

ANALYSIS OF SERVICE QUALITY, PERCEIVED VALUE AND CUSTOMER SATISFACTION TOWARDS CUSTOMER LOYALTY IN INSURANCE INDUSTRY – CASE STUDY OF PT. SYNERGY ADHI MANUNGGAL

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Abstract

The purpose of this research is to study and analyse the impact of service quality, perceived value, and customer satisfaction towards customer loyalty in insurance industry – case study of PT.Synergy Adhi Manunggal. The primary data was obtained by using the questionnaires to 100 customers of PT.Synergy Adhi Manunggal. The data is analysed using Structural Equation Modelling (SEM analysis to test the hypotheses). Finding of this research shows that service quality, perceived value, and customer satisfaction have a significant positive influence towards customer loyalty. In conclusion PT.Synergy Adhi Manunggal must be able to understand the effect of service quality, perceived value, and customer satisfaction towards customer loyal. It will be a great challenge for the PT.Synergy Adhi Manunggal in preparing their strategic plan in maintaining customer loyalty.

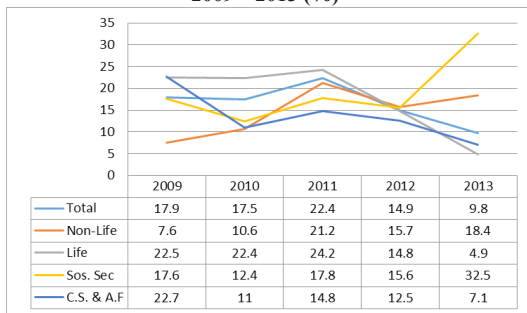


Service Quality, Perceived Value, Customer
Satisfaction, Loyalty, Insurance.

I. INTRODUCTION

Insurance has been a growing sector in Indonesia for the last couple years. The insurance sector of Indonesia holds up to 10% of financial sector asset (IMF 2013). In total, we could highlight that insurance performance in Indonesia had experienced a downturn growth. The gross premium in 2013 was the lowest point by 9.8% since 2009. It was suspected due to downturn in economic performance within the period. Up to 2011, the most preferred choice was life insurance subsequently decreased afterwards. Since 2012, the administering social insurance and social security programs had experienced sharp increase due to higher demand for this insurance option. The same performance also occurred in non-life insurance as many people considered it as long-term investment for the future. Figure 1.1 below exhibits the growth of gross premium of insurance in Indonesia over the 2009 – 2013 periods.

Figure 1.1: The Growth of Insurance Gross Premium 2009 – 2013 (%)



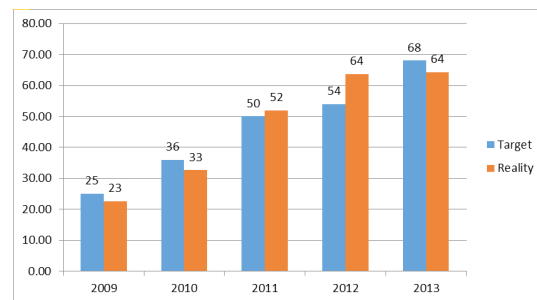
Source: OtoritasJasaKeuangan (2013)

Established in 1995, Prudential Indonesia is one of the 49 life insurance companies operating in Indonesia. It was a joint venture between two huge organizations that established PT Prudential Bank Bali Life Assurance. Unit linked insurance program is a blend of risk cover and

investment. The premiums customers paid are utilized for insurance protection and the other portion of premium is for investment in multiple equity and debt scheme. PT Prudential Life Assurance has become a market leader of this product classification in Indonesia. The market shares of top 10 players is shown in Figure 1.2. The leading two players are Prudential and AXA Mandiri; however, while Prudential increased its market share from 23% to 24% in 2014, AXA Mandiri’s market share reduced from 12% to 9% during the same period.

As of 30 June 2014, Prudential Indonesia has its head office in Jakarta and branches in Surabaya, Medan, Denpasar, Batam and Semarang. Based on the report of Prudential I (2013), Prudential has more than 2.3 million clients across Indonesia and more than 200,000 sales executives in 371 agencies. PT. Synergy Adhi Manunggal is one of 371 agencies in Indonesia. PT. Synergy Adhi Manunggal was established in 27 July 2007. It is located at Central Jakarta and has over 2100 agents, 95 managers, 25 employees. The office manager of PT. Synergy Adhi Manunggal stated that the company has difficulties in improving their sales of repeat purchase, even though PT. Synergy Adhi Manunggal already increased the capacity for their sales force and after-sales service. (Setiawan, 2015).

Figure 1.2: The target repeat purchase in PT. Synergy Adhi Manunggal



Source: (PRU Smart Synergy, 2009 - 2013)

Figure 1.2 shows that target is not achieved. In 2009 PT. Synergy Adhi Manunggal targeted that they could achieve IDR 25 billion, but in fact only achieved IDR 22.5 billion; same thing goes to 2010 and 2013 in which they targeted the annual target by respectively IDR 36 billion and IDR 68 billion but they only achieved IDR 32.7 billion and IDR 64.3 billion respectively; it is suspected that the target were not achieved due to lower customer satisfaction (Setiawan E., 2015). Based on interviews with the office managers of PT. Synergy Adhi Manunggal, the new agents provide poor quality customer service since they made unrealistic and oftentimes untrue promises to get customers. When customers want to claim or had a problem with their life insurance policy, the agent did not stand by to serve the customer and at this time the customer knows that the agents do not perform well and decided not to buy an insurance policy anymore. Furthermore, in today's competitive insurance business customers expect fast and efficient service.

Customer loyalty is the degree to which customers create a repeat purchase behavior from a product or service (Kheng, Mahamad, Ramayah, & Rahim, 2010). With customer loyalty, it trigger customer to buy more product or doing repeat purchase behavior from the company. Customer loyalty itself gained by creating good service quality, perceives value and satisfied customer. Advantage of having customer loyalty is it can increase profit for the company. For example, this study discuss about insurance company. When customer happy with the service of the agent, it means the customer trust and buying more product or service in this insurance company.

Repeat purchase is an essential factor in the insurance business industry. One

factor that can persuade customers to make a repeat purchase is the agent having integrity, professionalism and consistency in delivering the service to customers (Singh, Sirohi, and Chaudhary, 2014). Any clients who desire to arrange business with the company can be classified as repeat purchase, and it can be said that it is five to ten times less expensive to keep a client than to get a new customers (Vezifhedust and Farokhian, 2011). There are several variables that influence clients to make a repeat purchase. To differentiate and compete with competitors, companies should deliver high quality of service, and knowledgeable, and sociable employees in order to satisfy the clients. Satisfied clients are a one key to a successful business because client's satisfaction may lead to repeat purchase (Angelova & Zekiri, 2011) and (Syed H, 2010). Furthermore, a customer satisfaction plays a large role enhancing the business. Research has shown that if clients are satisfied with a product or service, they tend to recommend or share an experience with around to five or six peoples (Nelson, 2012). This study research focuses on service quality and customer satisfaction that can affect customer loyalty of PT. Synergy Adhi Manunggal through customer satisfaction

II. THEORY AND LITERATURE

II.1. Service Quality

Service Quality is the primary determinant of both customer satisfaction and customer loyalty, especially in firms in which service is the core product. There are many researchers who have scientifically defined the concept of service quality itself. Zeithaml and Bitner (2003) in the paper of the Impact of Service Quality,

Customer Satisfaction and Loyalty Programs on Customer’s Loyalty, An Evidence from Telecommunication Sector by Sabir, Irfan, Sarwar, and Akhtar (2013) stated that “service quality is one of the major determinants of customer satisfaction”. Parasuraman (1988) in the paper of the Impact of Service Quality on Customer Satisfaction of Mobil Users by Yadaf and Dabhade (2013) defined that service quality as “the degree and direction of discrepancy between the customer’s perceptions and expectations, or the extent to which the service meets or exceeds customer expectations”.

Yadaf and Dabdahde (2013) argued that “service quality is actually a gap between customer’s perception of firm performance and their prior expectation”. In addition, the theory is confirmed by Vazquel et al (2001) in the journal of Service Quality and Its Effect on Customer Satisfaction in Retailing (Naik, Gantasala, and Prabhakar, 2010) that “the service will be considered excellent if perceptions exceed expectations; it will be considered as good or adequate if perceptions are equal to expectations; and it will be considered bad of poor if expectations do not meet the customer’s expectations”. Tam (2004) and Dharmalingam (2011) in the paper of Impact of Service Quality on Customer Satisfaction, A Study on Customers of Commercial Bank of Ceylon PLC Trincomalee District by Navaratnaseelan and Elangkumaran (2014) stated that “customer with higher perceptions of the value of the service results in turn with higher satisfaction and all service quality dimensions became the primary determinant of customer satisfaction”.

This study will use a service quality model modified by (Mehta & Lobo, 2002) to analyze the correlation between service quality and customer satisfaction.

The model recommends 6 dimensions of service quality as shown in the following Table 2.1.

Table 2.1 Dimensions of Service quality

Dimensions	Definitions
Tangibles	It refers to strategic location of building or office, adequate number of office to service customer better and faster, great environment and atmosphere of the office. This consists of providing physical facilities, equipment, personnel and appearance of the employee.
Competence	It refers to employee experience in handling customer problem, fast response claim confirmation and easy to gain information. For the example is the competency of service provider to handle service quickly, accurate, simply and efficiently
Corporate Image	It refers to innovation of creating new product, introducing great product, great agent to serve customer properly and financially stable company. These entire indicators are creating a good brand image of the company in front of society.
Technology	It refers to online customer service, easy online payment and proactive information through telemarketing, e-mail, SMS, online. These indicators are useful in this modern era in providing service more fast and efficient.
Personalized Financial Planning	It refers to providing flexible solutions, convertibility options and providing personalized service. Life insurance commit to long term agreement, in this case customer going through to various life cycle stages in this long time and his alternatives and needs change according to his situation.
Assurance	It refers to well trained and professional agent as well as their skill to convey trust, confidence and how to delivered information perfectly to customers. Comparable from customer way of thinking are clearness in explaining insurance terms and condition, trusting agent when explaining the insurance policy.

Source: Mehta and Lobo (2002)

II.II. Perceived Value

In many of determinant of either customer satisfaction or loyalty concepts, perceived value has been attracting many of researchers’ concern to examine further and deeper. According to Sweeney et al (2010), perceived value is actually “customers’ overall judgment or assessment on the utility or benefit of a product using their existing perception regarding what they have received compared to what they have sacrificed”. We can mathematically argue that perceived value is the total perceived benefits minus total perceived costs. Theoretically,

customers are going to repeatedly purchase a product if their expectations have been fulfilled (Keong, Xiang, Yee, Hsien, and Pei, 2014). Subsequently, Young (2004) in the paper of Investigation of the Relationship between Perceived Value and Customer Satisfaction by Hemayatkar and Mohammadi (2015) argued that “perceived value is defined as an assessment of customer from the cost to obtain a specific good or service and the benefits that receives from a particular product or service”.

The analysis of perceived value employs preferable dimensions as stated by Keong, Xiang, Yee, Hsien, and Pei (2014). They argued that important attributes of perceived value are benefit, coverage, and awareness. In practical, benefit means a situation in which a product or service can either meet or exceed customer expectation. Coverage is actually the range of how far the product or service can meet the expected needs of the customers, while awareness means whether or not the customers really perceive the benefits offered by the products or services as promised in the advertisement.

II.III. Customer Satisfaction

Since the first time people recognized what business is, there are no organizations that can be successful without providing best quality of products and services to satisfy their customers as expressed by Naebzadeh and Fatahi (2009) in the paper of the Impact of Service Quality on Customer Satisfaction: A Study on Customers of Commercial Bank of Ceylon PLC Trincomalee District by Navaratnaseelan and Elangkuraman (2014). In recent periods, there have been many researchers trying to provide best definitions and indicators of customer

satisfaction. In both traditional and online business, customer satisfaction is a very crucial topic (Kadir, Rahmani, and Masinaei, 2011). Furthermore Yadaf and Dahade (2013) argued that customer satisfaction is a “personal feeling or either pleasure or disappointment resulting from the assessment of services provided by an organization to an individual in relation to expectations”. Khan and Afsheen (2012) expressed that qualities of brand characteristics that are offered by a company determine the level of customer satisfaction. In addition, Malik and Ghaffor (2012) stated that “customer satisfaction is in terms of meeting the customer expectations with satisfaction”.

“Customer satisfaction will lead to customer loyalty in the form of repeating purchases” as stated by Oliver (1998) in the paper of the Impact of Service Quality, Customer Satisfaction and Loyalty Programs on Customer’s Loyalty, An Evidence from Telecommunication Sector by Sabir, Irfan, Sarwar, and Akhtar (2013). Furthermore Kotler and Armstrong (1999) in the paper of Service Quality Perspectives and Customer Satisfaction in Commercial Banks Working in Jordan by Mohammad and Alhamadani (2011) argued that “customer satisfaction is the customer’s perception that compares their pre-purchase expectations with post-purchase perception”. Meanwhile Oliver 1997 in the paper of the Factors of Influence Customer Satisfaction and Loyalty, a Study of Tea Beverage in Bangkok by Pattarakitham (2014) stated that “customer satisfaction is enjoyable level when customers buy a product or a service to meet their needs”. Extensive exploration and research has been directed on these two ideas and there is understanding what give contributes to customer satisfaction could be the essential factor to gain competitive

advantage (Siddiqui & Sharma, 2010).

II.IV. Customer Loyalty

In order to maintain the business performance, a company has to do their best in keeping the stable sales growth. The efficient way to do it is to make sure that the customers are loyal since the cost of attracting new customers takes averagely five times higher than keeping the existing customers as stated by Kotler (1999) in the paper of the Impact of Service Quality on Customer Loyalty, a Study of Banks in Penang, Malaysia by Kheng, Muhammad, Ramayah, and Mosahab (2010). The finding is confirmed by Reicheld and Sasser (1990) in the paper of The Impact of Service Quality on Customer Loyalty, a Study of Bank Mali in Seakale City, Guilin, Iran who stated that 5% reduction in the number of existing customers results in 85% losses in the earnings of insurance companies, while 5% increase in customer retention will lead to 25% up to 125%. Thus, "the term of customer loyalty is actually intended to represent the customer behavior of repeat purchase as well as those offering good ratings, reviews, and testimonials" as stated by Kumar and Advani (2009) in the paper of the Impact of Service Quality on Customer Loyalty in the Hotel Industry: An Empirical Study from Ghana by, Poku, Zakari, and Soali (2013). They emphasized that "the loyalty can only be achieved by offering the quality product through offering a firm guarantee or free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, discounts, and other incentive programs or rewards".

In the paper of Perceived Service Quality and Customer Loyalty in Retail Banking in Kenya by Auka, Bosire, and Matern (2013), customer loyalty is defined as

"commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive purchasing of the same brand, despite situational influences and marketing efforts". The paper quoted De Ruyter et al. (1998) who argued that best indicators of customer loyalty are the increase in purchase frequency (repeat purchase) and word of mouth (WOM). In practical evidence, Gitomer (1988) in the paper of Service Quality and its Effect on Customer Satisfaction in Retailing by Naik, Gantasala, and Prabhakar (2010) argued that one half of American business is built upon the informal word-of-moth communication which each of customers will tell nine to ten people averagely.

II.V. Previous Studies

The research refers to several researches with the relevant topic as exhibited in the following table.

Table 2.2 Previous Studies on Customer Loyalty

Paper	Findings
The impact of corporate image and reputation on service quality, customer satisfaction and customer loyalty: testing the mediating role. Case analysis in an international service company. (Salam, Shawky, and El-Nahas, 2013)	<ul style="list-style-type: none"> • There was positive and significant relationship between corporate image and reputation with overall service quality • There was positive and significant relationship between corporate image and reputation with customer loyalty • There was positive and significant relationship between overall service quality and customer satisfaction. • There was positive and significant relationship between customer satisfaction and customer loyalty.
The Impact of Service Quality on Customer Loyalty: A Study of Banks in Penang, Malaysia (Kheng, Muhammad, Ramayah, and Mosahab, 2010)	<ul style="list-style-type: none"> • Tangibles performed no significant impact on customer loyalty • Reliability performed positive but not significant impact on customer loyalty • Responsiveness performed no significant impact on customer loyalty • Empathy performed positive and significant relationship with customer loyalty • Assurance performed significant relationship with customer loyalty • Customer satisfaction significantly mediated all service quality dimensions (tangible, reliability, responsiveness, empathy, and assurance) to customer loyalty
Impact of service quality, trust and perceived value on customer loyalty in Malaysia services industries (Rasheed and Abadi, 2014)	<ul style="list-style-type: none"> • Service Quality performed positive and significant impact on Trust • Service Quality performed significant and positive relationship with Perceived Value • Trust performed significant and positive relationship with Customer Loyalty • Perceived Value performed positive and significant relationship with Customer Loyalty

II.VI. Research Hypotheses

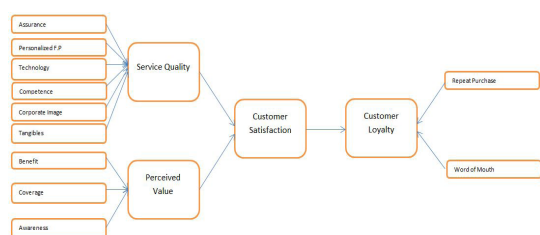
Hypothesis #1: Service Quality has a significant influence on Customer Satisfaction.

Hypothesis #2: Perceived Value has a significant influence on Customer Satisfaction.

Hypothesis #3: Customer Satisfaction has a significant influence on customer Loyalty.

In detail, those hypotheses are explained by the following empirical model.

Figure 2.1 Research Model



III. METHODOLOGY

The population of the research is obtained from PT. Synergy Adhi Manunggal customers who domicile in Jakarta, Bogor, Depok, Tangerang, and Bekasi. Moreover, the customers are chosen based on the status in which they have actively been the customer for at least one year. Sampling means a certain level or characteristics of group of population chosen to represent the behavior observed in the analysis. Sampling method is detailed into probability method selected using random sampling in which any individuals in the population has the potential to be selected as well as avoiding the sampling error and also non-probability method in which there are certain characteristics that have to be the most consideration to determine

the sample in a population (Malhotra, 2010).

As the population is unlimited / unknown, the minimum number of sample is 97 samples using the above calculation; however in this research the number of samples will be used are 100 samples assuring adequate sample for the questionnaire. The larger the number of samples will produce greater sufficiency. The research employs the likert scale of 1 (strongly disagree) to 5 (strongly agree). The likert scale enables respondents to express their disagreement or agreement level on statement related to a certain object. The strength of likert scale is easy to construct, easy to distribute and easy to understand. The weakness is that the likert scale requires longer period to run. The paper uses the likert scale of 1 = strongly disagree until 5 = strongly agree.

IV. RESULT

IV.I. Validity Test

The questionnaire are distributed to 30 respondents with total 26 questions that are designed using Likert-scale during pre-test. Table 4.1 below shows case processing summary.

Table 4.1: Case Processing Summary.

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Case Processing Summary

		N	%
Cases	Valid	30	100,0
	Excluded ^a	0	,0
	Total	30	100,0

a. Listwise deletion based on all variables in the procedure.

Based on the Pearson Correlation Coefficient validity test, the variables of (1)Service Qualitywith six indicators, (2) Perceived Value with three indicators, (3)

Customer Satisfaction two indicators, and (4) Customer Loyalty with two indicators are valid because the correlation coefficient is more than 0.361 (for n=30) (Pearson Correlation Coefficient Table, Appendix 1 and Appendix 5).

After collected pre-test, post-test was conducted to 100 respondents.

IV.II. Reliability Test

Table 4.2 below shows that the result of reliability test. All factors of Service Quality variable are reliable because the result is greater than 0.70.

Table 4.2: Reliability Test Result of Pre-test: Service Quality

Variables	Cronbach's alpha	N of Items	Outcome
Assurance	0.893	2	Very Good
Per.Financial Planning	0.896	2	Very Good
Technology	0.922	2	Excellent
Competence	0.888	2	Very Good
Corporate Image	0.715	2	Good
Tangibles	0.876	2	Very Good

Source: SPSS Output

Therefore, all the questions of Service Quality variable are included in the second stage questionnaires distribution. Table 4.3 below shows that the result of reliability test. All factors of Perceived Value variable are reliable because the result is greater than 0.70.

Table 4.3: Reliability Test Result of Pre-test: Perceived Value

Variables	Cronbach's alpha	N of Items	Outcome
Benefit	0.748	2	Good
Coverage	0.868	2	Very Good
Awareness	0.887	2	Very Good

Source: SPSS Output

Therefore, all the questions of Perceived Value variable are included in the second stage questionnaires distribution. Table 4.4 below shows that the result of reliability test. All factors of Customer Satisfaction variable are reliable because the result is greater than 0.70.

Table 4.4: Reliability Test Result of Pre-test: Customer Satisfaction

Variables	Cronbach's alpha	N of Items	Outcome
Expectation	0.957	2	Excellent
Service Product	0.734	2	Good

Source: SPSS Output

Hence, all the questions of Customer Satisfaction variable are included in the second stage questionnaires distribution. Table 4.5 below shows that the result of reliability test. All factors of Customer Loyalty variable are reliable because the result is greater than 0.70.

Table 4.5: Reliability Test Result of Pre-test: Customer Loyalty

Variables	Cronbach's alpha	N of Items	Outcome
Repeat purchase	0.978	2	Excellent
Word of Mouth	0.917	2	Excellent

Source: SPSS Output

Hence, all the questions of Customer Loyalty variable are included in the second stage questionnaires distribution. All variables used in this study provided good reliabilities (reliability coefficients > 0.70), meaning all the Likert-type questions are reliable because the Cronbach's Alpha is greater than 0.70 (Sekaran and Bougie, 2009, p.325). Based on the Pearson correlation coefficient validity test result, all questions are valid because the correlation coefficient values are greater than 0.361 and the questions in the variable is declared reliable. Therefore, these questions are acceptable.

IV.III. Goodness of Fit

Hair et al. (2010) mentioned that measurement model validity depends on establishing acceptable levels of Goodness of Fit (GOF) for the measurement which indicates how well specify model reproduces the observed covariance matrices, smaller the difference between covariance matrices estimate with the

observe covariance matrices, more fit the model. The GOF value contains several parameters to be considered by the researcher. By utilizing AMOS software ver.22.0, the overall model fit the parameter is shown in Table 4.6.

Table 4.6: Goodness-of-fit model

No.	Goodness-of-Fit Index	Cut-off Value	Value	Result
1	Chi Square	Smaller value from a model is better	61.474	Good Fit
2	The Minimum Sample Discrepancy Function (CMIN/DF)	≤ 5.00	1.983	Excellent
3	The Root Mean Square Error of Approximation (RMSEA)	≤ 0.08	0.024	Excellent
4	Goodness-of-Fit Index (GFI)	≥ 0.90	0.968	Excellent
5	Adjusted Goodness-of-Fit Index (AGFI)	≥ 0.90	0.895	Good Fit
6	NFI (Normed Fit Index)	≥ 0.90	0.941	Good Fit
7	Comparative Fit Index (CFI)	≥ 0.90	0.907	Good Fit

Source: (Patrick, 1997; Hair, et al. 2010) and Amos Output

The fit indices shown in Table 4.6 have reached the requirement of standardization. All model fitness contribute a good result, the model of the plot with the information observed is matched. According to Table 4.7, all of the criteria that determine the overall fit of the model CMIN/DF (1.983), GFI (0.968), AGFI (0.895), CFI (0.907), and RMSEA (.024), were acceptable, which indicated that model fit was good. Therefore, the assumption of causal model which has been explained before already provides a statistical support.

IV.IV. Hypothesis Analysis Result

This section is aimed at interpreting results and testing of the hypothesis formulated in the study:

Table 4.7: Standardized regression coefficient of service quality and perceived value on the customer satisfaction

No	Factors	Standardized Regression Weights (r)	Square Correlation R ²	P-value	Strength of Association	Result
1	Service quality	0.72	52%	0.000	Strong	H1#1 is accepted
2	Perceived value	0.65	42%	0.000	Strong	H1#2 is accepted

Source: Amos Output

The percentage show that Service Quality factor is the strongest influence

customer satisfaction with standardized regression weight of 0.72 ($p=0.000 < 0.05$, sig.) or 52% contribution of the changes in customer satisfaction, and shows a “strong” association. Second most influence is Perceived Value factor with standardized regression weight of 0.65 ($R^2 = 42\%$, $p=0.000 < 0.05$, sig.). Regarding to the maximum correlation of 1.0, these standardized regression coefficients are highly positive. Hence we can assume that a high score on the service quality and perceived value will tend to be paired with a high customer satisfaction. Therefore, the hypothesis H0#1 is rejected and the hypothesis H1#1 which states that “Service quality has a significant influence on customer satisfaction” is accepted. This hypothesis supports and proves that the service quality plays a significant influence on the overall customer satisfaction. This fundamental concept reiterates that the insurance industry should focus on the service quality to increase the customer satisfaction. This positive results support the theories and the related studies indicate similar results from Deng et al. (2010), Lai et al. (2009). Bastos and Gallego (2008) provide evidence that customer service quality directly affects satisfaction. Hence, customers with high perceived service quality also have strong satisfaction.

The hypothesis H0#2 is rejected and the hypothesis H1#2 which states that “Perceived value has a significant influence on customer satisfaction” is accepted. This finding is consistent with Madelano et al. (2007) result that perceived value directly relates to customer satisfaction. Aali et al. (2012) says perceived value has a positive influence on customer satisfaction. These findings show that service quality and perceived value are solutions to increase customer satisfaction. They can be used

as predictors of consumer satisfaction. Like other company, insurance company has the opportunity to create loyal and satisfied customers by offering a high service quality. According to the data output, it is shown that all of the standardized regression weights are high; over 0.50, accept Technology. It indicates that the highest contributing factor to service quality is Assurance, with a standardized regression weight of 0.86 or 74% contribution of the changes in service quality, and shows a “very strong” association.

Table 4.8: Standardized regression coefficient of customer satisfaction on the customer loyalty

No	Factors	Standardized Regression Weights (r)	Square Correlation R ²	p-value	Strength of Association	Result
1	customer satisfaction	0.78	61%	0.000	Strong	H1#4 is accepted

Source: Amos Output

The result of AMOS software in Table 4.8 demonstrates the standardized regression coefficient of customer satisfaction toward customer loyalty; the p-value (Sig.) of customer satisfaction in the Table 4.23 is 0.000, less than 0.05 significant levels. It can be defined that customer satisfaction has 61% significant relationship with customer loyalty and strength association “strong”. Hence, probability value (p – value) < 0.05 then H1#4 is accepted. The level of customer satisfaction is important in determining the customer loyalty. According to Kim and Lee (2011), customer satisfaction has been found to be a significant factor to determine the customers’ loyalty. When customers are satisfied with a product or service, they would go back to purchase more and this creates repeat purchase.

Table 4.9: Standardized regression coefficient of word of mouth and repeat purchase on the customer loyalty

No	Factors	Standardized Regression Weights (r)	Square Correlation R ²	p-value	Strength of Association
1	Repeat purchase	0.77	59%	0.000	Strong
2	Word of mouth	0.68	46%	0.000	Strong

Source: Amos Output

The standardized regression coefficient between customer loyalty with repeat purchase and recommendation (WoM) shows positive relation. The standardized regression coefficient of customer loyalty toward repurchase intention is 0.77 (the p-value=0.000, less than 0.05, sig.) or customer loyalty has 59% significant relationship with repurchase intention and strength association “strong”. The second contributor is word-of-mouth with standardized regression coefficient of 0.68 and account for 46 percent loyalty. This shows that loyal customers will lead to repeat order and also, will recommend the experiences to other people. Moreover, the results are encouraging for insurance company as very much satisfied customers would like to recommend this company to others.

V. CONCLUSION

The empirical finding indicates that PT. Synergy Adhi Manunggal has been successful to deliver best service quality to customers. The statistical output shows that service quality offered by the firm has been successful in satisfying the customer. It indicates that service quality becomes one of the major factors of customer satisfaction. It eventually explains that customers believe that they enjoy high quality service offered by the firm. Moreover, the result shows that perceived value offered by the company has been successful as well to satisfy the customer. It indicates that the products are able to provide high benefit (value added) to customers and to meet the customer’s ultimate need regarding the insurance policies. It indicates existing emotional bond between the firm and the customers during the interaction. The next determinant is customer satisfaction that has score of 0.78 or 61% significance of

relationship with customer loyalty. The data shows that the coefficient of standardized regression of customer loyalty on repeat purchase is 0.77 or 59% significant and strong relationship with customer loyalty. The second indicator is word-of-mouth with coefficient of standardized regression of 0.68 and represents 46% loyalty. Even though repeat purchase shows performs significance on customer loyalty of PT. Synergy Adhi Manuggal that both possess positive relationship.

There are six dimensions of service quality determining customer satisfaction and loyalty employed by the research. Service quality dimensions of assurance, personalized financial planning, technology, competence, corporate image, and tangibles should be effectively maintained to improve customer satisfaction and loyalty of PT. Synergy Adhi Manunggal, especially technology dimension that plays least significant role in forming customer satisfactions. It indicates a necessity to enhance the quality of technology by improving the system that connects between internal of firm as well as between the firm and the customers. Technology is actually related to service aspects such as providing more responsive customer services towards any questions, claims, and complaints, continuous updates (email-based subscribe), and periodic notifications in terms of, for instance, premium payment and investment dynamics. In terms of coverage, agents of the firm have to be more clear and proactive in providing information based on customer's current need so that they can choose the products that fully cover their actual demand.

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