 2013 to 2014 (AAUI, 2015). This indicates that the business prospects of inland transit insurance is quite large and allow it to continue to grow in the future. In terms of premium rate, there were also increase fluctuations in 2013 and 2014 at the average of 0.02%. Nevertheless, competition in the inland transit industry is also getting tougher with the increase in the increasing number of insurance companies that sell the products of inland transit insurance at the average of 2-3% per year (AAUI, 2015). Therefore, insurance companies must choose a marketing strategy that may affect the level of consumer satisfaction through the decision to buy inland transit insurance products by providing quality products and services, competitive pricing and effective promotion (Breton, and Duque, 2015; Beneke *et al.*, 2013; Manjeshwar *et al.*, 2013). Based on the above phenomenon, the purpose of this study was to

examine a conceptual model of satisfaction in buying insurance products inland transit.

## **LITERATURE**

To be successful in a competitive market, companies should focus on their customer since customers with a wide range of behavior in the end will decide to buy their products and then feel satisfied or not after using them. According to Mowen and Minor (2006: 6), consumer behavior is defined as a study of purchasing unit and exchange processes involving return, consumption, and manufacturing of goods and services, experiences and ideas. In other hand, Peter and Olson (2006: 6) state that consumer behavior is a dynamic interaction between the effects of behavior and the events around the environment in which humans perform exchange aspects of their lives". Schiffman and Kanuk (2010: 23) define "consumer behavior as the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs". Satisfied consumers are closely related to the behavior of buying decision, and satisfaction is someone's feeling of happy or disappointed arising from comparing performance with their expectations. When performance fails to meet expectation, customers will be dissatisfied. When performance is in line with expectation, customer will be satisfied (Naryanan *et al.*; 2014). When performance exceeds expectation, customer will be very satisfied and happy. According to the research of Paul and Rana (2012), satisfaction is influenced by buying decision because consumers who have consumed a product will feel satisfied or not through their experience of consuming the product. When a consumer has decided to buy a product and it exceeds consumer expectation after consuming it, the consumer will be satisfied and rebuy as the reflection of satisfaction to the company. Buying decision is an action taken by consumers to buy or not to buy a product offered by a company. According to Kotler and Keler (2009; 188), buying decision is an act of consumers to buy one brand and consumers are expected to be satisfied after consuming the product. Rebuying is an indicator of customer satisfaction. According to the research of Bukhari *et al.*, (2013), satisfaction has the association with buying decision. Similarly, the research of Paul and Rana (2012) found that there is a positive effect between buying decision and satisfaction. According to Beneke *et al.*, (2013), product quality has the direct effect on buying decision. Product quality is a combination of characteristics which determine the extent to which a company can meet the prerequisite of customer needs or assess to what extent the properties and characteristics meet their needs. Price also influences buying decision because affordable price and high competitiveness will make customers decide to buy the product. Meanwhile, according to the research of Gaur *et al* (2015) and Manjeswar *et al.*, (2013), buying decision is influenced by price and promotions. Competitive pricing and effective promotion greatly influence the decision to buy or not to buy a product.

### Associations between Variables and Hypotheses

- 1. The Effect of Product Quality on Consumer Buying Decisions:** According to Kotler and Armstrong (2012: 283), product quality is the ability of a product to demonstrate its functions, including overall durability, reliability, accuracy, ease of operation, product repair, and other product attributes. Product quality has a direct effect on consumer buying decision. By enhancing the ability of a product, it will create a competitive advantage so that customers are convinced to decide a purchasing. This is consistent with the researches conducted by Gaur *et al.*, (2015) and Beneke *et al.*, (2013) which state that product quality has positive and significant effect on consumer buying decision. Good product quality will encourage consumer's decision to buy. Based on the description above, the hypothesis proposed in this research was:

*H<sub>1</sub>: Product quality has positive significant effect on consumer buying decisions.*

- 2. The Effect of Price on Consumer Buying Decision:** Price is the amount of money charged for a product or service. Competitive price, along with superior quality of goods, is taken into consideration for consumers to decide to buy or not to buy. According to the research of Bukhari *et al.*, (2013), competitive price has the positive effect on buying decision in which price is the amount of money needed for a number of combinations of items and their services. In the research of Gaur *et al.*, (2015), the association was found between price and buying decision, whereas in the research of Paul and Rana (2012) and Huang and Yang (2015), price has positive and significant effect on buying decision. Then, the hypothesis in this research was:

*H<sub>2</sub>: Price has positive and significant effect on consumer buying decision*

- 3. The Effect of Promotion on Consumer Buying Decision:** Promotion is a variety of ways to inform, persuade and remind consumers directly or indirectly about a product or brand that is sold (Kotler and Keller, 2009: 510). Promotion is one of important marketing activities for a company in an effort to influence consumers to decide to buy the company's products. This is in line with the research of Gaur *et al.*, (2015) and Manjeshwar *et al.*, (2013) which showed a positive and significant effect of promotion on consumer buying decisions. These results are consistent with the research of Huang and Yang (2015) which states that promotion has positive effect on buying decision. Based on these descriptions, the hypothesis in this research was:

*H<sub>3</sub>: Promotion has positive and significant effect on consumer buying decision*

- 4. Buying Decision Has Positive and Significant Effect on Consumer Satisfaction:** Buying decision is the action of making a decision to buy or not to buy a product. Consumers will experience a level of satisfaction when the product obtained is appropriate to their needs and desires. Instead, consumers

will have dissatisfaction after making a buying when the goods are not genuine; the need is not in line with expectations, not in accordance with the promotion, and so forth. In the research conducted by Bukhari *et al.*, (2013), it is stated that there is a direct association between buying decision and satisfaction. Meanwhile, the research of Paul and Rana (2012) found that buying decision has positive and significant effect on customer satisfaction. Under these conditions, the hypothesis in this research was:

*H<sub>4</sub>: Consumer buying decisions has positive and significant effect on satisfaction.*

## **RESEARCH METHOD**

The samples were the companies which were the policy holders of inland transit insurance in Central Java Indonesia. The sampling used purposive sampling by taking the samples using some particular considerations as the sample criteria. The criteria in this study were; The company has been acted as insurance customer at least one year, with the premium payment category of good. The questionnaires were distributed to 180 companies to obtain primary data, but only 160 companies policy holders who returned the questionnaires of inland transit. The data obtained was quantified and analyzed. This research used the likert scale, with the response criteria of strongly disagree given the score of 1, and strongly agree with the score of 5. The variables analyzed consisted of the exogenous variables including product quality, price, and promotion. Then, the endogenous variables included buying decision and satisfaction. The data were analyzed using the Structural Equation Modeling (SEM) with the program package of AMOS (Analysis of Moment Structure). SEM is a multivariate technique that combines the aspects of multiple regression and factor analysis to estimate simultaneously a series of interrelated dependency (Hair *et al.*, 2006).

## **RESULTS AND DISCUSSION**

The researchers spread 180 questionnaires with results; 160 questionnaires were in good condition and could be used as the primary data, while 20 of them were broken and could not be used due to incomplete data filling. A descriptive analysis was conducted to 160 respondents in clustering based on; the length of company operation, type of business, and the length as the policy holder of inland transit insurance. Based on the respondent data, the following facts were obtained; (1) 71% of the companies had been established for 7 - 15 years, (2) 18% of them were more than 15 years, (3) the remaining were under 7 years. The data show that, by the age of the companies, most of them had established long enough to have enough experience to do business. Based on the type of business of 160 respondents, the facts found were; (1) 52% of them were in the business type of foodstuffs, (2) 21% of them were in fertilizers and pharmaceuticals, (3) the remaining were in the type of electronic business and craft. It indicates that, by the type of business, the majority

of the respondents ran their businesses in the types of business which were very important to the community. The facts found in the respondents indicated that most respondents (74%) had been the policy holders of inland transit insurance for more than two years, and the rest of them were under 2 years. The research data resulted in the calculation of the mean, standard deviation, reliability, and correlation with the data as shown in Table 1 below:

**Table 1**  
**Reliability and Correlation Data**

No.	Variable	Means	S.Dev	PQ	PR	PN	BD	SN
1.	Product Quality (PQ)	3.55	0.34	0.82				
2.	Price (PR)	3.68	0.33	0.49	0.82			
3.	Promotion (PN)	3.59	0.33	0.26	0.32	0.77		
4.	Buying Decision (BD)	3.77	0.36	0.48	0.49	0.35	0.86	
5.	Satisfaction (SN)	3.65	0.35	0.35	0.44	0.42	0.54	0.83

Note: main diagonale was alpha cronbach

In the table of Data Reliability and Correlation (Table 1) above, it shows that the means vary in the figures of 3.55, 3.68, 3.59, 3.77, and 3.65. It can be concluded that the range of the highest means was 3.77 and the lowest was 3.55, and it shows that all the variables have the means of over the average. Therefore, all the variables of product quality, price, promotion, buying decision, and satisfaction have the reasonably good value because of the median of 3 on a scale of 1 to 5, and all variables have the values of higher than 3. In terms of product, the quality had been quite good. Regarding the price, the customers felt that the price was quite competitive. In terms of promotion, the customers considered that it had been good enough. Due to buying decision, the customers felt satisfied enough to choose the products they bought. In terms of satisfaction, the customers also felt quite satisfied with the service they received. The standard deviations of this research indicate the data ranging from the lowest order of 0.33, 0.33, 0.34, 0.35 and 0.36. These facts show that the standard deviations of the data are on the figures lower than 1, or in other words, the standard deviations are not high because they are still within the limits under the figure of 1. The reliability test to the latent variables of this research resulted in the data of product quality at 0.82, price of 0.82, promotion of 0.77 buying decision of 0.86, and satisfaction at 0.83. This study used Minimum Cronbach Alpha which is acceptable at 0.7 (Hair, *et al.*, 2006). Thus, all values of the reliability test are acceptable because they are over the minimum.

This research data generated the model structural test, exogenous confirmatory and endogenous confirmatory in accordance with Table 2 below:

**Table 2**  
**Goodness of Fit Index**

No	Indicator	Confirm. Exogen	Confirm. Endogen	Structural Model	Cut-off Value
1	Chi Square	65.567	20.904	211.618	Small
2	Probability	0,354	0.342	0.066	$\geq 0.05$
3	CMIN/DF	1,058	1.100	1.163	$\leq 2.00$
4	GFI	0.961	0.979	0.927	$\geq 0.90 < 1$
5	AGFI	0.943	0.961	0.907	$\geq 0.90 < 1$
6	TLI	0.996	0.997	0.984	$\geq 0.90 < 1$
7	CFI	0.997	0.998	0.986	$\geq 0.90 < 1$
8	NFI	0.945	0.978	0.911	$\geq 0.90 < 1$
9	RFI	0.930	0.967	0.897	$\geq 0.90 < 1$
10	RMSEA	0.015	0.020	0.029	$\leq 0.08$

This research resulted in a construct of exogenous variables consisting of three variables; product quality, price and promotion. The confirmatory analysis in this research was in the form of loading factor value from the indicator of variable construct with the lowest score of 0.4 (Hair *et al.*, 2006). The results show that all statement items for each variable can be used as they are valid. The loading factor in the research was ranged from 0.538 to 0.801. The results of model fit test for exogenous confirmatory are indicated with the probability value = 0.354; CMIN / DF = 1.058; GFI = 0.961; AGFI = 0.943; CFI = 0.997; TLI = 0.996. Besides, the confirmatory factor analysis between the endogenous variables of this research resulted in the construct of endogenous variable that consists of two variables; buying decision and satisfaction. Based on the test results of model fit test, the data obtained was in the form of the probability value = 0.342; CMIN / DF = 1.100; GFI = 0.979; AGFI = 0.961; CFI = 0.998; TLI = 0.997. The research data resulted in the loading factor values between 0.656 and 0.817 indicating that the statement items on each variable are valid. Therefore, all statements can be used in this research.

### Full Model Test

The test results show that the model has good absolute fit values. This indicates that the model built meets the categories of good and fit with the sample data. The absolute fit is indicated by the value of root mean square error of approximation (RMSEA) of 0.029 using the requirements less than 0.08, goodness-of-fit index (GFI) of 0.927 and adjusted goodness-of-fit index (AGFI) of 0.907; they respectively used the requirement of  $\geq 0.90 < 1$ . Furthermore, based on the results of incremental fit test, the model is found in the condition of fit for the results are good in general. The incremental fit results are indicated by the Tucker-Lewis index (TLI) of 0.984 and the value of comparative fit index (CFI) of 0.986 which both used the

requirement of  $\geq 0.90 < 1$ . The calculation result of the minimum sample discrepancy function (CMIN / DF) is 1.163 by using the requirement of maximum limit of 2 or  $\leq 2$  (Hair *et al.*, 2006), and it shows that the model complies with the condition of parsimony fit. Based on the description, it can be concluded that, by using the model test of Confirmatory Factor Analysis (CFA), all constructs used by the research model meet the criteria of goodness-of-fit.

## RESEARCH FINDINGS

This research tested the hypothesis on all variables with reference to significant path in the model. The variables tested were; product quality, price, promotion on buying decision, and buying decision on satisfaction. This research found that the variable of buying decision was affected by product quality, price and promotion. The variable of satisfaction was affected by buying decision. The detailed test results are shown in Table 3 below.

**Table 3**  
**Hypothesis Testing**

No	Hypothesis	Coef. $\beta$	C.R	Probability	Result
1	Product Quality → Buying Decision	0.317	3.994	0.000	Supported
2	Price → Buying Decision	0.350	3.924	0.000	Supported
3	Promotion → Buying Decision	0.348	3.363	0.000	Supported
4	Buying Decision → Satisfaction	0.556	7.676	0,000	Supported

The facts found in this research are; the factors having the effect on buying decision are product quality, price and promotion. The research findings show the fact that when consumers feel that the products offered by insurance companies are getting better in the quality, customers will be glad to decide to buy the product. This is in line with the research of Gaur *et al.*, (2015) and the research conducted by Beneke *et al.*, (2013). Then, in the variable of price, the more competitive the price offered by insurance companies, the happier the consumers decide to buy the product. The research results are consistent with the research of Paul and Rana (2012) and the one conducted by Huang and Yang (2015) with the fact that price has positive and significant effect on buying decision. In the variable of promotion, the more attractive the promotion held by a company, the happier the consumers decide to buy the insurance products offered. The research results are in line with the research of Manjeshwar *et al.*, (2013). The research found that the way that can be performed by insurance companies in influencing the level of consumer decision is to provide good quality insurance products to ensure that the promises listed in the policy are true and in accordance with the standards of inland transit insurance and to provide an assurance that the products have good quality and customers are not disadvantaged in terms of claims handling with the guarantee that the



claims would be paid on time and in the right amount. The level of consumer buying decisions can also be enhanced by providing a guarantee of competitive inland transit accompanied by competitive prices, for example, by ensuring wider policy but with low deductible imposition. In addition, the companies follow up with more frequent promotions, particularly on television and online media.

The other fact found in this research is that the factor having the effect on satisfaction is buying decision. The analysis showed that buying decision has positive effect on satisfaction. It is in line with the research of Paul and Rana (2012). In this research, policy buying decision is the action of making decision to buy or not to buy the insurance policy product of inland transit insurance. Consumers will experience a level of satisfaction when the policy benefit is obtained in accordance with the wishes and even exceeding them. Instead, consumers will not be satisfied after making a buying when the policy does not have good quality meaning that it is not compliant with the promises listed in the policy contract; the price is not in line with expectations and the benefit is not in accordance with the promotion. To promote satisfaction, insurance companies can improve product quality by providing timely claim settlement services and in appropriate amount. When the claim settlement service is in accordance with the expectations of customers, customers will be satisfied. The other recommended way is to improve the dimension of satisfaction with regard to the attribute of the decision to buy or not to buy from producers, such as the ease to get information informed, employees' politeness, and the influence of company's reputation.

## **CONCLUSION**

This satisfaction research is one of the studies testing the functional association of satisfaction variable with the other variables; product quality, price, promotion and buying decision integrated in the equation model in which its relevance was tested in the business of inland transit insurance. Surprisingly, that this study found that the strategic efforts to increase the purchasing decision is when consumers feel that the products offered by a company are getting better in quality, customers will be happy to decide to buy the products. In addition to the findings, the facts were obtained that the increasingly competitive price accompanied by regular promotion and more attractive would be a consideration for consumers to buy the company's products. Consumers will experience a level of satisfaction when the benefits of the product obtained are in accordance with the wishes and even exceed them. Instead, consumers will not be satisfied after making a buying when the policy does not have high quality meaning that it is not compliant with the promises in the contract, such as; the price is not in line with expectations and the benefits are not in accordance with the promotion. In principle, the research variable of product quality, price, promotion, buying decision and satisfaction had been studied before, but the test of the associations between the variables in

inland transit insurance business is still very rare. Besides, the research using the respondent of inland transit insurance companies is still very limited.

### **Implications**

Based on the empirical findings, this research has two implications; the first implication, in order to create a level of customer buying decisions, the managements must be able to improve the factors related to product quality, price and promotion. Concretely, the level of consumer buying decisions can be improved by providing a more competitive guarantee to inland transit insurance accompanied by competitive prices, for example, by ensuring wider policy but with low deductible imposition. In addition, the companies follow up with more frequent promotions, particularly on television and online media. The second implication is that the insurance companies in providing policy issuance and claim payment must be punctual and in appropriate amount so that customers are satisfied.

### **Research Limitations and Recommendations**

The limitation of this research was due to the emphasis on quantitative analysis instead of qualitative analysis. Therefore, it is expected to be followed up by prioritizing similar researches in the future by using qualitative approach. The research object used the type of inland transit insurance, so in the future it can be expanded to take other objects in order that the object coverage is wider and represents more real buying decision and customer satisfaction of insurance.

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