

Analysis of Customer Loyalty in View of Company Commitment and Customer Trust in Traditional Life Insurance Products in South Tangerang

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ABSTRACT

The insurance services industry, as a trust-based business, is still considered not to have fully gained the trust of its customers, with decreasing customer loyalty in purchasing insurance products, especially traditional life insurance. The phenomenon observed in the research location indicates that customer trust in traditional life insurance products remains low, and the company's commitment to providing product benefits is not yet optimal. This study aims to examine the influence of company commitment on customer loyalty through customer trust. The approach used in this research is a quantitative approach. The population and sample in this study consist of all customers holding traditional life insurance products in South Tangerang City, totaling 100 respondents, with a sampling technique using a saturated sample method. Research data were obtained from questionnaire responses and analyzed using SEM analysis methods with the assistance of Lisrel software. The study results indicate that (1) Company commitment has an effect on customer trust, (2) Customer trust influences customer loyalty, and (3) Company commitment affects customer loyalty through customer trust.

INTRODUCTION

The insurance industry in Indonesia is governed by a number of regulations and legislation issued by the government. This is done to protect the rights and obligations of the general public, who may become prospective consumers of insurance services. For example, as outlined in Law Number 2 of 1992 concerning Insurance Business, insurance is defined as an agreement between two or more parties, where the insurer commits to the insured party by receiving an insurance premium to provide compensation to the insured for loss, damage, or loss of expected profits, or for liability to third parties that may be suffered by the insured due to an uncertain event, or to provide funding based on the death or survival of an insured person (Article 1, clause 1, Law Number 2 of 1992 on Insurance Business).

Insurance is a term that refers to a system or protective action related to financial protection against unexpected events such as loss, damage, and even death. The insurance business has been present in Indonesia since the Dutch colonial era, pioneered by Bumiputera 1912 and Jiwasraya insurance companies. In practice, insurance companies offer risk-transfer services to the insured in exchange for a premium payment (Nabila Putri Salsabila & Dian Haki Nuradiansyah, 2022). Insurance is considered a safe protection choice, relieving worry about future financial problems, encouraging savings, and securing oneself in old age. Additionally, insurance also serves as a replacement for the government's social safety net, related to societal stability, and indicates the extent to which society values insurance services. Public concern can be seen from their knowledge of insurance terms, the benefits of insurance, and their interest in available products (Johan Bhimo Sukoco, 2020).

In essence, insurance in Indonesia is not yet a primary need and is often considered a tertiary need, grouped with luxury goods. However, insurance is a global business that often serves as an index of a country's success in managing the welfare of its citizens. This is, of course, linked to Indonesia's still uneven economic levels. Therefore, the need level and economic level are significant factors contributing to low insurance inclusion in Indonesia. Based on these two factors, the insurance industry must innovate in terms of products and services to foster trust, comfort, and security for customers. The insurance industry cannot operate alone to improve inclusion; there is a need for regulators to enforce good governance and establish institutions that can ensure customer comfort and security in the future. With continuous economic growth, it is time for all stakeholders in the insurance industry to collaborate to create an insurance-conscious society.

This condition is based on the current phenomenon of low insurance awareness in Indonesia. This aligns with research by Hermawati (2019), which states that life insurance awareness is a state in which individuals understand the importance of using life insurance products. This awareness encourages individuals to recognize the importance of insurance products and decide to use

them. Therefore, it is important for individuals to have traditional life insurance products as a means of self and family protection against future uncertainties. This is supported by Mayasari's (2018) research, which highlights that the need for insurance services is increasingly recognized by both individuals and businesses in Indonesia, as insurance serves as a form of security against potential future risks and is perceived as a means of attaining security and protection from potential losses.

Customer loyalty is important to study in this research due to the increasingly competitive market conditions. Companies are more aware of the central role of customers in sustaining their business, as without customers, businesses will gradually decline amidst the emergence of new competitors, especially in the insurance sector. Therefore, based on this awareness, companies will prioritize customers as a key factor in their efforts and strive to make customer loyalty a competitive advantage (Hendri Herman, 2018). Supporting research by Windry Setyaning Warsito (2018) defines loyalty as "non-random purchases expressed over time by the same decision-making unit." This implies that a loyal customer will exhibit purchasing behavior defined as non-random, repeated over time by the same decision-maker. Customer loyalty can be identified through several indicators, including regular repeat purchases, cross-product and service purchases, referrals to others, and resilience against competitors' influence.

According to Mowen in DC Ramadhani (2018), consumer trust is the knowledge consumers have and the conclusions they make about objects, attributes, and their benefits. Trust is generally viewed as a fundamental element for the success of a relationship. Without trust, a relationship cannot endure. Sumarwan, as cited by R. Armansyah (2022), explains consumer trust or knowledge as a belief that a product has various attributes and benefits derived from those attributes. Supporting research on customer trust by Prasaranphanich (2011:231), as cited in a study by Luh Ketut Ari Anggarawati et al. (2022), states that when consumers trust a company, they are more likely to make repeat purchases and share valuable personal information with the company because trust plays a critical role in building long-term relationships between customers and companies, especially regarding the customer's trust in the quality, reliability, and integrity of the company's services.

Regarding company commitment, Robby Tanod Mamusung's (2020) journal states that these findings align with the Commitment-Trust Theory, which posits that commitment and trust are two factors underlying marketing interactions that lead to successful relationships, thereby enhancing customer trust and ultimately leading to more frequent purchases, which can increase customer loyalty. The more committed a company is through the services provided, the better customer loyalty will be. Research suggests that commitment is the core of all successful working relationships and a crucial guideline in achieving long-term success with customers. Supporting research on

company commitment by Pongky Arie Wijaya (2017) states that company commitment is a desire to maintain a long-term relationship, thus building a valuable connection between customers and the company, with trust being built on a foundation of mutual commitment. The strong desire of customers to maintain a long-term relationship with the company can be measured through feelings of belonging and participation in supporting and considering the company's success. Strong commitment can also eliminate obstacles in maintaining customer relationships.

Zulganef (2002: p.103), as cited in Yonatan Sulle (2021), defines commitment, according to Moorman, as a desire to maintain a long-term relationship (enduring desire). Moorman et al., as cited by Rendy Ahmat et al. (2023), define commitment as a desire to uphold the value of a relationship. Thus, a key factor in marketing interactions that can create successful relationships is company commitment, which will strengthen customer trust, leading them to make more purchases and potentially increase customer loyalty. In other words, the stronger the company's commitment, the higher the customer's trust, which can foster customer loyalty.

The object of this study is traditional life insurance customers in South Tangerang City, Banten Province, with a sample of 100 people who have held insurance policies for more than two years. Another interesting aspect raised in this study is based on a preliminary survey of 10 respondents, who indicated that they made repeat purchases, cross-product purchases, were not influenced by competitors, and recommended service products to others, though with a low average score. Similarly, the preliminary survey on customer trust and company commitment indicated deficiencies, as customers felt they did not fully trust the credibility of their chosen insurance company or the life insurance product benefits payable in the event of risk. Thus, it can be interpreted that the number of traditional life insurance customers is gradually declining. This decline is also due to the emergence of a superior product, unit-linked life insurance, which offers both protection and investment benefits, while traditional life insurance only provides protection. Consequently, many traditional life insurance customers are switching to unit-linked products. Additionally, in society, insurance products are not yet a priority for protection, and thus there is not yet a strong perceived need to purchase life insurance to protect families from future risks. The following is secondary data supporting this research:



Figure 1.1 Total Customers Agree to Be Insured

A survey conducted by Inventure with Indonesian consumers found that 78.7% of 629 respondents consider having life and health insurance important. The full results of the survey will be written in an ebook titled "Indonesia Industry Outlook 2021: Industry Megashifts Post COVID-19". "The pandemic disaster became a blessing in disguise for the insurance industry because it created urgency among the public to use insurance services to protect themselves and their families."

Research on insurance awareness states that insurance awareness is a condition where an individual understands a particular insurance product. Understanding an insurance product can be defined as knowing and comprehending the product. Life insurance awareness is when an individual realizes the importance of using life insurance products. This will encourage someone who understands the importance of insurance products to decide to use them (Hermawati, 2019). Based on the above explanation and current phenomena found in the research area, the Insurance Mindedness of Indonesian society has shown that they trust insurance companies, especially private sector companies, as institutions that can provide protection for health and life. This is in line with the rapid growth of the insurance industry in Indonesia, where individuals or entities require insurance services to protect their assets.

LITERATURE REVIEW

Research by Scanzoni (2000) in Hairul Anam (2018) suggests that company commitment is the highest level in building relationship strength and provides long-term benefits for both parties involved. As an aspect of relationship marketing, company commitment is a continuous desire to build a valuable relationship (Moorman, Zaltman, and Deshpande, 1992). This shows that company commitment will exist if the relationship is truly considered important. In the literature of social exchange, commitment is also discussed in depth. McDonald (1981) in Hairul Anam (2018) also states that what differentiates types

of social exchanges is the quality of social trust and the commitment produced as part of an individual's effort to build and maintain relationships. This opinion is supported by Berry and Parasuraman (1991), who emphasize that the quality of commitment is a crucial factor in succeeding in relationships that will lead to long-term partnerships, whether regarding products or the company, to achieve customer loyalty. Fullerton's study (2003) in Hairul Anam (2018) shows that company commitment has a positive influence on customer loyalty. This study supports the findings of Pritchard, Havitz, and Howard (1991), which demonstrate the influence of customer commitment on customer loyalty. Similarly, the research by Denis Lapasiang (2018) shows that company commitment has an impact on customer loyalty. Further supporting research by Bricci et al. (2016) in Robby Tanod Mamusung and Effendy Rasjid (2020) aims to show the main effects of company commitment, trust, and customer satisfaction on customer loyalty. The results show that company commitment has a positive and direct influence on customer loyalty, making it essential for companies to focus on improving team skills, responsibility, empowering employees, and fulfilling commitments to create shared value.

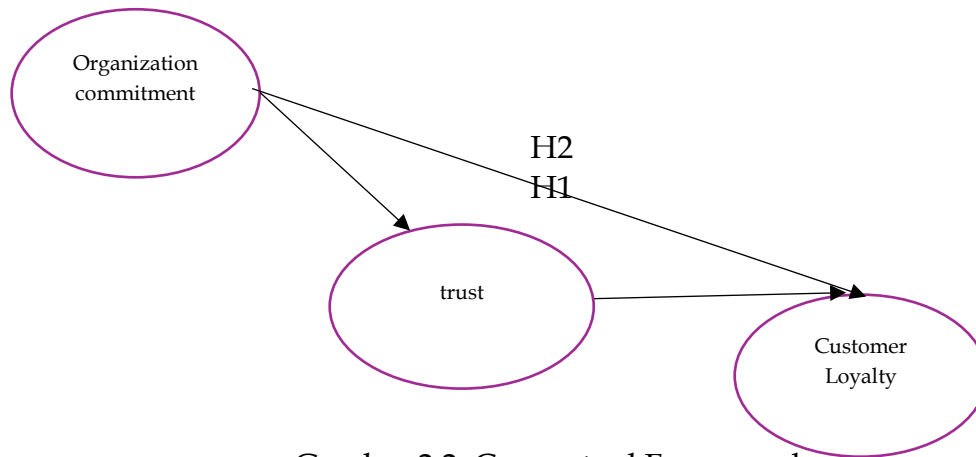
H1: Company commitment has a significant impact on customer loyalty

A journal by Steven Darwin (2016) shows that partnerships with consumers are built on trust and commitment, and consumer loyalty will develop when there is trust in the company and satisfaction with the services provided. Thus, companies that can build and maintain customer trust tend to be more successful in the long term and can increase customer retention. Other research supporting customer trust is by Prasaranphanich (2011:231) in the journal by Luh Ketut Ari Anggarawati et al. (2022), which states that when consumers trust a company, they are more likely to make repeat purchases and share valuable personal information with the company.

H2: Customer trust has a significant impact on customer loyalty

This study supports the findings of Bricci et al. (2016) in Robby Tanod Mamusung and Effendy Rasjid (2020), which show the main effects of commitment, trust, and customer satisfaction on customer loyalty. The results show that company commitment has a positive and direct influence on customer loyalty, making it essential for companies to enhance team skills, responsibility, employee empowerment, and fulfill commitments to create shared value. Further research by Hilda Fauziyah (2023) shows that customer involvement has a positive effect on customer loyalty. This aligns with Fullerton's study (2003) in Hairul Anam (2018), which shows that company commitment positively impacts customer loyalty. This study supports Pritchard, Havitz, and Howard (1991) who found that company commitment influences customer loyalty. Additional research by Dedi Darusman (2018) shows that trust positively and significantly affects customer loyalty, and both trust and commitment simultaneously have a positive and significant effect on customer loyalty.

H3: Company commitment has a significant impact on customer loyalty through customer trust.



Gambar 2.2. Conceptual Framework

METHODOLOGY

The population in this study consists of all policyholders of traditional life insurance products in South Tangerang City, totaling 100 respondents. Since the population size is quite large, a portion of the population is taken to represent the entire population, which is called a sample. The principle is that the sample size should be 5 to 10 times the number of indicators in the study. Meanwhile, for the chi-square test in the SEM model, which is sensitive to sample size, a good sample size is typically between 100-200 for the Maximum Probability Estimation technique (Ferdinand, 2014). If we calculate using the sample calculation formula in SEM analysis, the sample size is the number of indicators multiplied by 5-10 parameters, with a minimum sample size of 100 respondents. This study uses 10 indicators, so 10 of these indicators are multiplied by 10, which results in a sample size of 100 respondents. The sampling technique used in this study is random sampling. According to Sugiyono (2016), random sampling is a technique where anyone who randomly meets the researcher may be selected as a sample, as long as they are considered suitable data sources. This study uses data collection methods such as questionnaires and documentation, and the data sources include both primary and secondary data. The instrument feasibility tests used are validity and reliability tests. The data analysis method in this study uses SEM (Structural Equation Modeling). According to Ferdinand (2014), SEM is a set of statistical techniques that allow testing of relatively complex relationships simultaneously. SEM analysis can identify construct dimensions and, at the same time, measure the influence and relationship levels between factors identified by those dimensions.

RESEARCH RESULTS

About 100 samples were willing to become respondents in this study, consisting of 62% men (about 62 people) and 38% women (about 38 people). The majority of respondents were aged 21-40 years, dominated by the productive age group, and already had stable jobs.

Validity measurement was done by comparing the sig alpha value with the alpha sig table for degrees of freedom (df) = n-2, where n is the sample size. Based on an alpha value of 0.05, the table alpha sig = 0.050. Therefore, there are 36 question items that can be used to continue the research.

Table 1: Hypothesis Testing

If the t-statistic is greater than 1.96, it means there is a significant effect between one variable and another. The results of hypothesis testing are shown in the table below:

Path	Coefficient	T Statistics	Prob	Description
Company Commitment → Customer Trust	0.05	0.60	0.550	Significant, (H1 rejected)
Company Commitment → Customer Loyalty	0.71	6.93	0.000	Significant, (H2 accepted)
Customer Trust → Customer Loyalty	0.26	3.95	0.000	Significant, (H3 accepted)

Based on Table 1, the results of hypothesis testing can be concluded that only the first hypothesis does not show a significant effect between company commitment and customer trust, while the other variables in the hypotheses in this study were found to have a significant effect.

DISCUSSION

The findings of this study indicate that organizational commitment does not have a significant effect on trust, as the T-statistic value is 0.60, which is less than 1.96. This means that the hypothesis "organizational commitment affects trust" is rejected. This result contradicts previous studies, such as the research conducted by Muhamad Rifa'i (2020), which found that consumer commitment had a significant impact on consumer trust.

CONCLUSIONS AND RECOMMENDATIONS

Based on the statistical tests and analysis conducted, the following conclusions were drawn: organizational commitment does not have a significant positive effect on the trust variable, meaning the hypothesis is rejected. Organizational commitment has a significant positive effect on customer loyalty,

meaning the hypothesis is accepted. Lastly, trust has a significant positive effect on customer loyalty in the case of traditional life insurance customers, meaning the hypothesis is accepted.

ADVANCED RESEARCH

The limitations of this study include a sample size of only 100 respondents, with the scope of the research focusing solely on customers who have traditional life insurance products, excluding other insurance products that customers may have. Additionally, the study was conducted in the South Tangerang area. It is deemed necessary and important to conduct further research to provide a more comprehensive study.

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