The Application of Service Quality and Brand Image to Maintain Customer Loyalty by Utilizing Satisfaction Strategy in Insurance Companies

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ABSTRACT

This study had the following aims: (1) to describe the variable of service quality, brand image, loyalty and satisfaction of Prudential customers; (2) to analyze the influence of variable service quality and brand image on customer satisfaction; (3) to analyze the influence of variable service quality and brand image on customer loyalty; (4) analyze the influence of satisfaction on customer loyalty, and (5) to analyze the influence of service quality and brand image on customer loyalty through satisfaction strategy. There were 86 respondents that were used as a sample in this study. This research employed the structural equations (Structural Equation Modeling) as its analysis technique. The results showed that service quality and brand image had an influence on satisfaction, which meant that the provision of quality services and supported by companies that had good images could increase customer satisfaction. Furthermore, the service quality and brand image influenced Prudential Malang's consumer loyalty. This meant that customer loyalty could be developed through the provision of quality services since customers chose a company that had a good image/perception. Satisfaction affected loyalty. Customer satisfaction was subjective and it oriented towards individuals. Furthermore, it could relate to various aspects including the quality of services provided by the company. Customer satisfaction could be utilized to say positive things and reference for a company. Satisfaction mediated the influence of service quality and brand image on loyalty. This meant that customer loyalty could be developed if the customers were satisfied with the service quality provided by the company and also if the company had a good brand image.

Key Words: Brand image, Customer satisfaction, loyalty, Service quality.

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1. INTRODUCTION

Insurance companies currently face tight competition, where companies should always try to maximally manifest customer's desires. Insurance definition as stated in Article 246 of the Commercial Law Act (KUHD) is an agreement where an insurer is bound with an insured person by accepting a premium. It is meant to give a replacement due to a loss, damage or shortfall of expected profits, which might cause suffering for consumers because of uncertain event. Prudential's insurance company has received trust from customers by receiving the Best Life Insurance Company award (assets above Rp. 25T) from the 2018 International Financial Business Award. By having a motto of "always listening always understanding", Prudential insurance prioritizes service quality in order to achieve customer satisfaction and even customer loyalty on the protection of products offered.

PT. Prudential Life Assurance is an insurance institution and the leading of international financial services originated from London. Prudential's flagship product is life insurance. Prudential has won many awards for the life insurance industry. It is selected as the best life insurance company in Indonesia, based on investors magazine for 11 consecutive years from 2002 to 2013. It is also awarded as the Top Brand Award for 3 consecutive years from 2012 to 2014 and gains also various other awards. The awards show that Prudential has a positive brand image and is well known to the public when it is compared to similar companies.

Prudential Insurance is one of the ways to fulfill the safety feeling and the uncertainty factor that occasionally occur in life. Prudential strives to provide the best by presenting sharia and conventional insurance options with flexible payment options and protection products which include education, health, investment, and inheritance. However, Prudential insurance in Malang faces competition from other insurance companies that also offer a variety of protection products with competitive premium and convenience levels.

Insurance is a form of service business where every insurance company will try to provide a maximum service of products or services to customers. One of them can be done through the dimensions of service quality. The services' quality should start with customer needs that end up at customer satisfaction. Customer satisfaction is very important for each organization, but some studies show that satisfying customers only is not enough. Because it does not guarantee that satisfied customers will become loyal customers. This can be used as a guide by companies so that consumers can trust the company's products which are offered and do repeat purchase. Many companies rely on consumer satisfaction as a guarantee of success but later, are disappointed to find out that satisfied consumers can also buy competing products without hesitation (Griffin, 2002).

Based on the increasing competition level of insurance service companies and the needs of Malang citizens of protection for themselves and their families, researchers are interested in testing satisfaction as an intermediary between service quality and brand image on customer loyalty.

The purposes of the study are: (1) to describe the variables of service quality, brand image, loyalty, and customer satisfaction (2) to analyze the influence of service quality and brand image variables on customer loyalty; (3) to analyze the influence of satisfaction on the customers loyalty; and (4) to analyze the influence of service quality and timeline comparison on customer loyalty through satisfaction.

2. LITERATURE REVIEW

2.1. Customer Loyalty

Customer loyalty becomes an important concern of researchers and business people because of its strategic value asset that can increase the number of sales at a lower cost than finding new customers. According to Griffin (2002: 4), loyalty is defined as non-random purchase expressed over time by some decision-making unit. There are four characteristics of loyal customers, namely: random events; responders to certain vulnerable times such as purchases; decision making on several similar brand alternatives; functions of psychological processes in decision making.

Aaker (2002: 8) defines brand loyalty as "a measure of the attachment that a customer thas to a brand".Brand loyalty shows the existence of a bond between customers with a particular brand and this is often characterized by a repeat purchase from customers. Mowen (2002: 109) argues that loyalty can be based on the actual purchasing behavior of products that are related to the proportion of research.

According to Zeithaml et. al. (2009: 38), loyalty to a product or brand can be measured through a number of attributes: saying positive things about the products to others; recommending others who ask for products' information, doing more business or purchasing in some future time.

In this study, customer loyalty is a way for customers to express their feeling on the products offered, namely by buying regularly, referring to others, and being immune to competitors' products. The indicators used are: saying positive things, referring to other customers and making more purchases in the future.

2.2. Satisfaction

Consumer satisfaction is not an easy thing to be defined. There are various kinds of understanding which are given by experts. According to Tjiptono (2004: 349), customer satisfaction is customer response on the evaluation of the perceived inconsistency between customers previous expectations (or other performance norms) and the actual performance which is experienced by customers after product usage. Furthermore, Tjiptono (2004: 348) defines satisfaction as an emotional response to consumer evaluation of the experience after product or service consumption. On the other hand, a different view is stated by Kotler (2006: 177). He says customer satisfaction is the level of one's feelings after comparing the performance which is felt by the customer after making a comparison with their expectations. In general, customer expectations are the estimation of customers' confidence about what will they accept when they buy and consume a product. On the other hand, the customer's perceived performance is "customers' perceptions of what is received after they consume purchased products."

Basically, the understanding of customer satisfaction includes the difference between the level of importance and performance or costumer's received results. Rangkuti (2003: 125) says that this understanding can be applied to the assessment of satisfaction or dissatisfaction with a particular company since it is closely related to the concept of customer satisfaction. Satisfaction in this study is measured by indicators, overall satisfaction, confirmation of expectations, and perceptions of performance.

2.3. Service Quality

According to T Kottler (2006: 57), the understanding of service quality is "Quality is the totality of features and characteristic of product or service that bear ton it's ability states needs".This means that quality is the overall characteristics and quality of a

product or service which is based on its ability to express satisfaction or indirect needs. According to Tjiptono (2007), the quality of a service can be interpreted as an effort to fulfill the needs and speed of delivery within the offset of consumers'expectations.

Quality of a service is the process that includes marketing or operations by involving people, the internal and external customers, and fulfilling various statements during the delivery of services (Ariani, 2009: 12). Furthermore, service quality is a long-term cognitive evaluation given by the customer in relation to the service delivery performed by a company on its customers (Lovelock & Wright, 2005: 96).

In this study, service quality is an activity or performance which is offered in the form of non-tangible and non-obtainable by using the following indicators: tangible, reliability, responsiveness, assurance and empathy.

2.4. Brand Image

The following service's characteristics (cannot be seen, cannot be separated, different and quickly damaged) are the factors that distinguish product management and service management. According to Kottler (2006: 607), "image is the set of beliefs, ideas, and impressions that a person holds regarding an object. Peoples attitude and actions toward an object are highly conditioned by that object image". It means that the image is a set of beliefs, ideas, and impressions which are owned by someone towards a particular object who is strongly affected by the object's image. Brand image is a representation of the overall perception of the brand which is made from information and past experience on that brand.

Images are related to the reputation of a brand or a company. The image is the consumer's perception of the quality associated with the company or brand image. According to Aaker, the image format is a collection of associations which were organized into something meaningful (in Harianto&Subagio, 2013). In addition, Keller also states that brand image is a perception of brands consisting of a reflection of consumptive memory to be associated with the brand (Ferrinadewi, 2008: 165). The positive brand image can be seen from consumer's responses to brand association with the brand image. Milferner et al., (2011) reveals that the company's image indicators consist of location, price suitability, service reputation, and promotion. Brand image in this research is a set of beliefs that consumers hold towards particular brands. Furthermore, consumers interpret the product in their mind. The interpretation that comes from that brand is indicated with: quality, trustworthiness, benefits, price.

There are four hypotheses which are developed in this study. First, service quality and brand image have an influence on customer satisfaction. Second, service quality and brand image have an influence on customer loyalty. Third, it is assumed that there is an influence on customer satisfaction with customer loyalty at Prudential Insurance Malang. Fourth, there is an influence of service quality and brand image on customer loyalty through satisfaction at Prudential Insurance Malang.

3. METHOD

Based on the research objectives, this study used causality as its research design. According to Fusion (2014: 14), causality design was an experimental design which was designed to examine the possibility of the existence of a causal relationship between variables. This design generally discussed the causality event which could be predicted by the researchers. Therefore, the researchers could declare the classification of causal variables, intermediate variables, and dependent variables. The approach used in this research was a quantitative approach, the process of which began with the compilation of theoretical models and analysis as the basis for proposing temporary questions (hypotheses), then it would be followed by the operationalization of concepts until it reached the conclusion as a research finding.

Population according to Sugiyono (2016: 148) was the generalization region which was controlled by the object or subject. It had certain qualities and characteristics which were determined by the researcher to be studied and then to be drawn a conclusion. The population in this study was a conventional type of Prudential insurance customer. There were 150 people used as respondents. The sampling technique used in this research was the probability sampling technique. It was a technique that provides opportunities or chances for each element in the population to be selected as a sample. The probability technique used was by employing simple random sampling. Simple random sampling was a simple sampling technique because the sample selection from the population was done randomly without noticing the existing strata within the population (Sugiyono, 2016: 118).

Researchers used structural equation models (Structural Equation Modeling) as data analysis techniques. The structural equation model is the combination of factor analysis, regression and path analysis. The structural equation model could be tested to determine the value of direct, indirect and total influence between exogenous and endogenous variables.

4. RESULT

The method of testing hypotheses was carried out by using path analysis. First, the researchers applied the multiple regression then researchers filtered the results based on the statistical and significance tests. This statistical test could be administered by using the beta standardized coefficient (standard β). If the β value was significant, then the path coefficient was significant. The path coefficients which were not significant were discarded. Significance testing could be done by comparing the significance of the pathway. If the significance value of the path coefficient was less than 0.05, then the coefficient was considered as significant. On the other hand, if the significant value of the coefficient was greater than 1.005, then it was considered to be insignificant. To see the influence of service quality and brand image on customer loyalty through satisfaction is presented in Table 1 below.

Table 1. The Summary of Direct Influence Analysis, indirect Influence Analysis, and Total Influence of Path Analysis

Variables	Direct Influence	T Value	P Value	Indirect Influence	Total Influence
Service quality→satisfaction	0.392	4.026	0.000	-	-
Brand image→Satisfaction	0.422	4.335	0.000	-	-
Service quality→Loyalty	0.218	2.085	0.040	-	-
Brand image→Loyalty	0.396	3.739	0.000	-	-
Satisfaction →Loyalty	0.238	2.213	0.030	-	-
Service quality→satisfaction→Loyalty	0.218	-	-	0.392 X 0.238 = 0.093	0.312
Brand image→satisfaction→Loyalty	0.396	-	-	0.422 X 0.238 = 0.100	0.496

* significant at α 5%.

Based on Table 1, it appeared that the influence of the total service quality variable on loyalty (0.312) was greater than the direct influence (0.218). The same thing also happened for the brand image variable on loyalty, where the total influence was greater (0.496) than the direct influence (0.396). These results indicated that status satisfaction was an intervening variable in the influence of service quality and brand image on loyalty because the total value was greater than the direct influence.
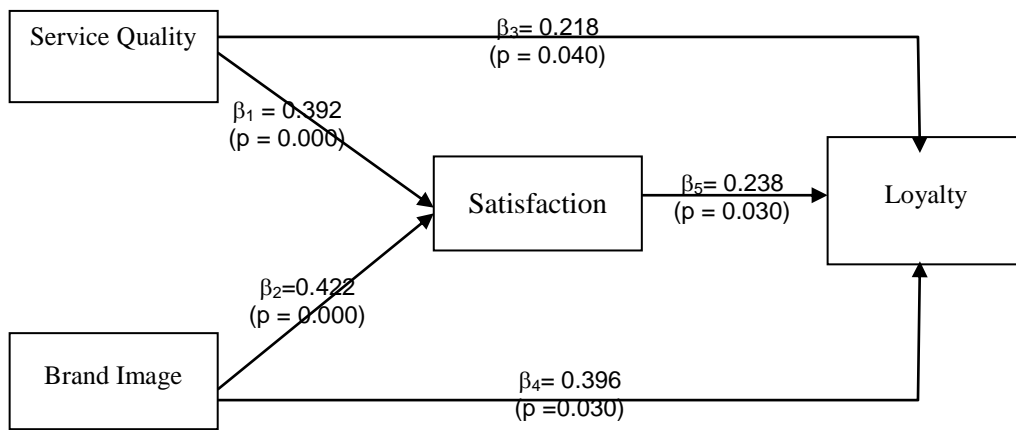
From the hypothesis 1 test, researchers obtained the beta service quality coefficient of 0.392 and t value of l l2,026 l and the p-value of 0,000 which was smaller than p = l0,05 (α= 5%). It meant that service quality had a significant influence on satisfaction. The beta brand image coefficient was 0.422 and the value of t was 4.335 l and the p-value of 0.000 was less than p = 1 0.05 (α = 5%). It meant that the brand image had a significant influence on satisfaction. Thus, the first hypothesis mentioning that there was an influence of service quality and brand image on the satisfaction of Prudential Malang Insurance customers was statistically tested.

From the Hypothesis 2, researchers obtained the beta service quality coefficient of 0.218 and the value of t l of 2.085 l and the p-value of 0.040 was smaller than p = l0.05 (α = 5%). It meant that service quality had a significant influence on loyalty. The beta brand image coefficient was 0.396 and the value of t was 3.739 l and the p-value of 0.000 was less than p = 1 0.05 (α = 5%). It could be stated that the brand image had a significant influence on loyalty. Thus, the second hypothesis stating that there was an influence of service quality and brand image on the loyalty of Prudential Malang Insurance customers was statistically supported.

The test results of hypothesis 3 analysis were as follows: the satisfaction coefficient value was 0.238 and t value of 2.213 l and the p-value of 0.030 was smaller than p = l0.05 (α = 5%). It meant that satisfaction had a significant influence on loyalty. Therefore, the third hypothesis stating that there was an influence of satisfaction with customer loyalty at Prudential Malang Insurance was statistically supported.

The results of hypothesis 4 test analysis indicated that status satisfaction was an intervening variable that could mediate service quality variables because the total influence value was greater than the direct influence. Satisfaction had a status as an intervening variable since it could mediate the brand image variable on loyalty and because of the total influence value was greater than direct influence. Thus, the fourth hypothesis which stated that there was an influence of service quality and brand image on customer loyalty through satisfaction at Prudential Malang Insurance was statistically tested.

Based on the description of hypothesis testing, the path model in path analysis is presented in Figure 1 below.

Service Quality → $\beta_3 = 0.218$ (p = 0.040)

$\beta_1 = 0.392$ (p = 0.000)

Satisfaction → $\beta_5 = 0.238$ (p = 0.030) → Loyalty

$\beta_2 = 0.422$ (p = 0.000)

Brand Image → $\beta_4 = 0.396$ (p = 0.030)

Picture 1 Path Analysis Result

5. DISCUSSION

Service Quality was formed by Tangible, Reliability, Responsiveness, Assurance and Empathy. The main thing that supported Service Quality was empathy. It was reflected in the Prudential Agent good ethics in telephone communication. Communication encouraged every company to be able to achieve success and to capture market share as broad as possible by covering the gap that extended between the company and its customers in order to foster better relations. In addition, employees should also have the ability to communicate well, for example, be polite, friendly, and fully responsible to the customers. It was in line with Kottler's opinion (2006: 67) which stated that quality was the overall characteristics and natures of a product or service, based on its ability to express satisfaction or needs indirectly.

Brand image was formed by quality, trustworthiness, benefits, and prices. The main thing that built a Brand Image was the quality reflected in positive image of Prudential's insurance in the minds of customers. A good image would have a beneficial impact on a company, while a bad image would harm a company. A good image signified that the customer had a positive impression on a company. On the other hand, a poor image meant that the public had a negative impression. As Schiffman and Kanuk (2007) stated before, brand image was a set of associations concerning with a brand which was stored in the minds of consumers.

Satisfaction was formed by overall satisfaction, confirmation of expectations, and perceptions of performance. The main thing that could increase satisfaction was the perception of a company's performance. It was reflected in the hospitality of Prudential agents that could provide satisfaction to customers. Friendliness was an effort to meet the needs and desires of customers and the accuracy of delivery in order to meet customers' expectations. It was in line with Kottler's opinion (2012) stating that satisfaction was a feeling of pleasure or disappointment of someone. It arose by making a comparison of the perceived performance of several products or one's own expectations.

Loyalty was formed by saying positive things, referring to other customers, and making more purchases in the future. The main thing that could increase loyalty was saying positive things. It was reflected in Prudential insurance's quality that made customers did not move to another insurance company. Customers who were loyal to the company would try to defend the company and refer the company to their friends and neighbors.

Service quality had an influence on satisfaction. It could be stated that the higher the quality of services provided by the company, the higher customer satisfaction would be. In order to anticipate the increasingly sharp competition in the insurance industry, companies should be able to provide services that could meet customers' needs and satisfaction. Therefore, it was necessary to do qualified management of services which were offered by the company to meet customer satisfaction. A well-managed service quality would provide good results to meet customer satisfaction. If the customers felt satisfied, it would give benefit to the company.

The brand image had an influence on satisfaction, which meant that the better the brand image, the higher the level of customer satisfaction would be. Brand image originating from experience illustrated the existence of a relationship between customers and the company. The process of forming a brand image took several stages. First, the object knew (saw or heard) the efforts made by the company in shaping the company's image. Second, the object paid attention to the company's efforts. Third, after giving attention, the object tried to understand everything related to the company's efforts. Fourth, the formation of the company's image on the object's mind. Last, the company image formed would determine the behavior of the targeted object on the company. The company's efforts as a source of information on the formation of company image required complete existence. Complete

information was intended as information that could answer the needs and desires of the targeted object. Incomplete information will produce an imperfect image.

Service quality had an influence on loyalty. It implied that customer loyalty could be obtained if the company provided qualified services. Moreover, if the customer received qualified services from the company, the customer would recommend others to use the services of the company since it provided satisfying insurance needs.

The brand image had an influence on loyalty. It could be stated that brand image existed in the minds of customers could be formed directly through customer experience and customer contacts that give rise to trust, attitudes, and impressions. The image became a very important thing for any company because the image was seen as the success projection of marketing activities. Furthermore, it was because the image of a brand became an abstract description of the product caused by marketing activities. Due to its interaction with market perceptions, it had an ability to influence customer perceptions of the products of goods or services offered.

Satisfaction affected loyalty, which meant if the customer repeatedly got a satisfying experience after getting service, the recurring experience would lead to brand awareness. The customer would be willing to return to the company, even though there were influences from other companies to offer insurance services. Customer satisfaction was formed from the overall satisfaction indicators, confirmation of expectations, and perceptions of performance. If those indicators were in line with customer expectations, especially services that met with customer expectations, it would increase customer loyalty to the company, and loyal customers would say positive things about the company, recommend the company to others, and be willing to use the company's return services. Therefore, the company as a service provider should always keep up with customer expectations to create customer satisfaction. Customer satisfaction was a significant matter that could not be neglected in every due to its importance in contributing to towards company's growth and value. If the company could provide a great amount of satisfaction to its customers, customers would feel that their needs were fulfilled by the company in terms of insurance.

Satisfaction could mediate the influence of service quality and brand image on customer loyalty. Customer satisfaction was important for the company, if the customer was satisfied with the services provided by the company, the customer would become a permanent customer (loyal) for the company. Customer satisfaction was always influenced by the quality of interactions between customers and employees who made contact services. It has occurred when the customer interacted with the company to obtain insurance services. This showed that the better the quality of services provided by the company and the better the brand image would be in creating high customer satisfaction and customer loyalty.

6. CONCLUSION

The descriptive results show that Service Quality is formed by Tangible, Reliability, Responsiveness, Assurance and Empathy. The main thing that supports Service Quality is Empathy which is reflected in the Prudential Agent good ethics in telephone communication. Brand image is formed by quality, trustworthiness, benefits, and prices. The main thing that builds a Brand Image is Prudential's insurance quality. It has a positive image in the minds of customers. Furthermore, satisfaction is formed by overall satisfaction, confirmation of expectations, and perceptions of performance. The main thing that can increase satisfaction is the perception of performance reflected in the hospitality of Prudential agents in providing satisfaction to the customers. Loyalty is formed by saying positive things, referring to other customers, and making more purchases in the future. The main thing that can increase loyalty is by saying positive things reflected in Prudential insurance in order to keep the customer from moving to other insurances.

Service quality and brand image have an influence on satisfaction, which means that the provision of qualified services and supported by companies that have a good image can increase customer satisfaction. Service quality and brand image influence loyalty. This means that customer loyalty can be built through the provision of quality services and customers have the perception that the company has a good image. Satisfaction affects loyalty. In addition, customer satisfaction is subjective and oriented towards individuals. Furthermore, customer satisfaction can be related to various aspects including the quality of services provided by the company. Customer satisfaction can develop a company's image by giving space for customers to say positive things and references about the company. Satisfaction mediates the influence of service quality and brand image on loyalty. This means that customer loyalty can grow if the customer is satisfied with the service quality provided by the company and the company's good brand image.

7. SUGGESTION

It is best for the company to provide infrastructure and tools to support the work of its marketing agents. Additional training to improve employees' skills in the insurance field, is also needed. To achieve customer satisfaction, the company should always be

consistent with their products in order to gain more satisfaction by using insurance services. Future researchers are expected to be able to do research development by using another independent variable to give a better influence on loyalty.

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