



Marketing Challenge of Import Insurance Product in Indonesia

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Insurance company has a tough challenge to face the increase of marketing competition, particularly in maintaining and increasing the number of loyal customers. 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. The aim of this was to examine and analyze the variable of service quality, service charges, and trust that have an impact on customer loyalty. The total sample was 155 imported companies and analysis techniques used in this research was Structural Equation Modeling (SEM) using AMOS program 21. Statistical test results were interpreted as a conclusion described in the study. The conclusions and the results showed that the service quality has no significant and positive effect on trust. Service charges significantly and positively affect trust. Service quality is significantly and positively affects the customer loyalty. Meanwhile, service charges have no significant and negative effect on customer loyalty, and trust has significant and positive effect on customer loyalty.

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

Delivered by Ingenta to: Amron Amron
IP: 36.81.11.67 On: Thu, 15 Feb 2018 00:53:54
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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, in 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 has been increasing, and therefore insurance companies should be able to perform appropriately competitive strategy to keep customers satisfied for any promises offered; so that, in the long term, the customers believe and then become loyal. Many researchers have examined the variable of loyalty with the variables that influence it with various results. Reference [3] in the research with students in Albania as the respondents, the result showed that service quality has positive effect on loyalty. Meanwhile, in their research^{4,5} find different outcome that the quality of services has no significant effect on loyalty. Meanwhile, some researchers examined the effect of price on the variable of loyalty, such as the research of Ref. [6] with the result that price has negative effect on loyalty. Furthermore,⁷ in his research found that price has positive effect on loyalty.

On the basis of the results of the previous studies, this research included the variable of trust as the intermediary variable that

associated with 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. Reference [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.^{4,6-8} 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.^{6,7}

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 were the importers in West Java, Indonesia. The research population included 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 are very important to the community.

4.1. 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 I 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.

4.2. The Results of Full Model Test

Before testing the structural model, it first tested the measurement model. The measurement model used in this research was Confirmatory Factor Analysis (CFA). The testing results of the structural model demonstrated relatively good goodness of fit, so the hypothesis testing could be proceed. The value of absolute fit showed relatively good results (Table II). GFI value (Good of Fit Index) of 0.921 met the model acceptance criteria as it is close to the recommended value of 0.90. This shows the suitability

Table I. Means, standard deviation, 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 is alpha cronbach.

Table II. 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

of the model with the data. RMSEA value (Root Mean Square Error of Approximation) of 0.031 also met the acceptance criteria of the model for it is smaller than the recommended limit of 0.08.¹¹ The incremental fit values indicated relatively good results. The incremental fit size that met the standards was met by AGFI (Adjusted Goodness of Fit Indices) of 0.892. It was 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.

4.3. The Analysis of Confirmatory Factor in Exogenous Variables

The exogenous constructs in this research consisted 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 Ref. [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 1¹⁰ by taking the loading value of at least 0.6. The testing results of the fit model was 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 indicated 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.

4.4. The Analysis of Confirmatory Factor in Endogenous Variables

The endogenous constructs in this research consisted of two variables; trust and service charge. The testing results of the fit model was 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 showed 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.

4.5. 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 show that three out of five hypothesis were supported, but the two others were not supported (Table III).

Table III. 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 was influenced by service charge but not influenced by the variable of service quality. This finding supported the study conducted by Ref. [7]. However, the results of the study were not consistent with the study conducted by Ref. [6]. Meanwhile, customer loyalty was influenced by service quality and trust, but it was not influenced by service charge. This finding supported the studies conducted by Ref. [12].

4.6. The Factor Influencing Trust

The empirical test results showed that the factor influencing trust was service charge. This finding supported the study conducted by Ref. [7]. The research found that price (service charge) had the effect on trust. This means that when customers feel that service charge 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 were not consistent with the study conducted by Ref. [6].

Companies that offered service charge which was well received by customers would influence the level of customer trust to the companies. Customers who felt that they were given a competitive percentage of a premium level, effective payments systems and procedures, and good incentive would lead to a sense of trust that the company had given a favorable service charge to customers. The measures that could be undertaken by a company in order to form a good service charge was 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 was to guarantee that the premium payment could be made with ease as stated in the payment system which was easy to make and accessible to customers. To improve customer trust, companies could carry out the provision of incentives aimed at the direct benefits to clients. The other finding of this research was that the service charge which was well received by customers would have a positive impact on customer trust to the companies; while, the variable of service quality did not have the effect on trust because the form and format of the service quality of import insurance had been standardized by the government.

4.7. The Factors Influencing the Customer Loyalty

The research found that the factors that affect customer loyalty were service quality and trust. The result of the analysis in this research showed that service quality had a positive effect on customer loyalty. It could be concluded that customers who feel that the product and services they receive are in accordance with

the ones they expected, the impact will be on customer loyalty. Customer loyalty could be identified from the willingness of customers to buy the same product again, the recommendation of the customers to pass the product kindness to others, and the rejection of the customers to accept an offering from competitors and remain faithful to buy the same product. This finding supported studies conducted by Ref. [12]. Other findings of the analysis in this research showed that there was an influence of trust on the customer loyalty with the positive direction. This shows that when the customers' trust is high the loyalty to the company is also increasing. As for how that can be taken by the insurance company that the variable of trust can increase company loyalty was by providing service of process claims quickly and accurately, fulfilling all the promises made to customers, improve the service of excellence, and the company providing the service to provide solution on issues faced by customers. This finding supported studies conducted by Ref. [12], which shows that trust to companies is proven to increase customer loyalty, resulting in an customers' increased 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.

Acknowledgments: The author would like to thanks to the Head of R&D. The Indonesian Insurance Institute (AAMAI) as the support data with the Agreement AAMAI-University (1).

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Received: 27 July 2016. Accepted: 2 August 2016.